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The Theory and Practice of Marketing Planning
for Industrial Goods in International Markets

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ABSTRACT

This thesis identifies and evaluates the marketing planning practices of British industrial goods companies operating internationally, and examines the validity of the widespread belief that formalised marketing planning facilitates success.

Part I defines the theoretical framework for marketing planning and describes a logical sequence of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

Part 2 contains detailed case histories describing the marketing planning practices of a sample of industrial goods companies. It also contains a summary of the results of in depth interviews with 385 directors and senior managers from 199 companies covering a broad spectrum of size and diversity, the purpose of which was to establish the extent to which the theory is practised and what the consequences are of either conformity or non conformity.

Part 3 contains conclusions and recommendations from the field-work, which revealed that 90 per cent of British industrial goods companies do not conform with the theory. This was universally true, irrespective of size and diversity. There was widespread ignorance about marketing and confusion about the difference between marketing planning and sales forecasting and budgeting, which encouraged operational managers to perpetuate an essentially parochial and short term view of business, and to extrapolate the business unchanged into the future. There was a commonality of operational problems in those companies not conforming with the theoretical framework, which centred around declining organisational effectiveness, and confusion over what to do about it.

In contrast, those companies with complete marketing planning systems enjoyed high levels of organisational effectiveness, and a high degree of control over their environment.

The major benefit of marketing planning derives from the process itself, rather than from the existence of a plan. This process is itself universal, irrespective of circumstances. However, what is not universal, is the degree of formalisation of the planning system, which is a function of company size and the degree of product or market diversity.

No marketing planning system will be complete unless the following conditions are satisfied: the chief executive has to understand the system and take an active part in it; there has to exist the means of integration with other functional areas of the business at general management level; in a closed loop system, some mechanism has to exist to prevent marketing inertia from over-bureaucratisation; operational and strategic marketing planning have to be part of the same system.

Finally, the introduction of a complete marketing planning system may require a period of up to three years because it has profound organisational and psychological ramifications, requiring, as it does, a change in the way a company manages its business.

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THE THEORY AND PRACTICE OF MARKETING PLANNING
FOR INDUSTRIAL GOODS IN INTERNATIONAL MARKETS

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THE THEORY AND PRACTICE OF MARKETING PLANNING FOR INDUSTRIAL
GOODS IN INTERNATIONAL MARKETS

I.O. OBJECTIVE OF THE RESEARCH

Academic research in the management field sometimes appears to the practising manager to focus attention on 'interesting' aspects of subjects related to business management without much thought being given to its applicability in the real world of business. Black, T.P. (33), during an evening lecture in 1970 to the Institute of Marketing Construction Industry Marketing Group, said:

"The academic view of marketing is rarely seen in real life. We have all had to start off from a position reached by the history, market position, technology and profitability of our respective companies."

The concept of relevancy in academic research is discussed at some length by Wills, G.S.C. (269). He describes a continuum of knowledge from theoretical at one end to moment-by moment trouble-shooting expertise at the other, on which the Business School nestles at the theory end through the exploration of applications feasibility, to the operationalisation or transfer of such knowledge to practising managers.

The case for academic research in the field of management is likely to increase as more and more practitioners discover the need to intellectualise about their chosen profession and see the need to place new ideas in the context of a common theoretical language and framework. Wills sees the major role of Business Schools in this area as being the study and improvement in knowledge about the processes by which knowledge is applied.

One of the dangers of academic research is the tendency to draw large conclusions from narrow bases of research, often the result of pressures to get theses completed within some limited grant aid time constraint. Another is the difficulty of realising that no matter how scientifically objective a researcher sets out to be, his own experiences and values are mixed up in just about every phase of the research. Thus personal values are admitted in the initial choice of the research problem, in the formulation of the problem, the concepts used, the methodology used, the personal role of the researcher and in the presentation of the results. Put another way, there is danger all along the line from issues such as prejudice, experience, deception, confidentiality and in the questions that are asked, how they are asked, and in the values that lurk in some of the concepts presented, which unwittingly get built into survey questions, and so on.

This subject is written about at length by Armistead, N. (18). In his book some practical advice is given on minimising the adverse effects of the researcher's personal prejudices on his work. In particular, four questions have to be asked at the outset of any piece of research.

1. Is my work relevant? Who benefits from the work I am doing? If nobody benefits, how do I feel about that?
2. Is my work merely descriptive, or does it lead to change of some kind? Change in what direction and in whose interest?
3. Is my method an adequate representation of what I am supposed to be studying?
4. Is my sample representative? If so, what is it representative of? With how much confidence can I generalise to the parent population? Do I have any idea of what parent population I am talking about?

This piece of research concerns the process by which marketing knowledge is applied - the process of marketing planning.

The overall objective of the research is to improve the understanding of this process as it relates to industrial goods in international markets, to explore its relevance to commercial success and to make whatever amendments are necessary to the theoretical framework as a result of the research.

Throughout, the researcher attempts to be conscious of the dangers referred to above and to avoid the more obvious pitfalls which lie in the path of such a broad-ranging topic.

It is for this reason that a somewhat lengthy chapter is devoted to a discussion of the methodology used. This is felt to be necessary in view of the somewhat unusual nature of the topic being explored, of the particular research strategy chosen for the investigation, and of the method of presentation of data.

2.0. HYPOTHESIS

The starting point was the hypothesis that the approach of industrial goods companies to marketing planning in U.K. markets is undisciplined, that the process itself is poorly understood, and that such companies are unlikely to use anything but the most rudimentary approaches to marketing planning for their international operations.

This view was formed partly as a result of fourteen years experience as a practising manager in the field of marketing, partly as a result of a number of years experience as a teacher of marketing and partly as a result of an increasing body of published evidence from several independent sources.

Also relevant to this hypothesis is the widely held belief that planning facilitates "success". This means that there could be three possible outcomes of the research. Firstly, if the hypothesis is true, it should be possible to show that this results in poor performance according to some generally acceptable business criteria. Secondly, that the hypothesis is untrue, and thirdly, that the hypothesis is true, but that this does not adversely affect "success".

The thesis is thus directed at identifying and evaluating marketing planning systems in theory and practice, because it is widely believed that the use of formalised marketing planning systems will lead to improved organisation effectiveness.

The study has four major elements:

- (i) the establishment of whether there is a universally accepted "theory" of marketing planning for industrial goods companies engaged in international markets;
- (ii) the extent to which the theory is practised;
- (iii) the extent to which those companies using formalised marketing planning systems are or are not more effective organisations;
- (iv) the extent to which any theoretical framework of this kind can have universal validity, irrespective of company, product or market circumstances.

Definitions of all the terms used in this thesis are given in section 5.0.

3.0. RESEARCH STRATEGY

3.1. Introduction

The obstacles in the path of such a study are many and varied and clearly there have to be severe limitations to the scope of the research.

In outline, the research strategy follows the classical social sciences tradition of a literature review, from which a set of hypotheses is drawn, data collection, analysis and conclusion.

What is fundamentally different is that the whole thesis is more conceptual and exploratory and relies heavily on qualitative rather than on quantitative data and analysis.

A Delphi study conducted by Hampton, G.M. (104) into the problems and challenges of research into international marketing in the 80's and beyond, canvassed the views of leading teachers and researchers around the world in the field of international marketing. One view which emerged from the study was that research into subjects such as industrial marketing, international marketing and marketing planning were unlikely to receive due attention because academic journals show a clear preference for quantitative or fundamental research papers following the classical social sciences tradition.

Yet the point is made that in such subjects it is difficult to build mathematical models or to do a fundamental type of research because:

- (i) there is not much literature to draw hypotheses from;
- (ii) it is difficult to draw a meaningful sample;
- (iii) decisions depend on too many factors to be able to rely on questionnaires or on quantitative techniques.

There is some evidence that such a view can be justified. For example, Cunningham, M.T. and Turnbull, P.W. (76), in their investigation into the reputation and competence of British supplier companies, state:

"Given the nature of the research process and sample selection, we cannot claim the sample to be either random or representative. Indeed, it is in our opinion, an impossible task to define a representative sample of British industry."

Nevertheless, it is essential that research into such areas should have sufficient academic rigour that any conclusions which are drawn have credibility. Otherwise, qualitative research of a conceptual nature runs the risk of being dismissed.

This particular issue caused the writer of this thesis many

problems, which he believes have been satisfactorily overcome. Nevertheless, they are of such fundamental importance that they deserve detailed discussion as part of the explanation of the particular research strategy chosen for this thesis.

3.2. Qualitative versus Quantitative Research

For over two decades much has been written about how qualitative research techniques can be developed so as to overcome the problems inherent in research of this kind.

The particular research strategy adopted for this thesis evolved gradually as the work progressed. A catholic review of books and papers on research methodologies, particularly in the social sciences, helped to clarify the research methodology, to give clearer focus to the data, and to tighten up the statement of the theory emerging from the data. Given the difficult nature of the research topic, this process of refinement could and should continue even after the publication of this thesis.

There are many precedents for this view; Glaser and Strauss (99), writing about qualitative research, place great emphasis on the evolutionary nature of such work, particularly during the fieldwork phase.

"In the beginning, the researcher's hypotheses may seem unrelated, but as categories and properties emerge, develop in abstraction, and become related, their accumulating interrelations form an integrated central theoretical framework - the core of the emerging theory. Perspectives can easily emerge on the final day of the study, or when the manuscript is reviewed. So the published word is not the final one, but only a pause in the process of generating theory."

They feel that the conventional researcher is admonished to stick to his prescribed research design, no matter how poor or irrelevant the emerging data, and that this often leads to theoretical sensitivity being lost. Unanticipated contingencies, new insights, are judged as contaminating the research by the researcher's personal violation of the preconceived impersonal rules. Thus, he is controlled by his impersonal rules and has no control over the relevancy of his data, even as he sees it go astray. For example, if data are being coded and a fresh analytic idea emerges that jolts the operation, the idea may be disregarded because of pre-established rules or just plain routine, thus stifling at that moment the generation of theory.

They also see the root of all significant theorising as the sensitive insights of the researcher himself, which can come at any time and from any source, even striking him after he has concluded the writing up of a long enquiry. They believe that the most important corollary to this is that the researcher can get crucial insights

not only during his research, but from his own personal experiences prior to and after the main thrust of the work.

"Later insights should be fostered deliberately, for they can enrich the theory by forcing elaboration and qualification."

This iterative, developmental process which Glaser and Strauss describe was very much the case in the processing of this thesis.

Nevertheless, they go on to make the point that an insight is of no use to a researcher unless he can successfully convert it from simply being an anecdote into being an element of his theory.

"His job is to transform insights into relevant categories, properties, and hypotheses."

The problem, then, remains of how to apply qualitative research techniques to the subject being investigated. To aid understanding of the particular methodology chosen, the following sections of this chapter are interspersed with references from the literature review of qualitative research techniques."

3.3. Marketing Planning - Can it be related causally to operational effectiveness?

Some evidence is provided in section 4.0. to support the hypothesis as stated, but most of this evidence shows only that many British companies are deficient in basic marketing planning practices compared with major competitors from other nations. There is no evidence that this lack of basic marketing competence resulted directly in loss of sales or market share; although it is tempting to conclude that there is a relationship between them.

In the same way, the hypothesis, if true, would be irrelevant unless it could also be shown that failure to comply with the theoretical framework established in this thesis in some way adversely influenced a company's effectiveness.

Ideally it would be desirable to find a suitable method of comparing commercial performance with planning practices in order to establish whether there is any direct relationship. However, the barriers to establishing a generally acceptable criteria of "success" in relation to the marketing of industrial goods proved to be insurmountable.

For example, some companies rated the ability to obtain any export orders at all as being successful, whilst others rated a given percentage increase in export sales as being successful irrespective of market size and potential. As a general observation, it appeared that many companies, by failing to identify market

potential, were missing many profitable sales opportunities. Nevertheless, for companies apparently satisfied with what they were achieving in export markets, it just was not practicable to "prove" what might have been achieved had a more fundamental approach to marketing planning been adopted.

This view was supported during discussions held by the Doctoral Curriculum Committee at the Cranfield School of Management on the proposal of Davis, B. to correlate "success" with marketing planning practices in the British hotel industry in his PhD study during the years 1979 and 1980. Firstly, "success", as measured in terms of occupancy rates, was seen to be more a function of location and of tourism trends than of any specific planning activities. Secondly, return on investment and other similar financial criteria were considered to be unreliable measures of success in the sense that it could be possible that some companies that continually reinvested in acquisitions, modernisation and expansion programmes could show a lower return on investment at a particular point in time than some companies that did none of these things. There was also the problem of measuring the real profitability in truly comparable terms, between hotel companies which were part of large conglomerates and hotel companies which were independent. There were other barriers to this approach as well, which make a correlation between financial success, however measured, and marketing planning practices, difficult.

The hypothesis on which this thesis is based assumes that formalised marketing planning is becoming increasingly necessary for the survival of a firm. Also it is assumed that financial health is the one criterion of success that matters most. However, the financial performance of a company at a particular point in time is not necessarily a true reflection of the adequacy or otherwise of its planning procedures. For example, good sound planning and management might dictate that a long term investment should be made in a particular product or marketing opportunity which, while reducing profits in the short term, will probably increase profits significantly in the long term. This view may well be sanctioned by a parent company that is prepared to take this risk and make the investment.

Even if it were possible to establish some universally applicable criteria of success and a relationship between these criteria and marketing planning practices, it would still be inappropriate to assume a causal relationship. Other factors, such as those discussed below, may well explain this success. This general difficulty was summed up by Kotler, P. (147) :

"Many top managers believe that a Division's performance in terms of sales growth, market share and profitability reveals the quality of its marketing leadership Actually, marketing effectiveness is not so simple. Good results may be due to a Division being in the right place at the right time rather than the consequence of effective management. Improvements in marketing planning could boost results from good to excellent."

The Concise Oxford English Dictionary defines "success" as "attainment of object." Reference has already been made to the many and varied objectives which any company has. This inevitably means that if one measure of success is to be taken as the degree to which objectives are attained, comparison between different companies will present difficulties. Reference has also been made to quantitative measures of effectiveness related to profitability, such as return on investment. Ackoff, R. (I) referred to "Stylistic objectives." In this connection, Davis, B. (op cit) gave an example of a stylistic objective for a hotel company as "To be seen as providing hotel accommodation the equal of any in the world", and quoted the Savoy Group as being successful in achieving such an objective.

Davis also refers to Lickert's work in the field of non financial performance measures of a largely behavioural kind. Lickert asserts that greater success will accrue to firms that build productive human organisations, through the organisational climate and managerial leadership. The organisational climate elements are given as:

- (i) Communication flow: subordinates know what's going on; superiors are receptive.
- (ii) Decision-making practices: subordinates are involved in setting goals.
- (iii) Concern for persons: the organisation is interested in the individual's welfare.
- (iv) Influence on department: from lower level supervisors.
- (v) Technological adequacy: improved methods are quickly adopted; equipment and resources are well managed.

The elements in managerial leadership are given as:

- (i) Support: listens to subordinates' problems.
- (ii) Team building: encourages subordinates to work as a team.
- (iii) Goal emphasis: encourages best efforts.
- (iv) Help with work: shows ways to do a better job; helps subordinates plan, organise and schedule. (164)

Lickert's work in this field has gone some considerable way towards showing a relationship between management style and financial performance, and this adds yet another dimension of complexity to studies of the kind attempted in this thesis. For whilst it is believed generally that there is a relationship between commercial success and marketing planning practices, it would be naive to measure only these two variables, as it is clear that the determination of organisational effectiveness requires a multidimensional approach, as no single indicator is an adequate test or measure of effectiveness.

This question of human problems was discussed by Wilson, A.C.B., (275) who describes management and planning as an extremely complicated business and gives the example of how a typical capital investment decision is reached by four or five people:

"Some will tend to understand it intuitively, some mathematically, and some will not really accept the problem at all. Put them together on this problem with their different mental processes, their fears and their inadequacies, their personal inter-relationships, their private prejudices and ambitions, and you begin to understand the use of DCF is not quite so simple after all There are many other such complex relationships between the way that decisions are taken in different parts of a business. I believe that in solving these relationships the universal truths that must be respected can only really be taught and understood as rules of stylishness. They cannot be laid down like computer logic, as it were, in the form of a set of techniques or rules of procedure."

Wilson's point is pertinent to this thesis. It is unlikely that planning procedures alone are sufficient for success. In examining overall planning systems, clearly management style and creativity are going to be important determinants of success rather than the system itself. But even here, to quote Wilson, "We must not go overboard on behavioural science idealism, since "stylishness" and creativity are required in varying degrees according to circumstances. For example, the requirement for creativity will not be as high in, say the Army and the Civil Service as in an advertising agency."

Wilson also makes two further points which are very pertinent to this thesis. Firstly, he states that "Most corporate planning methods depend on a large measure of participation for their success. Corporate planning usually requires a high degree of democracy in business ... Many of these systems would wither away in an autocratic or paternalistic environment."

In other words, in some companies intuitive plans could be made and implemented without much reference to the rank and file of the company. This is related very much to Wilson's second point, which is that company size will also have a significant influence on the corporate planning system (and, therefore on the marketing planning system). Wilson states that smaller companies have less need for formalised systems, for a few top managers carry the essentials of their objectives, ambitions and future intentions in their heads.

Newman et al observe: (190)

"The array of values sought by various enterprises is endless, Here are a few: stable employment, filling a specific need of consumers, improving urban slums, assistance to the government of our country, promoting the economic growth of ... Every enterprise, like every individual, pursues several objectives. Theoretically, these objectives could all be converted into one common denominator such as profit, but in practice the conversion becomes so abstract it serves no useful purpose."

This question is pursued in more detail in the literature review. Finally, there is one barrier which could be insurmountable

by any means other than in-depth interviews. This concerns the quality of a firm's marketing objectives and strategies, which will be shown in section 9.0. to be central to successful marketing.

For example, it is obvious that the quality of any plan will be substantially dependent on the information on which it is based. The information on which it is based will in turn be substantially dependent on the quality of a company's marketing information and control procedures. The review of the literature on Marketing Information Systems in section 9.7.2. clearly shows that these are generally inadequate and well below the capabilities of the available technology.

This will obviously reflect in the quality, hence the meaningfulness of a company's marketing objectives. It is not enough, therefore, merely to set out to measure the extent to which companies follow a defined set of planning procedures, one of which will be the writing down of marketing objectives. For a company may well have written objectives, such as, "to sell more of our current range of products to existing customers," but as will be shown later, such an objective is totally inadequate as a meaningful basis for action plans.

Furthermore, the quality of marketing objectives will also be a function of the understanding which a company has of the bases of marketing technology, such as market segmentation, product life cycles, product positioning, and so on.

Already, therefore, at the very outset, it can be seen that the widespread belief that marketing planning facilitates success, (which provided the basic thrust of this research), is open to doubt. Thus, whilst the experience of the researcher himself leads him to support the general view about the efficacy of marketing planning, throughout the research as much emphasis was consciously placed on seeking evidence that marketing planning does not facilitate success, as the reverse. In other words, the researcher was aware of the vital need to have an open mind on the issue under investigation.

The boundaries of this investigation had, therefore, to be fairly wide-ranging and more qualitative than quantitative in their nature. There is in the literature considerable justification for taking this particular stance.

At the heart of Glaser and Strauss' book is the belief that a different perspective is required on the canons derived from rigorous quantitative verification on such issues as sampling, coding, reliability, validity, indicators, frequency distributions, conceptual formulation, construction of hypotheses, and presentation of evidence.

The basis of the guides which they provide to overcome these problems, along with associated rules and procedures, lies in the

discovery of theory from data systematically obtained from research and then illustrated by characteristic examples of the data - what they refer to as grounded theory.

It is possible that the widespread belief that formalised marketing planning is a good thing is a logically deduced theory based on ungrounded assumptions, what Glaser and Strauss refer to as "exemplification". In other words, it is easy to find examples of speculative theory after data has occurred rather than the theory being derived from the data. Therefore, one receives the image of a proof, when there is none and the theory obtains a richness of detail that it did not earn.

Such a view provides yet another warning of the dangers inherent in a piece of research of this nature.

One of the best guides on how qualitative research can be conducted to overcome the problems referred to above remains Glaser and Strauss' work on grounded theory.

There are, nonetheless, many examples of how other researchers have tackled the problem of qualitative research, and before explaining the particular methodology chosen for this thesis, there will be a brief review of some of the most noted of these, and how they relate to the research strategy adopted in this thesis.

3.4. The Case for Qualitative Research and the Development of the Methodology

Argyris (17) argues against the theory of rigorous research. He finds that the central issue is not one of data contamination versus non contamination, but of the conditions under which the researcher can exercise the greatest control over the degree of contamination. His paper on the unintended consequences of rigorous research concludes that there has to be a re-examination of the concepts of rigorousness and preciseness, which imply a degree of precision about the nature of the universe which may not exist.

Webb, E. et al (263) in what is regarded as a classic in the field of social science research, expand on the criticisms levelled by Argyris against rigorousness in research. Their particular complaint is that the dominant mass of social science research is based on interviews and questionnaires, which intrude as a foreign element into the social setting they would describe. They create as well as measure attitudes, are limited to those who are accessible and who will cooperate, and the responses obtained are produced at least in part by dimensions irrelevant to the topic at hand.

But their principle objection is that they are used alone. The issue is not one of choosing among individual methods, rather than of the necessity for a multiple operationism, a collection of methods combined to avoid sharing the same weaknesses, to supplement and cross validate with measures that do not require the cooperation of a respondent and that do not themselves contaminate the response.

It is for this reason that the researcher in this investigation relied on multiple operationism in the collection of data, although the same range of issues were investigated by each different method.

The basis for this decision, apart from the problem of resource constraints, (which will be described below), was that it was too much to ask of one mode of research to bring to light all the important hypotheses subsumed under the population. Also, that only one type of research methodology is not sufficient in the validation process to ensure that any variance reflects that of the trait and not of the method.

An example of the kind of problem referred to by Webb et al can be seen in Barna's (24) study of investment and growth policies in British industrial firms. The author realised that, although the problem to be studied was an economic one, some of the important factors having a bearing on it would be non economic. Thirty five firms of varying size were interviewed in the electrical and food industries. No questionnaires were used, although an attempt was made to collect information systematically. "Firms were asked how they did certain things rather than why they did them, but the answers given almost invariably also revealed motives and attitudes." Barna recognises the danger of the potential non representativeness and truthfulness of those respondents willing to take part, but claims this can be cross checked by reference to a statistical analysis of the firm's records, a claim that could surely be dismissed as simplistic. The actual document itself is very interesting, but makes no attempt to validate the qualitative research, which is presented as factual, leaving the reader wondering about the question of alternative interpretations of the information obtained.

Sommer, R. (236) in his paper on the Hawthorne Dogma, describes a phenomenon where effects are due to suggestion rather than to objective environmental changes. The term Hawthorne Dogma has become pejorative and many PhD's and research papers are dismissed by attributing the results to the Hawthorne Dogma. The principle concern is with single variable experiments and independent - dependent causal chains.

"When one attempts to assess the effects of macro variables such as poverty or unemployment, there are so many concomitants that a single study variable is bound to fail Morale

can rise as a group's external situation deteriorates. Does this prove that external conditions have no effect on morale? Hardly; it would seem to establish the opposite. Environmental changes do not act directly on human organisms. They are interpreted according to the individual's needs, set and state of awareness If monetary reward affected output in a direct and unequivocal manner, industrial psychology could merge with economics."

Sommer's paper is important in the context of this thesis in that at the outset of the research it begins to shed some light on the manner in which the investigations should be carried out. For example, during field interviews, it would clearly be inadequate only to explore the extent to which companies conform or do not conform to some theoretically established process of marketing planning, since there will almost inevitably be major influences upon effectiveness other than the degree of conformity to marketing planning theory. Whilst one of the major tasks is clearly to explore the extent to which companies do or do not conform, there must, therefore, also be some attempt to explore and assess other organisational variables in order to generate the theories referred to by Glaser and Strauss.

The problem of the presentation and analysis of qualitative data has been addressed by many writers. Miles, M.B. (170) describes it as an "attractive nuisance", the major difficulty being that the methods of analysis are not well formulated and have very few guidelines for protection against self delusion, let alone the presentation of unreliable or invalid conclusions. "How can we be sure that an earthy, undeniable, serendipitous finding is not in fact wrong?"

Sieber, S.D. (299), suspects that others do not know much more than he about the arcane process of making sense of large amounts of qualitative data. His review of the state of the art as described in seven well-respected texts on field methods found that the problem of analysis was largely ignored.

His other conclusions were:

1. There was little suggestion in the texts as to how analysis modes might vary according to varying purposes of fieldwork (e.g. generating theory, testing hypotheses, evaluating a programme);
2. Few guidelines were suggested as to when particular analytical approaches might be employed or why.
3. The texts tended to confuse and blur concepts of reliability, validity, generalizability and analysis. He points out that the quantitative view of reliability is in many respects inapplicable in qualitative data collection.

"Certain kinds of reliability must be intentionally violated in order to gain a depth of understanding about the situation (i.e. the observer's behaviour must change from subject to subject, unique questions must be asked of different subjects there is an inherent conflict between validity and reliability - the former is what fieldwork is specially qualified to gain and increased emphasis on reliability will only undermine that unique function."

He stresses the view that qualitative data should be seen as "auditable", "confirmable", and "creditable" rather than as "reliable" and "valid" in the usual sense.

Sieber went on to extract what advice he could, suggesting that good analysis, as described in the texts, generally involved something like the following:

Intertwining of analysis and data collection - this is really only a problem when more than one fieldworker is involved;

Formulating classes of phenomena - this is essentially a categorizing process, subsuming observations under "progressively more abstract concepts";

Identifying themes - making linkages between concepts, noting regularities which have aroused the researcher's curiosity, and perhaps specifying "if - then" hypotheses;

Provisional testing of hypotheses - here as with quantitative data, the analysis looks for concomitant variation, tries to rule out spurious or confounding factors, assess conditions making for greater or lesser concomitant variation, looks for intervening variation and so on.

Sieber's work led to the production of a set of "rules of thumb" for qualitative analysis.

1. "Consider the validity of any particular generalization. Is there supporting evidence from elsewhere in the data? Does it hold true for several different people, roles, groups or occasions? Is there any negative evidence?"
2. "Given a generalization, make a prediction. What else would be true if this generalization were true? Then go and look at the "else" to see if it is there or not."
3. "Test proposition: does X always go with Y, and is it reasonable to think that it causes Z? Are certain conditions necessary for X to cause Z?"
4. "Look at extreme-bias cases: if even the most self-interested role or group gives an explanation which fits

yours, though it's against their interest or bias, then the conclusion is stronger."

However, Miles (op cit) then comments:

"Though these rules of thumb seemed reasonable and desirable, and reduced anticipatory analysis anxiety a good deal, we found that the actual process of analysis during case writing was essentially intuitive, primitive, and unmanageable in any rational sense The analysis process is more memorable for its moments of sheer despair in the face of the mass of data, alternating with moments of achieved clarity, soon followed by second-guessing scepticism ('would someone else come to the same conclusion?')"

The whole of the December 1979 issue of the Administrative Science Quarterly is devoted to the consideration of qualitative versus quantitative research techniques. Much attention is paid particularly to how qualitative techniques can be improved in respect of the case study method, the goals of which are (i) to capture the frame of reference of the situation of a given informant so as to avoid the instrumentation artifacts of standardised measurement techniques; (ii) to permit detailed examination of organisational processes; (iii) to elucidate those factors peculiar to the case that may allow greater understanding of causality.

In this edition, McClintock, C.C. et al (184) discuss how the logic of sample surveys can be applied to qualitative case studies. They address the central problem of case studies and laboratory experiments, which is that whilst they are relatively simple and accurate, they are not generalisable, as opposed to sample surveys, which are simple and generalisable, but which lack accuracy by collapsing different frames of reference.

They address the central problem of the limitations imposed by the case study method on the possibilities for statistical analysis and replication.

They survey the literature on how this problem can be overcome, and then propose a way of quantifying and aggregating findings of conceptually related but methodologically separate case studies. Basically, their method incorporates the use of an analysis - observer who codes data in standardised formats based on informant interviews and document analysis, thus allowing aggregation across cases. The addition of quantified codes thus results in the application of statistical procedures for assisting in this process of causal inference.

They describe their approach as the "case cluster method". The researcher brings to the case study a clearly articulated

analytic framework, which contrasts sharply with the numerous views advocating no preconceived definitions, which they believe fails to provide both generalisable bases for inter-case comparisons and a sense of the relative frequency of events.

"It is impossible to enter a situation without a theory of some sort and the case cluster method formalises this process in its search for relevant units of analysis, multiple data sources, and common variables."

Basically, their proposal is an extension of Campbell's (52) discussion of how to create degrees of freedom in qualitative case studies. Their major extension to Campbell's work is their proposal to define units of analysis which can lead themselves to statistical analysis.

Units of analysis can be individuals, groups, organisations, or virtually any process, features or dimensions of organisational behaviour. The trick is to arrive at a definition of units of analysis that is stable enough to sample and that lends itself to the application of standard codes.

They then describe three studies of their own in which they used the case cluster method, one of which was a study of planning approaches in public sector organisations. The definitions of units of analysis reflected a desire to describe planning processes, products, or traces of those processes, and the contextual features of the action planning event. The following is an example of the stratified sampling design from the Planning Study.

UNITS OF ANALYSIS

Type of planning event *

Type of informant	Cross domain	Client group	Dept wide	Program	Special issue
Planners					
Managers					
Externals					

* within some of the categories, a further stratification was performed to reflect variation across specific functional areas.

It is interesting to note that it was only in their two single case study experiments that they were actually able to apply multivariate statistical techniques to the data sets gathered. In the Planning Study no statistical analysis was possible, for a number of reasons, principal among which were the following.

Firstly, the team could not agree on a standard set of codes for all units of analysis, a matter which was complicated by the fact that it was soon discovered that limiting the focus only to planning that yielded formal plans would not result in a sample of units that truly reflected planning activities. Therefore the researchers had to redefine planning as "any activity directed to the preparation of information and decision alternatives for policy development, resource allocation, and program operation for specified human services to a defined population over some span of time." This led to analysis of a diffuse set of processes that made the whole interviewing and analysis process more difficult.

Secondly, the presence of multiple observations on single units of analysis created complications where discrepant judgements were given.

Thus, the Planning Study turned out to be completely qualitative, largely because of its hypothesis-generating purposes and because it was not done on a single case study.

It is concluded that, particularly in respect of a study such as that which is the subject of this thesis, there remain severe limitations on the possibilities for statistical analysis. It would seem that aggregating the responses of individuals into scores, whether weighted or not, is a futile attempt to average perceptions, whilst the problem of the ambiguous interpretations of definitions and boundaries, and deciding which events, individuals and observations to include for aggregation purposes, remains unsolved.

Nevertheless, there are some useful clues in the case cluster method as to how one could codify for the purpose of aggregating across cases without falling into the trap of contrived statistical analysis.

The writer of this thesis in searching for other research papers where this problem was addressed in a practical sense, was unable to find a model which completely solved the problem of how to present data from a Planning Study of this kind.

Typical of the kind of research reviewed was the work of Freeman, C. (93) on the economics of industrial innovation. In examining the empirical evidence that might be held to support or refute various contemporary theories of innovation

in relation to firm behaviour, three main yardsticks were used for the measurement of output of basic research: scientific publications; "discoveries", or other major contributions to the advance of knowledge, and peer evaluation or judgements. The last two methods depend on some qualitative evaluation of the first. The only method which lent itself to statistical analysis was a count of papers. Freeman himself, commenting on his methodology, stated:

"Whilst all these methods can easily be used on a small scale simultaneously or combined for ranking purpose in a field which is well known to the investigators, it is difficult to extend such combined indices of performance across a wide range of disciplines and countries or over an extended time period."

This is the sum total of his discussion of the qualitative research methods used to measure industrial innovation. There is no mention of how the data would be collated, or of the problems of validating the information.

To summarise, the writer of this thesis, in reviewing the development of his own methodology, has been encouraged to find that as much, if not more, rigour has been applied to the collection and classification and analysis of qualitative data as in any comparable work.

The actual methodology used will now be explained.

3.5. The Methodology used in this Thesis

3.5.I. General Approach

Initially it was intended that there should be a two-pronged approach consisting of field interviews, followed by the subsequent use of questionnaires. The intention was to carry forward into a quantitative stage by means of a postal questionnaire, the hypotheses emerging from the in-depth personal interviews. The initial qualitative stage was always considered to be critical in that any hypotheses that did not emerge at this stage could almost certainly not be picked up later at the postal questionnaire stage. Consequently, it was seen as the basis on which the later research edifice would stand, as it was at this stage that "real" companies would be spoken to, in the sense that at the subsequent postal questionnaire stage only "processed" companies could be spoken to. This is because they would only be able to answer in terms of the questions on the questionnaire, whereas at the qualitative stage, companies would be able to use their own words and their own experiences.

To understand why the postal questionnaire method proved unsuitable for the subject under investigation, it is necessary to consider briefly some of the questions that required to be investigated.

- how many companies have written corporate plans?
- what are the characteristics of companies that do not have corporate plans?
- how many companies have written marketing plans?
- what are the characteristics of companies that do not have marketing plans?
- what is the planning horizon of companies?
- in respect of the U.K. market, for which sales and marketing activities do companies have written objectives, strategies and programmes?
- how do companies plan for overseas sales and marketing? Specifically, what is the headquarters role and at what level, for which elements of the marketing mix, and in what detail does planning take place?
- how do companies organise themselves for overseas marketing?
- what specific problems do companies have to overcome in planning their overseas marketing activities?

The precedent for seeking answers to questions such as these was the work of Ringbakk, K.A. (217) and Guynes, C.S. (102), (these works are reviewed in Part I of this thesis). Ringbakk's broad objective was to study planning practices in U.S. companies to find out what kind of planning was done, why, and what sort of problems were encountered. Guynes' work was concerned mainly with the level of sophistication in planning within large firms. Guynes' questionnaire was made up of seven sections.

- (i) the extent to which a firm tries to forecast economic activity;
- (ii) the extent to which a firm establishes goals;
- (iii) the firm's determination of production requirements;
- (iv) the characteristics of the firm's planning activities;
- (v) the kind of results that are obtained from planning activities;
- (vi) the extent to which a firm is satisfied with its performance;
- (vii) the problems encountered in attempting to perform planning activities.

The writer's main criticism of the postal questionnaire approach in the works of Ringbakk and Guynes emerged as a result of the pilot testing of a questionnaire designed to elicit answers to questions germane to the research.

Firstly, the construction of a manageable questionnaire, in which vital questions were not omitted, proved to be an extremely

difficult task.

Many questions required to be answered. Great care was necessary to ensure that in the interests of constructing a manageable questionnaire, vital questions were not omitted. A questionnaire was designed and pilot tested.

However, the major difficulty proved to be getting companies to respond to a written questionnaire on such a complex subject. In order to obtain 30 responses during the pilot study, around 1,000 questionnaires had to be posted with accompanying letters. Also, many of the questionnaires were inadequately completed. This was partly the result of some obvious design faults and partly the result of its length. Much more serious was the suspicion that this subject is not really susceptible to investigation by postal questionnaire, for the very reasons indicated in section 3.I. above. It was for this reason that it was subsequently decided to devote most of the research to in-depth personal interviews.

The wisdom of this approach was later confirmed when the writer was approached by the Rubber and Plastics Processing Industry Training Board, who claimed to be worried about the apparent lack of marketing planning in their member companies and the generally low level of marketing effectiveness. They had heard about the writer's research and indicated that they were interested in sending out a postal questionnaire to establish whether or not their fears were justified. Consequently, in cooperation with the Board, a revised and reduced questionnaire was designed. This questionnaire and accompanying letter are included at Appendix I.

The writer explained the difficulties inherent in the questionnaire approach to this subject, but it was nevertheless agreed to proceed again on a pilot basis. A sample of 200 companies was selected by the Board as being representative of all types of processes, company size and geographical spread for the industry. These companies had to be mailed twice in order to elicit thirty four usable questionnaires, and yet again it became apparent that this subject was not really susceptible to investigation by questionnaire.

For example, whilst it appeared possible to establish from the completed questionnaires that very few companies practised formalised marketing planning, it was not possible to establish the real level of marketing and marketing planning which takes place in the industry. It may well be, for example, that some of the more successful smaller and medium sized companies in the sample actually have a high level of marketing competence and that the process of marketing planning is carried out intuitively by the chief executive and senior managers. On

the other hand, it may also be possible that profitability is more a function of certain companies being in the right place at the right time, especially those operating in growth markets. Unfortunately, the only way of finding out would be by means of in-depth personal interviews.

Another major problem, which was confirmed by following up by personal interview some of the postal questionnaire respondents, was the confusion over terminology, however precise the designer tries to be in defining and explaining the meaning of words such as "marketing objectives" and terms such as "marketing planning". Sufficient evidence will be provided in Part I of this thesis to show that planning terms are so widely misunderstood and have such a broad diversity of meanings, that quantitative analysis of replies to postal questionnaires using this planning terminology (even though defined), are likely to be highly suspect at best, and totally meaningless at worst.

Commonsense will in the end confirm that the only way that the researcher can ensure that respondents place a similar interpretation on planning terminology is to use the personal in-depth interview technique.

For these reasons, the main research was steered away from the postal questionnaire approach, although the findings of the postal survey are included in Part 3 of this thesis.

3.5.2. Fieldwork

Instead, the main thrust of the research was steered towards in-depth personal interviews.

The general approach was to attempt to establish what sort of problems faced industrial marketers and whether there was any commonality about them. Further, the planning methods used to try to overcome these problems were explored to establish whether there was any commonality of approach to planning and whether any such commonality of approach complied with the theoretical framework for marketing planning established in this thesis.

Thus, it can be seen that the researcher was concerned with the total system, and that effectiveness was considered to be a qualitative assessment or indicator of how an organisation coped with its environment. To do this, the following were some of the questions that needed to be explored:

- is there a commonality of problems facing industrial marketers, irrespective of the size, type of company and product and the degree to which a company is

- dependent on overseas trade for its future?
- is there a commonality of approach to marketing planning used by companies who successfully overcome these problems?
- is the theory of marketing planning as described in this thesis correct when tested against the practices of companies which have overcome the problems described above?
- can any theoretical framework of this kind have universal validity irrespective of circumstances?
- does the theoretical framework need to be amended to take account of the different trading circumstances of different types of companies?

The problem really centred firstly around how to elicit answers from respondents, and secondly how the resulting data should be analysed and interpreted.

This problem is described by Glaser and Strauss (op cit):

"Whether the sociologist, as he jointly collects and analyses qualitative data, starts out in a confused state of noting almost everything he sees, because it all seems relevant, or whether he starts out with a more defined purpose, his work quickly leads to the generation of hypotheses Generating hypotheses requires evidence enough only to establish a suggestion, not an excessive piling up of evidence to establish a proof and the consequent hindering of the generation of new hypotheses. In field work, general relationships are often discovered in vivo - i.e. he sees them occur."

In the particular case of this thesis, this describes almost perfectly what actually happened, the only difference being that initially the researcher started out with a very tight sense of purpose, using a highly structured questionnaire for the in-depth personal interviews.

Initially, a highly structured questionnaire was designed and pilot tested. For a number of the questions listed there were five possible answers, with provision for "don't know/no comment" responses, thus permitting a quantitative assessment of the extent to which companies conformed with the several steps identified as part of the process of marketing planning. An example is the question:-

"To what extent do the following statements on marketing planning apply to your company's marketing planning activities?"

AA F S O AN DK

Other questions were straight categorical questions such as:

"What elements are included in your marketing plan?"

- position audit
- assumptions
- objectives
- strategies
- programmes
- forecasts
- budgets
- other (specify)

Thus, scores could be analysed in the light of responses to the categorical questions.

It was intended that simple, partial and multiple correlation analysis should be performed on all the major variables of interest, with frequency counts/tabulations of the responses to interview items to assist in analysis and in the search for patterns in the results.

In the event, the pilot test showed that it was impossible to administer the questionnaire as it stood because so much of it was far removed from the actual experience of the respondents, an experience shared by Davis, B. (op cit), in his efforts in this direction in his research into the marketing planning practices of the hotel industry.

In other words, the measurement tool chosen was actually getting in the way of any meaningful exploration of what actually happens and why, in industrial goods companies in respect of how they plan their marketing.

The initial phase, therefore, consisted of a number of in-depth personal interviews, which added a vital dimension of appreciation and understanding to the decision-making processes of industrial companies operating internationally using the "focused interview" technique, described by Gergen, K.J. (94) and developed by Holton, R.H. (117):

"Before he makes the interviews, the interviewer develops a series of hypotheses on the basis of these hypotheses, the interviewer fashions an interview guide that contains a list of major areas of enquiries However, unlike the standard interview, the guide does not list a specific set of questions to be asked of each respondent In other words, the guide provides a set of foci for the interviewer, but the interviewer himself determines the exact form and structure of the interview as he best sees fit The focused interview can be advantageous in several ways. It allows for a much deeper probing of attitudes, motives and such, than the standard interview It is also sensitive to unanticipated responses bearing on specific hypotheses, and such responses can be given further attention in the interview itself."

Although this approach is now fairly common, it appeared to offer the best means of obtaining an in-depth understanding of the processes under investigation.

The checklist of questions which provided the set of foci is included at Appendix 2.

This new approach unearthed an exceedingly rich store of data. Each interview was written up immediately following the field visit so that none of the insights gained during the interview could dissipate with the passing of time.

Although these write-ups were free ranging, in the sense that everything that was observed that might have some influence on planning behaviour was noted down, a very definite structure was followed, which was based on the original questionnaire, and which was designed to aid comparisons and to assist in the formulation of hypotheses.

Thus, the initial writing-up was very characteristic of the research strategies espoused by Minzberg, H. (172). During thirteen years of research, certain characteristics seem to underlie his work: research based on description instead of explicit prescription and deduction; reliance on simple, inelegant as opposed to "rigorous" methods of data collection; the measurement of many elements in real organisational terms: supported by anecdote instead of few variables in perceptual terms from a distance: and the synthesis of these elements into clusters, instead of the analysis of pairs of variables on continuous relationships.

Of particular relevance in the context of this thesis is Minzberg's own words on two aspects of the above.

Firstly, on inductive research, he says:

"The first step is the detective work, the tracking down of patterns. The second step is induction, the creative leap. There would be no interesting hypotheses to test if no-one ever generalised beyond his data. The data do not generate the theory, only researchers do that, any more than the theory can be proved true in terms of the data."

Secondly, on anecdotal data, he says:

"While systematic data create the foundation for our theories, it is the anecdotal data that enable us to do the building. We uncover all kinds of relationships in our "hard" data, but it is only through the use of this "soft" data that we are able to explain them, and explanation is, of course, the purpose of research. These creative leaps seem to come from our intuition. Increasingly, we are impressed by the

importance of phenomena that cannot be measured. To miss this in research is to miss the very lifeblood of the organisation."

The writer, then, feels that there are sufficient precedents to justify the particular approach taken in this thesis, given the particularly difficult nature of the subject under investigation.

Nevertheless, two problems remain to be explained. The first concerns what has been referred to above as "multiple operationism", or the need to use a collection of research methods combined in order to avoid sharing the weaknesses of only one method of investigation, and to supplement and cross validate the other measures used.

The second concerns the analysis and presentation of the enormous amount of qualitative data which is inevitably collected in a research project of this kind.

3.5.3. "Multiple Operationism"

The general method of approach to the field work was as follows:

(a) The First Approach - Field Interviews

Firstly, formal interviews were conducted with directors and senior managers of twenty seven companies which were broadly representative in product type and size of the total industrial goods field.

These interviews presented excellent data, and it was the hypotheses which emerged from this stage that formed the basis on which the subsequent research edifice stood.

It became clear during these interviews that not only was there great interest in the subject being researched, but also that far greater insight and benefit would be obtained by some form of on-going relationship with these and other companies.

Also, it was recognised that it would be dangerous to generalise from such a narrow base because there could be serious questions as to its representativeness. Therefore, three other approaches were developed.

(b) The Second Approach - Seminars

Firstly, a number of in-depth projects were carried out for six of the companies in the sample frame, which involved detailed discussions in seminars and workshops with one hundred and fifty eight senior executives, thirty one of whom were chief executives and directors.

These projects were highly structured as part of this PhD thesis, specifically around marketing planning, and were unpaid.

At the beginning of each seminar, respondents were asked to complete a simple questionnaire based on the one given at Appendix I, plus two questions specifically on marketing overseas. It was their responses to this that formed the basis of the view which subsequently emerged that a very substantial majority of companies actually claim to have complete marketing planning systems.

This was followed by a detailed explanation of each of the steps in the process of marketing planning described in the literature, together with the reasons for each step, in accordance with the theory.

Respondents were then asked to re-assess their replies to the original questionnaire, and this led to the view which subsequently emerged that only a small minority actually had complete marketing planning systems, and that most had only sales forecasting and budgeting systems.

Respondents were then split into small groups to discuss key issues such as what were, in their view, the major operational consequences of the way their companies carried out marketing planning. This included benefits and problems, again described by respondents in their own words and related to their own organisations.

In most cases, key concepts in marketing were also explored, such as life cycle analysis and portfolio management, and the same procedures were repeated, so that respondents themselves could assess the quality of the marketing analyses that took place in their own companies, and their own marketing objectives and strategies.

Thus assessments of the quality, thoroughness and value of the several steps in the marketing planning process were based principally on the respondents' own analyses rather than on the researcher's.

It was during this phase of the research more than during any other that the really rich data was generated, although there could still be some doubt as to its representativeness. This

led to a third approach.

(c) The Third Approach - A Controlled Experiment

As a result of the experiences gained in the seminars, it was decided to conduct an experiment in an attempt to establish whether there was any truth in the claimed benefits of marketing planning.

Twenty five companies attended a one week marketing planning workshop at Cranfield, chaired by the writer, following an advertisement in the Sunday Times Business Supplement, Marketing, Management Today and The Director. During this workshop, the same procedures as those described in section (b) above were followed. The only difference was that more time was devoted to explaining the theory of marketing planning as set out in Part I of this thesis. Six months later they returned to Cranfield for one day for a refresher course and to report on their progress, difficulties and so on in implementing the planning system described in this thesis. Eighteen months later (i.e. two years after the workshop), they were all asked to report in full on the actual format of their marketing planning system, problems, benefits, and so on. In so far as was possible, they were asked to follow the format of the postal questionnaire used in the Rubber and Plastics Industry Training Board survey.

Nineteen replies were received, of which sixteen were usable. These sixteen detailed replies represented a unique record of companies that had augmented their sales forecasting and budgeting systems with a formalised marketing planning system based on the theoretical model.

Although this workshop represented a source of revenue to Cranfield, it conformed precisely to a Continuing Studies Model within Cranfield which permits faculty to pursue their research interests by means of workshops of this kind.

Many other marketing planning workshops were held at Cranfield with a feedback period six months later. However, although the same procedures as those described above (with the exception of the follow-up postal questionnaire) were followed, when the views and experiences of a further 200 directors and senior managers had been obtained, it became clear that the same patterns of responses were emerging and that the richness of data which had already been gathered could be improved only marginally by continuing the process.

Support for this approach can be found in Glaser and Strauss (op cit) who argue that some theoretical categories can be developed at the in-depth, mass data collection stage early in the research, so

that later on less data needs to be collected from respondents. Their view is that groups can then be studied one at a time, or a number can be studied simultaneously, as was the case in part of the fieldwork for this thesis.

(d) The Fourth Approach - A Postal Questionnaire

The final strand of the research was the mailing out to two hundred companies representative of the rubber and plastics processing industry. This was described in some detail in section 3.5.I. above.

3.5.4. Analysis and Presentation of the Qualitative Data

The second problem referred to above concerns the analysis and presentation of the enormous amount of qualitative data collected during the course of the fieldwork.

The main thrust of the research had espoused an action research paradigm, was largely phenomenological, was dynamic and multifaceted, and consequently required an illuminative approach to evaluation. This would inevitably lead to problems in culling together the many strands of the research and would require a structure for presentation of data not immediately apparent at the outset of the investigation.

Wills, G.S.C. (298), writing about the approach to evaluation used in his treatise on the illumination of education in a University business school (1981), says:

"Which is not, I trust, to suggest the illuminative method hides or exaggerates the truth. Surely, it does what it proposes - it evaluates."

Furthermore, the nature of the data did not lend itself to statistical analysis. It was not possible to present the findings in tabular and cross tabular form by developing codes for responses. This was largely because of the nature of the research and the descriptive nature of the responses given in a variety of different circumstances.

Nevertheless, to repeat what Glaser and Strauss (op cit), said: "an insight is of no use to the theorist unless he converts it from simply being an anecdote into being an element of his theory. His job is to transform insights into relevant categories, properties and hypotheses."

Their suggestion as to how this should be done is close to the actual categorisation of responses that took place in this thesis. In developing theory, conceptual categories or their properties should be generated from the evidence, then the evidence from which the category emerged should be used to illustrate the concept. The evidence may not necessarily be accurate beyond a doubt, but the concept must undoubtedly be a relevant theoretical abstraction about what is going on in the area under investigation.

According to Glaser and Strauss, the researcher's job is not to provide a perfect description of an area, but to develop a theory that accounts for much of the relevant behaviour observed. His job is to generate general categories and their properties for general and specific situations and problems. They are not particularly concerned about the form in which a theory is presented, which does not by itself make it a theory. It is a theory because it explains or predicts something.

As was the case with this thesis, they suggest that joint collection, coding and analysis of data should be the underlying operation, and that the three activities should blur and intertwine continuously, from the beginning of an investigation to the end.

Thus, what they refer to as "a discovered, grounded theory" will tend to emerge from a combination of concepts and hypotheses that have themselves emerged from both the data and some existing ones that are considered by the researcher to be clearly useful.

Whilst this describes the process undertaken in this particular thesis, the initial selection of cases summarised in the write up failed to indicate either their representativeness according to the nine cell matrix referred to in the following section, or to indicate by means of an adequate typology how comparative analysis could be made between different cells.

This has been corrected in the re-presentation of the data, which fully indicates the criteria on which hypotheses have been based and from which conclusions have been drawn.

Basically, the hypotheses developed from the literature review are used as core cells against which the data can be used to test their validity, whilst further ones are also developed from the data.

3.5.5. Limitations Acknowledged from Sources and Methodology

Although every effort was made to ensure the accuracy of the information collected, a number of problems are nevertheless acknowledged as hazards in the path of the investigation. These are discussed below:

(a) Selection of participating companies

It is shown in section 7.0. that it is unhelpful to over-generalise in marketing, each type of product and market having its own very special problems. Whilst the detail and actual method of marketing planning will vary according to circumstances, there is nevertheless a conceptual approach to the subject that this thesis attempts to identify and define. It arrives at a logical sequence and series of activities leading to decisions about objectives and the means of formulating plans for achieving them.

The main purpose of the fieldwork was to establish firstly whether the actual practice of companies varies from this conceptual approach and in what ways, and secondly whether any theoretical framework of this kind can have universal validity, irrespective of product or market circumstances.

In order to achieve the objectives of the field research, it was necessary to ensure that a sufficiently large number of companies ranging from small to large were included in the sample frame in order to try to establish whether there is any relationship between factors such as company size and marketing planning practices. Also, it was necessary to ensure that a number of companies were included which represent the different types of general marketing approaches according to their location on a continuum described in section 7.2. This continuum has rapid turnover consumer goods companies at one end, and high-priced capital goods companies at the other end. Accepting that there are numerous exceptions to any form of categorisation of industrial goods, the continuum does nevertheless indicate the spectrum from which the sample was chosen.

For the purpose of this research, the following definitions were used in relation to company size:

- large company. Turnover in excess of £10 million.
- medium company. Turnover between £1 million and £10 million.
- small company. Turnover up to £1 million.

For the personal interviews, bearing in mind the constraints of time and cost, 27 companies were chosen for in-depth interviews, which included 9 from each of the three categories of industrial goods shown on the continuum in figure 2. i.e.:-

- rapid turnover industrial goods;
- semi manufactures;
- durable industrial goods.

These 9 companies from each category comprised 3 small, 3 medium and 3 large companies according to the criteria listed above.

An initial source of difficulty was encountered in selecting a representative sample for inclusion in the sample frame. This was particularly difficult in connection with the choice of companies for personal interviews, where apart from the selection of a number of acknowledged market leader companies, respondent companies were randomly selected from one of the appropriate industrial classifications in Kompass and either rejected or retained on the basis of their turnover and whether or not they exported.

(b) Control

Whilst it can be argued that little control is possible over who actually writes the responses to postal questionnaires, in the case of this thesis personal letters were written to named managing directors. Analysis of the responses showed that in sixty per cent of all cases it was the addressee who actually completed the questionnaire. In most other cases, executive directors or marketing managers completed the questionnaire.

Much more serious a potential problem than this, however, is concern over interviewer and interviewee bias, written about so fully by Argyris (op cit). Concern is expressed not just over interviewer bias, but also with his experience, preconceptions and expectations, and the extent to which the respondent's defence mechanism, status, memory, etc affects the response.

Glaser and Strauss (op cit) also write at length on this subject, referring to the possibility that different people in different positions may offer as "the facts" very different information about the same subject when talking to different people. Some sociologists see this as presenting an unbounding relativism of facts, which leads them to discount what they consider to be biased or impressionistic data. But Glaser and Strauss are adamant that when different slices of data are submitted to comparative analysis, the result is not unbounded relativism. Instead, it is a proportioned view of the evidence, since during the comparison, biases of particular people and methods tend to reconcile themselves as the analyst discovers the underlying causes of variation.

The probability of the elimination of biases of this kind is even greater when a "multiple operationism" approach is taken to the collection of data, as was the case in this thesis.

Furthermore, throughout the fieldwork, a determined effort was made to keep such biases out of the interviews, which have been accurately reported and summarised in as much detail as practicable.

3.6. The Total Approach

The following summarises the total approach to the conduct of this thesis, which is organised into three separate parts.

Part I

Desk Research and Literature Review

- The establishment of a theoretical framework.

Part 2

Fieldwork

- Initial phase
 - 27 in-depth personal interviews.
- The Second Approach
 - 6 projects involving 158 directors and senior executives.
- The Third Approach
 - A Controlled Experiment
 - a one week workshop for 25 companies
 - a one day feedback session
 - report back 18 months later, producing 16 usable replies.
 - 14 workshops
 - Attended by 200 directors and senior managers from 172 companies.
- The Fourth Approach
 - Postal Questionnaire
 - mail out to 1000 companies producing 30 replies
 - revised postal questionnaire to 200 rubber and plastics companies, producing 34 usable replies.
- To Summarise 385 in-depth interviews in 199 companies plus 50 usable questionnaires, over a 4 year period.

Part 3

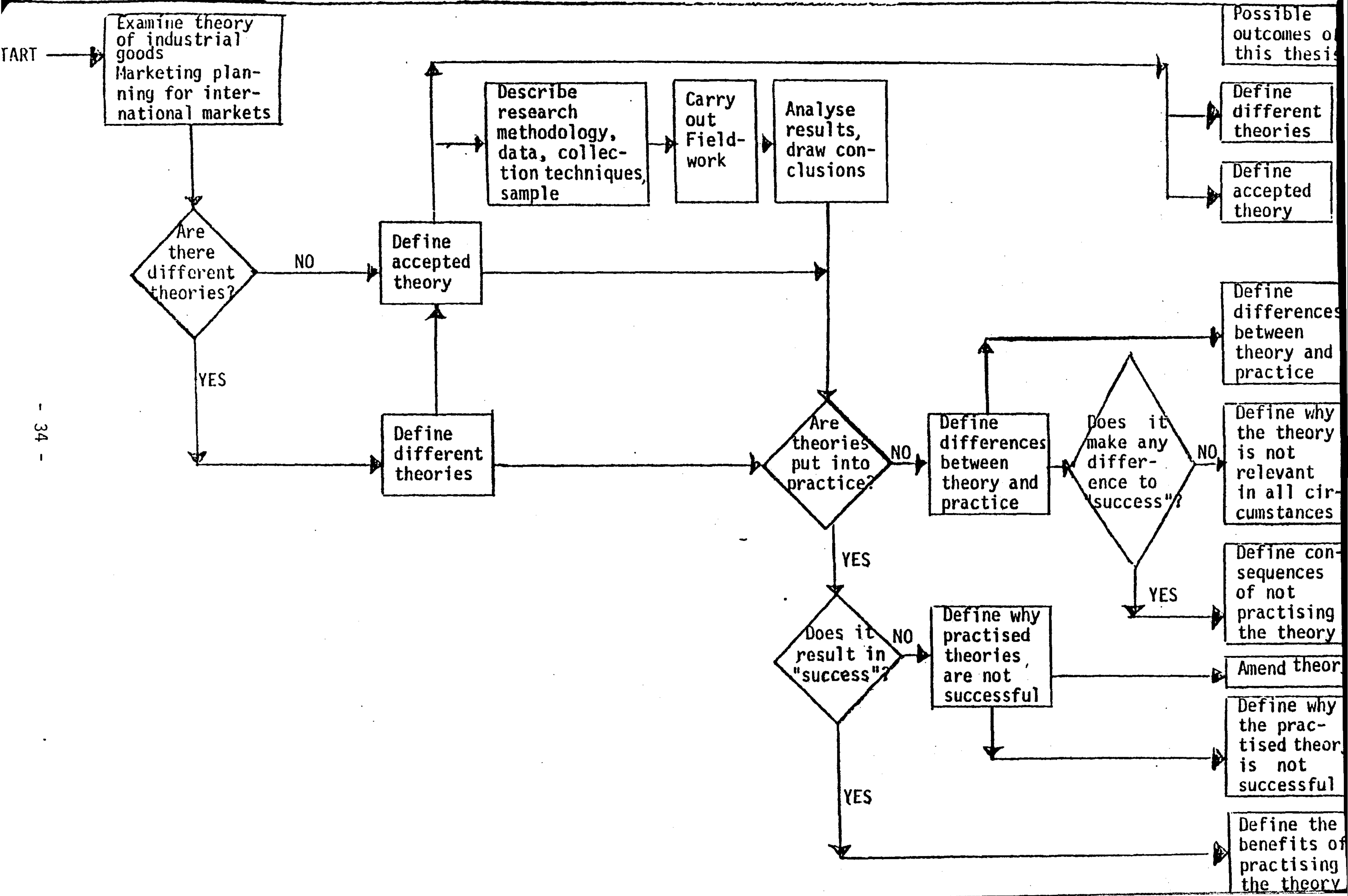
Conclusions and Recommendations

Thus, over a four year period, four strands of research were pursued, all closely interconnected and directed at the central theme of the thesis. An impressive body of evidence was collected in the fieldwork, which, taken together with the evidence collected during the desk research and literature review, enabled a number of firm conclusions to be drawn and recommendations to be made.

3.7. Possible Outcomes

The flow chart which follows (figure I) depicts the range of possible outcomes. All outcomes represent a contribution to knowledge. Even those of a purely descriptive nature.

Even if it is not possible to provide deductive explanations for variations from the widely held belief that planning per se is a "good thing", (Davis, G.) (79), there will still be a significant contribution to knowledge arising from the testing of this belief.



4.0. IMPORTANCE OF THE RESEARCH

4.1. The Need for British Companies to Improve their Marketing Performance in World Markets

The subject under investigation needs to be seen in a wider economic context.

Belief in the importance of economic growth is fundamental to modern society. In Britain, it is generally agreed that an ideal organisation of the economy should result in efficient resource allocation, economic and technological progressiveness, equity in income distribution and stability.

One vital component in the achievement of these objectives is recognised to be international trade.

Numerous writers have commented on the growing complexity of international trade.

Deschampsneufs, H. (81), drew attention to the tendency for products to become more sophisticated and highly technical, which means that research and development costs must increase, which requires a larger market than the U.K. can provide in order to recover these high development costs. Moreover, the developing nations of the world are now themselves manufacturing many of the less sophisticated products formerly acquired from Britain, so that our national wealth depends increasingly on industrialisation, since a country that relies largely on the production of primary produce cannot hope to prosper.

Goldstucker, J.L. and de la Torre, J.R. (100), refer to an emerging world economy characterised by increased integration of hitherto independent economic units. In this international arena, the fate of many firms will be decided on the basis of their ability to cope with the demands, opportunities and threats emanating from markets in all corners of the globe.

As industry has evolved on a worldwide basis, an increasing array of goods and services have been placed by resourceful innovators before critical and potentially receptive customers. The market place has had a new dimension added to it by technological advances which have transferred the satisfaction of wants from local markets to the scope of international industrial activity of enormous potential.

Particularly to Britain, all of this points to the international market place being more important than the limited horizons of our own market than it has ever been before.

The pattern of world trade has changed significantly since the beginning of the century. The production of manufactures has increased fourfold, cars now account for twenty per cent of world

trade, and clothes which used to account for forty per cent of world trade, are now down to ten per cent. It is countries such as Japan and Germany who have been successful in changing to new markets and products and who have consequently led the world in exports.

Also, technology is now more widely dispersed and British goods and services are now subjected to open market conditions. Britain can no longer shelter behind exclusive trading agreements or expect old trading loyalties to be unaffected by the abrasive atmosphere of world trading conditions.

Over the last three decades, there has been an underlying adverse trend in Britain's overseas performance. Britain's share of world trade has steadily fallen. In the years before 1967, the world growth rate in manufactures was 8.5 per cent compared with 2.5 per cent in the U.K. Kaldor, N. (140), reported that the U.K.'s world market share fell from 18.2 per cent to 11.9 per cent and from 1962 to 1967, U.K.'s engineering products lost \$2,814 million to foreign competitors. In 1974, Britain had only 8.8 per cent of the world's market, behind Germany with 21.6 per cent, the U.S., Japan and even France. Prest, (201), gives the main reasons as:

"The degree to which promised delivery dates are fulfilled, the size and effectiveness of after-sales service, the degree to which manufacturers are prepared to cater for local market conditions, and the effectiveness of market research, advertising, and sales promotion activities. Complaints that U.K. exporters have been negligent under all these headings have been numerous and seem endemic in the history of U.K. export performance."

International comparisons between the profitability of manufacturing companies of Japan, U.S.A., Germany, Sweden and the U.K. between 1955 and 1979 show Britain as consistently below the rest in terms of gross operating surplus as a percentage of gross fixed capital (114). Britain is so far behind the rest that when international competition intensifies, the money just is not there to compete effectively. Neither can high interest rates, energy/raw materials prices, excess capacity, inflation, labour costs, exchange rates and the like explain Britain's difficulties relative to other nations when taken over a period of about three decades.

Perhaps, then, there may be some connection between Britain's declining performance in world markets and a lack of marketing orientation and skills.

There is much evidence to show that major contributory factors in Britain's declining economic performance are poor market forecasting and ineffective marketing strategy. An NEDC report (191), listed inferior technical performance and design and deficiencies in market research and marketing generally as the main reasons for Britain's poor export performance.

An OECD study (194), concluded that the reason for America's success in Europe with scientific instruments was superior market knowledge, market forecasting and promotional programmes, rather than any technological gap.

The P.E.P. report (95), reported one of the main conclusions of a survey carried out on buying and selling techniques in the British engineering industry as being that "most manufacturers' overall selling efforts are far from what they could be. With few exceptions, they undertake no market research. As a result the majority are unable to draw up a really effective sales plan or apportion the necessary promotion expenditure in terms of reaching their market potential."

The report shows how selling decisions in many firms are made by reference to outdated practices and with little market information, and how sales promotion is considered irrelevant. Reference is made to the practice of many British firms of carrying on production with little or no regard for marketing, thus hampering the nation's economic growth by making the economy unresponsive to the demands on it.

Chisnall, P.M. states that the marketing revolution appears to have by-passed industrial products and quotes the findings of the Machine Tools Economic Development Committee (120) to support this view. This report was based on a two year interview study of manufacturers, merchants and agents in the British machine tool industry, and concluded that there should be a much greater commitment to servicing the needs of their customers.

A PhD thesis written by Saddick, S.M.A. (229), concluded that:

"Generally the majority of companies have poor planning systems, and some companies no plan at all. This poor performance is demonstrated in both the scope of planning and in the nature of the planning process itself. Most of the companies which have no or poor planning systems do not appreciate the need for better planning; some maintain that planning is impossible. The field survey indicates a lack of customer and profit orientation and an emphasis on control in the planning process of most companies."

Proctor, A. (206), reported the findings of a research group at Warwick University who looked at aspects of the decision-making process which appeared to be the most relevant to the taking of successful strategic export decisions. The most significant fact revealed by the research was that foreign-owned firms in the U.K. are more positive in their approach to export markets than are British firms. A sample of 47 firms taken from the Times top 1,000 U.K. firms by turnover 1974/75 revealed that most British firms did not undertake any form of fieldwork on overseas markets to ascertain customer preferences for product specifications. In many cases, market sizes were only vaguely recognised and forecasts of market trends were only guesses. A large proportion of firms relied on casual contacts with overseas agents to obtain all the information

that is pertinent to export decisions. There was a marked tendency to assume that the product offered to the home market subject to a few minor modifications, would suffice. There was little evidence of objective systematic identification of market segments, their sizes, trends and characteristics and no research was carried out with the customers themselves to ascertain preferences or requirements. There was a striking contrast between British firms and foreign-owned firms, who did all these things.

Ward, T.J. (276), provides evidence that there many European companies that have been very successful in U.S. markets. He attributes this to the thoroughness with which they researched their target markets and the success with which they adapted their marketing strategies to the requirements of a new environment.

Rathmell, J.M. (208), lists the several forces that have forced U.S. firms to eliminate the national border constraint in their planning: increasing foreign competition in the domestic markets; recognition that expansion outside the domestic market is an alternative to growth through product diversification, acquisition and increased market shares; the attractiveness of foreign markets, per se; the increasing internationalism of technology and management skills; the rise of regional groupings of countries and the strenuous efforts of governments to encourage international business operations.

Weichmann, U.E. (277), in a study of 40 major U.S. and European multinational headquarters and subsidiary marketing planning problems revealed that one of the major problems was subsidiary management deficiencies in marketing planning knowhow. This led to a lack of strategic thinking and long range planning. The conclusion was that those companies that used systematic marketing planning procedures fared better. Those that do not, "do not perish as a consequence; they are simply less effective than they could be."

Finally, the following entry appeared in the Institute of Marketing Annual Report, 1979/80:

"In 1978, the Director General made a tour of companies in the U.K. to find out how marketing was being practised by industry and commerce. The Director General's findings were that while, in the main, companies in the consumer goods industries were proficient marketers, most industrial companies appeared to have a totally inadequate understanding of marketing and its use in practice. It was also apparent that too many "Marketing Managers" were completely unequipped to live up to their job titles."

Thus, the great challenge facing British industry is to ensure the employment of its industrial goods in world markets, and to do this, industry must understand both the mechanics and implementation of the process of marketing industrial products

in international markets.

There would appear, then, to be some evidence to suggest that the hypothesis as stated might be true. Also, since the British economy is committed to economic growth by means of expanding her share of international trade, any research which contributes to an improvement in the body of knowledge of marketing must be seen as important.

5.0. DEFINITION OF TERMS

5.1. Introduction

Before proceeding to examine the theoretical framework of marketing planning for industrial goods in international markets, it is necessary to define the terms that will be used in this thesis.

In 1967 Liander, B. (160) said: "Planning was confused with goals, budgets and the like." In 1979 Lorenz, C. (163) said:

"This whole business is needlessly confused by jargon, for which there are no generally accepted meanings. Goals, objectives, strategies, corporate, operational, budgets, forecasts and plans, all mean different things to different people. Confusion is both real and semantic."

The major question to be answered in this thesis is:-

To what extent is formalised marketing planning practised by industrial goods companies in international markets?

5.2. Formalised Marketing Planning

Miller, E.C. (182) studied the marketing planning practices of 85 American companies and concluded that the heart of marketing management is a systematic approach to identifying marketing objectives which are consistent with and support the company's overall objectives, and thereafter to programming the specific activities judged to be necessary to the accomplishment of the objectives. Marketing planning makes possible programmed marketing, which Miller describes as the planned application of marketing resources to accomplish economically the marketing objectives. He also concludes that all companies in his study accepted the worth of marketing planning, because all saw the necessity to manage by objectives and standards, and because objectives and standards are essential communicable elements of marketing planning. One respondent summed up marketing planning by saying that it is a process of deciding what to do to make happen what you want to happen.

For the purpose of this thesis, formalised marketing planning will be defined as a management process with institutionalised procedures leading to the explicit statement of objectives, strategies and programmes for marketing activities, and the provision for the subsequent execution, review and control of such activities.

Support for this definition can be found in Stern, M.E. (237):

"The function of marketing planning includes all entrepreneurial and technical activities and processes involved in setting forth

company goals and departmental objectives, assessing market opportunities, generating possible strategies through which to achieve the objectives, designing detailed marketing programs, integrating the individual programs into a marketing plan, and adjusting the plan to changes in the environment."

5.3. Extent

"Extent" will be assessed in respect of the degree to which companies have institutionalised procedures for the several steps in the marketing planning process. These steps will be defined in section 9.0. This will entail a qualitative estimate of planning system completeness.

Ackoff, R. (1), Ansoff, H.I. (7) and Steiner, G. (233) agree that a corporate plan should:

- (i) be applicable to most, if not all, segments of the business;
- (ii) contain objectives or goals;
- (iii) contain the methods, procedures and means for implementing the goals and objectives;
- (iv) contain some criteria for auditing and controlling the plan.

Accordingly, a marketing plan is taken as conforming to the same criteria.

5.4. Marketing Mix

The combination of marketing methods employed by a company to achieve its marketing objectives is called the marketing mix, a term which was coined by Professor Neil Borden of the Harvard Business School. The emphasis placed on each of the components of the marketing mix is bound to vary according to a firm's objectives and its competitive position, but will always comprise some combination of the following:- advertising; sales promotion; personal selling; technical service; delivery service; price; credit terms; merchandising; packaging; market research; new product development; test marketing; public relations.

5.5. Objectives

A business starts at some time with resources and wants to use those resources to achieve something. What the business wants to achieve

is an objective, which describes a desired destination or result. Marketing objectives are generally accepted by scholars as being selected qualitative and quantitative commitments, usually stated either in standards of performance for a given operating period, or conditions to be achieved by given dates. Performance standards are usually stated in terms of sales volume and various measures of profitability. The conditions to be attained are usually a percentage of market share and various other commitments, such as a percentage of the total number of a given type of retail outlet.

There is also broad agreement that objectives must be specific enough to enable subordinates to derive from them the general character of action required and the yardstick by which performance is to be judged. Objectives are the core of managerial action, providing direction to the plans. By asking where the operation should be at some future date, objectives are determined.

In "How Companies Plan", Thompson, S. (257) states that objectives may be largely volitional in the sense that they may, for example, reflect a President's ambitions for his company without being a necessary solution to a pressing problem. However, he goes on to say that enthusiasm for such an objective can be no substitute for thorough consideration of the work involved in achieving it.

Most writers agree that the logical approach to the difficult task of setting marketing objectives is to proceed from the broad to the specific. Thus, the starting point would be a statement of the nature of the business, from which would flow the broad company objectives. Next, the broad company objectives would be translated into key result areas, which would be those areas in which success is vital to the firm. Market penetration, and growth rate of sales, are examples of key result areas. The third step would be creation of the sub-objectives necessary to accomplish the broad objectives, such as sales volume goals, geographical expansion, product line extension, and so on.

The end result of this process should be objectives which are consistent with the strategic plan, attainable within budget limitations and compatible with the strengths, limitations, and economics of other functions within the organisation.

In theory a company has only one objective - to make profit. Theodore Levitt, in many of his texts, argues that this is as illogical as saying that the objective of living is to eat. However, Directors invariably keep control of a company through the votes of its shareholders, and it needs sufficient profit to enable it to pay big enough dividends to keep them happy and quiescent. It also needs profits to serve as a cushion against bad periods and to finance new ventures and planned growth. Whilst objectives such as expanding market share, entering new markets, developing a new product line, creating a new image, keeping on the right side of the law and so on, are central to

management thinking, these operating objectives must inevitably contribute to the central company objective of making profit.

According to Mascarenhas, M. (180), objectives must be specific, otherwise they are meaningless. Summing up the essence of objective setting in a marketing environment, he says:

"In planning objectives, avoid directional words like increase, decrease, optimise, minimise. Unless you can have a precise result to be achieved at a definite date, you don't have an objective, you have a delusion. If you cannot put down a number, or a ratio, or percentage, you don't have an objective. If you cannot measure whatever you're doing, forget it. If you don't know what happens, how can you communicate it? And then you have to bluff your way through. Unless you know what to watch, how do you know you're making progress towards what you want to see happen? "

Whilst it is arguable whether directional terms should be used as objectives, it seems logical that unless there is some measure, or yardstick, against which to measure a sense of locomotion towards achieving them, then they do not serve any useful purpose.

Reference has been made to the lack of adequate means of measuring the results of marketing action. However, unless the marketing executive does, he cannot plan. For example, in planning an advertising campaign it is necessary to set down its objectives in the most specific terms, if possible in the form of numbers. It is then possible to develop some method of checking the results of the campaign.

Ansoff, H.I. (op cit) defines an objective as: "a measure of the efficiency of the resource-conversion process. An objective contains three elements: the particular attribute that is chosen as a measure of efficiency; the yardstick or scale by which the attribute is measured; and the goal, - the particular value on the scale which the firm seeks to attain."

This will be taken as the definition of an objective.

There is further discussion of objectives in section 7.5.

5.6. Strategy

What a company wants to accomplish, then, is an objective. How the company intends to go about achieving its objectives is strategy. Strategy is the overall route to the achievement of specific objectives and should describe the means by which objectives are to be reached, the time programme and the allocation of resources. It does not delineate the individual courses the resulting activity will follow.

There is a clear distinction between strategy, and detailed implementation or tactics. Marketing strategy reflects the company's best opinion as to how it can most profitably apply its skills and resources to the market place. It is inevitably broad in scope. The plan which stems from it will spell out action and timings and will contain the detailed contribution expected from each department.

Gisser, P. (98) likens strategy in business to strategic military development. One looks at the enemy, the terrain, the resources under command, and then decides whether to attack the whole front, an area of enemy weakness, to feint in one direction while attacking in another, or to attempt an encirclement of the enemy's position. The policy decisions made on total forces committed, their position and mix, the type of tactics to be used and the criteria for judging success, all come under the heading of strategy. The action steps are tactics.

Similarly, in marketing, the same commitment, mix and type of sources as well as tactical guidelines and criteria that must be met, all come under the heading of strategy.

For example, the decision to use distributors in all but the three largest market areas, in which company salesmen will be used, is a strategic decision. The selection of particular distributors is a tactical decision.

The following headings indicate the general content of strategy statements in the area of marketing which emerge from marketing literature:-

- a) The market opportunity to be met, the need to be filled, and the markets to be served.
- b) The policy by which this will be achieved.
- c) The character of the competition to be offered.
- d) The competences and assets which are to be developed or maintained to achieve the desired results.

Also emerging from the literature is agreement that marketing strategy should include statements about the following marketing variables:-

- a) Policies and procedures relating to the products to be offered, such as number, quality, design, branding, packaging and labelling etc.
- b) Pricing levels to be adapted, margins and discount policies.
- c) Advertising and sales promotion. The creative approach, the type of media, type of displays, the amount to spend etc.
- d) What emphasis is to be placed on personal selling, the sales approach, sales training etc.
- e) The distributive channels to be used and the relative importance of each.
- f) Warehousing, transportation, inventories etc in relation to physical distribution.

Formulating marketing strategy is seen as the most critical and difficult part of the entire marketing process. It sets the limit of success. Communicated to all management levels, it indicates what strengths are to be developed, what weaknesses are to be remedied, and in what manner. Strategy enables operating decisions to bring the company into the right relationship with the emerging pattern of market opportunities which previous analysis has shown to offer the highest prospect of success.

The word strategy is also often used synonymously with the expression "marketing policy."

There is further discussion of strategies in section 7.5.

5.7. Programmes

Miller, E.C. (op cit) in his description of the marketing planning process says that the strategic decisions are made first and are concerned with the company's image, its products, markets and the related resource allocations. Within the framework of the strategic plan the shorter term tactical plans fill out the marketing plan. Miller describes these short term plans as programmes. These programmes are the heart of a marketing plan and should be coordinated in such a way that their total effect is greater than the sum of the individual efforts.

A programme will contain an item-by-item description of who is to do what, when and how in achieving the objectives.

5.8. Plans

Plans constitute the vehicle for getting to the destination along the chosen route, or the detailed execution of the strategy. The term "plan" is often used synonymously in marketing literature with the terms "programme" and "schedule".

A plan containing detailed lists of tasks to be completed, together with responsibilities, timing and cost is often also referred to as a budget, which is merely an expression of the cost of the actions to be carried out and of the expected sterling results in carrying them out.

Thompson, S. (op cit) in discussing the matter of plans, says:

"The contribution of the business planner is this: despite the impossibility of forecasting the future, he identifies a range of possibilities and prepares for them. Once this is understood, the difference between planning and forecasting becomes clearer. 'Forecasting' is the attempt to find the most probable course of events, or a range of probabilities. 'Planning' is deciding what one will do about them A business plan is a preparation for action. It involves making decisions and scheduling

results. A plan stipulates courses of action to produce measurable results. It is not a vague declaration of intention. A plan states that certain desired results must be obtained and states specifically what those results are and what will be done to achieve them."

If a marketing plan is to be effective, the programmes or schedules and budgets which it contains must be specific and detailed. For example, the number of calls each salesman is expected to make on each type of customer and prospective customer may be listed. The advertising plan may detail the space or time to be used in each media, together with a list of the activities involved in securing the space and time. This may be broken down by products, or groups of products, or by groups of customers.

Kollatt, D.T., et al (150), describe the marketing plan as the central planning and control document for all the marketing activities of the firm, spelling out the objectives, strategies and programmes that will be used. They describe it as a written document to provide the framework for a coordinated and integrated effort to implement marketing programmes developed to achieve the marketing objectives, which in turn make the necessary contributions to the achievement of corporate objectives.

They state that a written marketing plan provides at the beginning of a planning period, basic agreement about the job to be done and the way to go about doing it. It lessens the chance of costly improvisation and direction-changing. It achieves the focusing and continuing of effort and direction that are so critically important to profitable marketing.

To summarise, a marketing plan is the result of the marketing planning process, and should not be confused with it. A marketing plan will contain marketing objectives and strategies, programmes, forecasts and budgets.

5.9. Marketing Audit

A systematic critical and impartial review and appraisal of the total marketing operation is known as a marketing audit. Basic objectives, and the assumptions which underline them, as well as the strategies, methods, procedures, personnel and organisation employed to implement the policies, are all included in the marketing audit. (Schuman, A. (296))

5.10. Evaluation and Control

Evaluation is the periodic measurement of actual results against planned results. The term "control" is usually used to denote the process of amending objectives and programmes in accordance with the evaluation of the reasons for deviations from plan. A written evaluation is normally a part of the marketing audit, which is part of the annual planning cycle.

5.II. Short and Long Term Marketing Planning

Ringbakk, K.A. (op cit) separates planning into two categories; action planning, and strategic planning. Action planning is built around current products and current markets and the momentum the firm has today. This type of planning takes into consideration both the products and markets which will begin to yield commercial results in the time period being planned for. An example is the inclusion of revenue and profit expected from a product which will be introduced within one year from when the planning is done. Strategic planning is characterised by great freedom, since resources have not been committed and management make decisions regarding future products and new markets, or both.

The short term plan, then, is concerned with maximising performance in markets where most of the parameters such as plant, personnel and products are fixed, whereas long term planning is concerned with strategic change and is not therefore operational.

Short range plans are commonly regarded as being of one year duration, whereas long range plans are commonly regarded as covering five or more years. The short term marketing plan, then, will consist of sales volume and other objectives which the firm will try to achieve during the coming operating period as well as a schedule of activities it will carry on in order to reach the objectives, all of which are costed out and which result in a statement of planned inflow and outflow of cash.

Thompson, S. (op cit) reported on three kinds of business plans as a result of his investigation: (1) Plans for doing current business (2) Plans for continuing in business and (3) Plans for business development and growth. He describes plans for doing current business as being related to creating today's business and to scheduling today's work in accordance with time and quality standards. He describes plans for continuing in business as being those that deal with the changing character of the customer's business and the changing technology of one's own business and with the changing habits and expectations of workers and society at large. These plans are reasoned from the manager's own assumptions on long term trends and the changes in those trends. They are plans to build the changing values of the customer into the product and services of the business. He describes plans for business development and growth as often involving preparation to open markets different from those traditionally served by the business, with products different from those the business itself makes or the plans may be to serve essentially the same customers with different or more expanded products and services.

The planning horizons of the companies in Thompson's study varied from two years to twenty five years. He identified the following characteristics of the operation of each firm as leading to the selection of a particular time span for planning.

- I. Lead time. This is the length of time from the realisation that new products are needed to the completion of their

design, production and distribution.

2. The length of time needed to recover the capital funds invested in plant and equipment and in training skilled personnel.
3. The expected future availability of customers.
4. The expected future availability of raw materials and components.

Most participants in the Thompson study took five years as their maximum planning horizon, but there were exceptions to this. He quotes the lumber business which plants trees for its business one hundred years hence. At the same time, he says, it would not be good judgement to lay plans for an advertising programme one hundred years in advance.

Thompson's report is concerned only with long term planning, i.e. with plans for continuing in business and plans for business development and growth.

This thesis is concerned with both short and longer term marketing plans and how they are derived, since both are likely to be an integral part of the same system.

5.12. Budgets

Miller, E.C.(op cit) describes budgets as deriving from plans and as being the financial and quantitative summation of plans. They are developed to test the feasibility of plans and to serve as guides to and controls of their implementation. Budgets are usually central elements in a company's management information and control systems.

A marketing plan, on the other hand, is described by Miller as starting with the objectives of the company and of the marketing function. It addresses itself to how the objectives will be achieved. The specific tasks involved in achieving the objectives Miller describes as a programme.

The calculation of the financial resources required to implement programmes is, by definition, a budget. It follows, therefore, that budgets are an essential element of the planning cycle and are vital if resource use is to conform to plan.

5.13. Summary

The following list summarises the major definitions used in this thesis:

<u>Formalised Marketing Planning:</u>	A management process with institutionalised procedures leading to the explicit statement of objectives, strategies and programmes for marketing activities and the provision for the subsequent execution, review and control of such activities.
<u>Objective:</u>	What a company wants to achieve. A measure of the efficiency of the resource-conversion process. An objective contains three elements: the particular attribute that is chosen as a measure of efficiency; the yardstick or scale by which the attribute is measured; and the goal - the particular value on the scale which the firm seeks to attain.
<u>Strategy:</u>	The means by which the objectives will be achieved.
<u>Programme:</u>	The detailed scheduling of strategies.
<u>Forecast:</u>	A prediction of what will happen. The quantitative expression of the output of the plan.
<u>Budget:</u>	The financial summation of plans.
<u>Plan:</u>	The plan is a written document containing objectives, strategies, programmes, forecasts and budgets.

DEFINITION OF TERMS (CONTINUED)

6.0. INDUSTRIAL GOODS

6.1. Industrial Goods Classification

The terms "industrial goods" and "international" demand more detailed examination, and for this reason separate sections are devoted to them.

A more detailed examination of these terms will be particularly helpful in the following respects:

- (i) it will provide a depth of perspective to the overall research programme. This is important, for as will be shown, the theory of marketing planning is based substantially on the observation of the practices of consumer goods companies. It is important that this thesis should consider whether or not a process based on the practices of consumer goods companies is appropriate for industrial goods companies.
- (ii) It will help in the development of hypotheses and theories, both during the fieldwork and the data analysis stage, by providing a greater understanding of the contextual situation of marketing planning.

Most writers on industrial marketing begin by classifying goods into several categories. Without an acceptable classification, comparison between the marketing practices of companies in different markets cannot easily be made. Although general principles relating to industrial marketing are likely to run into difficulty when applied to any particular industrial sector, finding an acceptable classification for goods should assist in drawing together general principles as they apply to each type.

Baker, M.J. (22) provides a general description of industrial products as "all goods and services which are destined for use in producing other goods or rendering services as contrasted with goods destined to be sold into ultimate consumption."

This distinguishes industrial products from consumer products that are bought for personal use. Thus, cars can be considered either industrial or consumer, depending on who is buying them, and for what purpose, and the motivational appeal to be communicated may vary according to whether the product is for personal use, or part of a business activity.

There is general agreement in the literature on industrial goods, that they can be categorised as:

- Equipment; Raw Materials; Fabricated Materials.

These are found in various operations of the firm and become part of the final product.

- Operating Supplies.

As a machine or business functions, it uses up or wears out operating supplies.

However, such categories, per se, without further explanation, are of little practical use.

Generally speaking, they appear to be two major types of industrial markets. Narrow markets, or vertical markets, usually involve a particular industry. Broad, or horizontal markets, usually involve a multiplicity of different industries. This is an important distinction which will help place a more detailed classification of industrial goods into a more meaningful context in terms of marketing planning for each type of goods, as will be seen later.

The major category, EQUIPMENT, can be subdivided into MAJOR EQUIPMENT and MINOR or ACCESSORY EQUIPMENT.

Major equipment or installation equipment comprises high unit price items such as furnaces and large machines, which are of two general types, multipurpose or single purpose. Multipurpose equipment can be used by many firms in different industries, and generally means that the detailed study of individual customer production problems is less essential, involving less preliminary planning and negotiation. Demand for single purpose equipment is often confined to one industry and often becomes part of the fixed plant. Consequently it is made to the customer's specifications and requires the closest cooperation between technical and sales staffs of buyer and seller.

Minor Equipment is machinery used in an auxiliary capacity, and purchases are likely to be made in a more routine manner, involving less detailed negotiations and to require the involvement of fewer executives in the customer firm. Goods such as small lathes, and fork lift trucks fall into this category and are likely to be useful for many stages in the production process and in many different types of business. In such broad markets, the marketing organisations must be geared to selling to many diverse outlets, the relations between buyer and seller being much less direct and immediate.

Raw materials are the basic materials of industry which have undergone no more processing than is required for convenience, protection, economy, transportation or handling, and are supplied chiefly by agriculture, lumbering, mining and fishing industries. Extraction industries usually integrate their activities towards the early processes of refinement and fabrication such as steel and oil, and transactions are generally at high levels and involve large quantities.

Fabricated materials can be subdivided into component parts and process materials. Component parts perform a specific function not requiring further modification, such as batteries and ball-bearings. There are two markets, OEM and replacement. Components tend to be bought on the basis of customer specifications and a long forward commitment by contract, and there is usually heavy emphasis on quality, uniformity and reliability. Process materials are similar, and differ only in that they cannot be recognised in the finished product, and often there is no replacement market. Materials such as tin, plate, glass, plastic and plywood fall into this category and usually have to comply with universally accepted technical standards which places greater emphasis on price and service as competitive factors in the marketing mix.

Operating supplies do not become a part of the finished product but are continuously used up in the production process. Items such as oils, soaps, detergents, cleaning materials, typewriters and pencils are common to many industries, have to be marketed on a much more broad basis, and as such the marketing methods involved are more likely to be comparable to those used in marketing consumer goods, with little need for direct contact between the user or buyer and the seller and a greater likelihood of being marketed through middlemen.

The fact that many of the categories described above are subject to several qualifications, in that some goods and services may fall into more than one category, is not particularly significant as long as goods are classified according to their intended use.

Many classification methods such as that produced by Marrian, J. (187), in which she classifies goods according to the degree of essentiality of the buying decision, and that produced by Woodward, J. (292), which is based on the type of production the selling company is engaged in, and that of Rowe, D. and Alexander, I. (212) which is based on the technical innovation content of the product offered for sale, are devices to assist the understanding of the industrial buying process in order to direct marketing effort efficiently and more effectively. However, none of these is entirely satisfactory, and it is probably conceptually easier to attempt

to locate products on a continuum, with single purpose major equipment near one end, and operating supplies near the other, and in order to do this, one is constantly forced back to looking at the use to which products are put as the most sensible way of drawing out a set of general principles for marketing those products.

For example, plastics raw materials for developing applications, will fall nearer the narrow market end of the continuum, requiring very close customer contact, a high level of technical liaison, no use of distributors, low daily call rates from the sales force, and so on, whereas plastics for established uses will fall nearer the broad market end of the continuum, requiring little specialist customer liaison, a high call rate, possible use of distributors, and so on.

It is unlikely that the marketing planning process will be explained merely by looking at industrial classification methods per se, and it may be helpful therefore, to proceed to an examination of the differences in emphasis which have to be placed on the several elements in the marketing mix according to the type of product involved. The classification method, however, is a useful starting point for putting industrial marketing into some sort of context, firstly vis à vis consumer goods marketing and secondly to help explain that "industrial marketing" as a term is descriptive only of the end use of the product rather than of any fundamental uniqueness of marketing methods.

With this in mind, it will be useful to compare industrial marketing with consumer goods marketing to see whether the classification referred to above is significant in terms of the marketing methods used.

6.2. Is there any difference between industrial goods marketing and consumer goods marketing?

6.2.I. There is no difference in principle

Dodge, H. R. (84), describes industrial marketing as the performance of business activities that direct the flow from producer to user of goods and services which produce or become part of the other goods and services or facilitate the operation of an enterprise either business or public.

Most writers agree that there are no fundamental differences in the marketing concept as it relates to industrial goods,

what differences there are being of emphasis in the way the mix is organised to satisfy customer needs. Industrial marketing is simply the performance of the marketing task within the area of industry for business purposes as against marketing to individuals for personal consumption.

In order for the firm to make profits by satisfying customer needs, it is necessary to determine who the main customers are, when, where and how the product is used, the precise customer requirements and desired satisfactions, and how the product is bought. This requirement is common to all marketing situations, and in this sense, marketing industrial products is no different from marketing consumer products, since the same process has to be gone through in both cases.

Thus, this section will contribute nothing of substance to the fundamental principles of marketing, but will concentrate instead on identifying any idiosyncrasies that may be peculiar to industrial markets.

It was suggested in section 5.0. that the basic difference between consumer and industrial marketing lies in the nature of industrial markets, which makes the process of marketing planning more difficult to implement. It is here that industrial classification tables prove helpful in examining how the well tried and tested techniques and processes used in consumer goods marketing can be adapted for these several categories of industrial goods.

Writers such as Baker, M.J. (op cit) and Christopher, M.G. et al (63) go to some trouble to demonstrate the difficulty of attempting to create a dichotomy between industrial goods and consumer goods for the purpose of differentiating marketing methods.

Baker, for example, talking of the problems associated with marketing for needs based on derived demand, cites cases of industrial goods producers stimulating primary demand by advertising to ultimate consumers. On the question of the concentration of buyers for many types of industrial goods, Baker considers the concentration of intermediary buyers in the grocery sector.

Regarding the more rational buying motives of the industrial market, Baker uses his own study of management attitudes to show that almost 30 per cent of factors influencing the purchasing of two significant industrial innovations was explained in terms of non-economic or behavioural factors. On the question of the greater scale of industrial purchases, Baker explains that in a proportionate sense this is not true, using size of purchase measured against net disposable assets

as the criteria. Baker also disputes the relevance of the greater technical complexity of industrial products by referring to the marketing of television sets.

Baker concludes that there is no need to distinguish between consumer goods and industrial goods marketing, since both have the same ultimate aim and both have the same marketing weapons at their disposal. There can be no disputing that what Baker says is true.

Nevertheless, as will be shown in section 8.0., in examining previous studies into why marketing planning fails in industrial goods companies, there is some evidence to show that those companies who have attempted to lift consumer goods marketing practices and place them in an industrial setting without taking account of some fundamental differences arising out of the nature of industrial markets, have failed in their attempts.

More relevant to the problem of marketing planning in an industrial context, is the conclusion reached by Hillier, T.J. (109), that the differences in emphasis between marketing small electronic motors and chemical processing plant are greater than those between marketing electric motors and consumer durables such as cars, televisions or refrigerators.

In any practical sense, then, to put consumer goods and industrial goods marketing together is not very helpful, even accepting the obvious fact that the over-riding principles are the same in all situations.

Equally unhelpful, is the suggestion that industrial marketing is so completely different as to make the experience of consumer marketing of little or no value.

Each situation, depending on the industrial classification, will exhibit points of similarity and points of difference in the way the procedures can be implemented, and the purpose of an examination of some of these points of similarity and dissimilarity is to enable some general principles to be drawn out which will facilitate the implementation of the marketing concept in a given marketing situation. Even then, no general set of principles relating to procedure implementation can be applied to all circumstances in each category of industrial goods, since every company and market situation is unique.

However, it is only by attempting to draw out those principles that the industrial marketing executive will begin to understand how and when the technology and procedures of consumer marketing can be effectively applied to the industrial situation.

The suggestion which emerges from the literature is that the most obvious differentiating feature which

sets consumer and industrial markets apart is the nature of the buyer. The overwhelming consensus of opinion which emerges from research into industrial marketing and how it differs from consumer marketing is that the industrial buyer is taken to be more "rational" and knowledgeable than his consumer counterpart.

The brief review of the literature on the industrial buying process, which follows, shows clearly that the industrial buyer is not completely rational, nor is he completely motivated by economic needs.

6.2.2. The industrial buying process

It is necessary to refer to the literature on industrial buying only in so far as it is relevant to the industrial goods marketing planning process.

Studies such as those by Wind, Y. (281) and Webster, F.E. and Wind, Y. (280) stress the importance of source loyalty in the buying process. Buckner, H. (44) lists factors influencing the purchase of plant and machinery in order of importance, but concludes that the majority would not change from their current supplier for an identical product unless there was a price advantage of at least 5 per cent, thus emphasising the importance of previous experience in the purchase decision. Bayliss and Edwards (26) claimed similar price elasticity, indicating strong source loyalty, findings confirmed by Cardoza, R.N. and Cagley, J. (56). Cardoza and Cagley confirmed that industrial buyers are strongly attracted to existing suppliers for a new purchase. Cunningham, M.T. and White, J.G. (77) studied 51 companies in the machine tool industry and found that the number of competitive bids asked for was severely restricted because of inertia due to favourable past experience with an existing supplier. They found that technical features do not distinguish between successful and unsuccessful bids, since in the formulation of the product specification and in the subsequent negotiation and retendering process, considerable equalisation of product features between suppliers had already been achieved by the buyer. The most important finding to emerge from the study was the fact that the strongest determinant of a buyer's patronage decision is his past experience and the reputation of competing firms, which was shown to be an initial screen before firms were invited to make a bid. Having got to the bid stage, delivery, price and service were found to be important determinants.

The marketing implications of the research findings referred to above are that the creation of a favourable reputation in

areas such as product reliability and service is an important prerequisite for increasing the chance of being seriously considered by prospects. It is in this area that there is an important interface between consumer and industrial goods marketing, in the sense that advertising and promotional programmes can be used to inflate the value of what in some senses can be considered to be very similar products.

Hill, R.W. and Hillier, T.J. (112) review research in the field of industrial buying, and cover the functions and status of those involved in purchasing, the stage at which they are involved, its nature classified according to whether they specify, influence, decide, vet or authorise, and according to class of industrial goods, and according to whether the purchase was a first time buy or a re-buy.

Laurence, M. (165) refers to studies which reveal an over-claim by individuals of the influence they exert on the buying decision, and to studies which attempt to identify exactly how the several participants in the buying process interact. He also refers to studies which classify organisations on generalised dimensions such as centralised/devolved, autocratic/oligarchic, mechanistic/organic and so on, and to studies into the personalities and perceptions of individuals in the buying process. Laurence's principle criticism is that much of the research is academic, that some offend the scientific principle of simplicity in the absurdly complex models which are produced, and that much of the research is of little practical use to marketing practitioners.

Laurence makes a suggestion for overcoming this problem:

"The implications of research for practical marketing are clear. Firstly, it is necessary to allocate marketing resources so as to communicate with each functional department at the correct status level and at the right time in the purchasing cycle. Secondly, each function has to be offered a product benefit appropriate to the nature of its involvement in the purchasing organisation; production must be sold on performance, maintenance on reliability, and the buying department on secure delivery. If research results are to be usable, they should point to some new basis of market segmentation. The conclusion would appear to be that marketing departments should sponsor more research into organisational buying behaviour themselves, so that theory can be kept within the bounds of that which can be researched in sample surveys."

It is interesting to note that although Laurence severely criticises much of the academic research into buying behaviour, he strongly recommends even more research. In recommending research to find out what really happens as opposed to what should happen according to some formal structures, and in suggesting research studies tailor made to the needs of individual companies, Laurence is only recommending what any competent industrial

marketing department should be doing as a matter of course, i.e., finding out who influences the buying decision and what their motivations and needs are. But such research will be of two kinds. Firstly, it should be used to guide a company in its advertising and sales promotional policies at the general level. Secondly, it should be used to help the company to communicate with individuals in specific organisations. This concept is discussed in more detail in section 6.2.7.

6.2.3. The Rationality and Knowledge of the Industrial Buyer and its Effect on Marketing Policy

The industrial buyer, whether he is a purchasing officer, a plant manager, a transport manager, a marketing manager, an accountant, or whatever, is a professional, and even though there may be many influences in the buying decision, the underlying objective is usually to improve the economic wellbeing of the enterprise. As such, individuals or groups will tend to be well informed both technically and commercially. Any irrational motives that exist tend to be superimposed on this fundamentally rational and economic basis.

The industrial buyer, then, is assumed to be motivated by economic needs in the sense that goods are purchased as a means of reducing costs or maximising profits, or to improve the infrastructure of the economy as in the case of roads, schools, and so on. Industrial goods, then, are bought not for themselves but for the contribution they can make to the economic objectives of the purchaser. The buyer of consumer goods, on the other hand, is taken to be less rational and knowledgeable in the buying situation, and more prone to impulse buying.

The industrial consumer, then, is primarily assumed to be seeking profit, whilst the ultimate consumer is seeking self-satisfaction. The differences in the way they buy, therefore, are primarily due to economic factors, with the effects of other basic systems of society playing a lesser role.

The effect of this on marketing is that consumer goods sales can be more readily boosted by sales promotion techniques, whereas industrial buyers are less malleable. Each buyer tends to know precisely what he wants within a very narrow tolerance in terms of specification, price, credit terms, pre-installation and after-sales service, and other economic details. This much more rational approach tends to rule out the kind of heavy and sophisticated sales promotional activity which takes place in the consumer field and which is aimed at inflating the value and increasing the non-rational motivation, both of which are possible because of the consumer's comparatively less rational and less knowledgeable approach.

But even this is not universally true and will vary according to the type of product under consideration. Product patronage buying motives, such as economy, productivity, dependability, durability, and so on, tend to dominate where tight technical specifications are not laid down, whereas company patronage buying motives, such as reliability, reputation, after sales service, technical policy, price, and so on, will tend to become more important where tight technical specifications are laid down, since little product advantage can be obtained by any company.

Either way, however, the main point which is being made is that with the actual product looming so large in the source of customer patronage, it is inevitable that the major share of funds will go to factors such as product development, price, quality, consistency, reliability of delivery dates and the standard of service and training, rather than to advertising and sales promotion. In the industrial market, the greater buying rationality lessens the degree to which the value of the product can be inflated through the use of imagery.

Nevertheless, as was shown in section 6.2. above, in which the industrial buying process was examined, in situations in which a number of competing products and terms are very similar, the skill with which a firm adds value to its product offering through the persuasion of its communications programme, including the skill of the sales force, is very important. It should be added, however, that it is unlikely that attention to the emotional side of industrial buying will offset any substantial economic disadvantages that a product might have.

The objective of all marketing is to create some sort of comparative advantage. Levitt, T. (168), says that products appeal at three levels - to the reason, to the senses, and to the emotions. Since there appears to be no evidence to suggest that an individual buyer is any more or less rational about buying outside his immediate work situation, it would seem logical to assume that, notwithstanding the strictly economic environment in which he does his institutional buying, he will to a certain extent be swayed by his own personal likes and dislikes with respect to any kind of relationship that is communicated to him by suppliers, either personal or non personal. Thus, it is likely, for example, that personal relationships in the straightforward person-to-person selling situation will have an important influence on his choice of supplier, given broad equality of product and service between competing companies. Also, in similar circumstances, it is most unlikely that a good reputation in the industry, however communicated, will not have a bearing on the eventual choice of supplier. It would seem, therefore, that the popular view that motivational research techniques are relevant only in the consumer goods field is a mistake. James, B.G.S. (136), refers to a study by Strauss, T. (224), which shows clearly that the purchasing officer, who often has to cope with lateral relationships, demonstrates many characteristics of seeking to initiate rather

than merely to process orders, and that many of his actions are designed to enhance his authority with other members of the management group as part of a drive for indispensability, acceptance and security.

Understanding such motivations could have an important influence on the copy of advertisements, point of sale techniques, sales promotional policy and so on. In particular, any form of communication which may tend to detract from the status which he seeks to derive through his external relationships in order to compensate for his lack of internal status, should be avoided.

Such status-minimising tendencies could manifest themselves in many ways, such as, for example, in a salesman being late, or assuming that he can call speculatively without an appointment, both implying that the purchasing officer is unimportant. Calling without any specific purpose, being badly briefed, not understanding the problems of the purchasing officer's company, advertising that is technically non-informative, and so on, all of these things could be self defeating for the company trying to sell to the purchasing officer.

However, although in principle, there is no difference between consumer goods marketing and industrial goods marketing in the sense that in both cases the marketing mix should be organised to appeal to the motivation mix of the customer, nevertheless motivation in the industrial field is governed largely by economic and technical influences which cannot be ignored.

Thus, sales promotional policies will necessarily have a pronounced economic bias. Advertising will be largely informative in nature. Salesmen will be selected for their technical knowledge and will be trained to impart technical information and to relate to the technical and cost problems of their customers.

By themselves, these things are no different from the consumer scene except in the sense that the value of the product or service is less likely to be susceptible to being inflated by appeals to the emotion, and sex, humour, curiosity, and so on, will probably have to be used with great discretion and skill, and are unlikely ever to compensate for any product that is economically or technically inferior.

6.2.4. Derived demand and its effect on marketing policy

The demand for industrial products is derived from the demand for the product or service to which they contribute. Thus, not only is demand for industrial goods subject to socioeconomic forces within society, but it is also subject to government economic manipulation through direct or fiscal means, as in the

case of national plans for capital expenditure, investment and depreciation allowances, credit facilities, taxation, and so on.

One effect of this economic background to industrial marketing is that it makes forecasting extremely difficult, particularly where a product is many stages away from the end market from which demand is derived. Machines that make components for a furnace used in the production of ductile iron pressure pipes for example, will be dependent ultimately upon consumer demand for gas, as well as upon competitive influences from technological innovations with other pressure-bearing materials, and consumer demand for gas will itself be subject to many influences emanating from energy policy.

This difficulty is often exacerbated if demand is many-sided and not confined to one market, as in the case of, say, hydraulic hoses, or industrial lubricants.

The main effect of this general lack of influence on or control over the final market manifests itself in terms of increased risk. Manufacturers of consumer goods depend on people in the mass, and purchasing habits tend to change very slowly. Changes in technology, however, can abruptly change the demand for industrial goods. For example, an improvement in the technique for making castings may increase the demand for castings and reduce that for machined parts and the equipment that machines them.

This risk becomes greater as the lumpiness of orders increases, as in the case of high priced capital goods, compared with the more atomistic nature of consumer demand. Not only does the demand for plant and equipment for foundries, machine shops, design and drawing office capability, after-sales service, installation facilities and so on, have to be balanced with demand, but often the complex technological nature of the products themselves produce enormous cash flow problems, particularly in relation to the development of new products. These kinds of problem are suffered to a considerably lesser degree in the case of consumer products.

It is in helping to reduce these risks that marketing has a major role to play through attempting to gain a greater understanding of the factors likely to affect demand, since it is vital that there should be an on-going compatibility between resources and orders received.

6.2.5. Some markets are more clearly demarcated

In certain very narrow markets, it is not unusual to find that every potential buyer is known because there are so few of them, as in the case, for example, of certain types of specialised furnace.

The marketing implication of this is seen in the need constantly to strive to achieve greater compatibility between the customer's needs and the company's resources so as to give a competitive advantage.

The whole marketing mix will be geared to satisfying the customer's motivation mix. This means market research must be geared specifically to help the company to understand the relative importance to the customer of product features, price, delivery, before and after sales service, and so on.

Thus, customer orientation must be total and involve a detailed study of every possible source of rational and emotional customer motivation, since it is unlikely that all customers will have the same profile. For example, one company may be suffering from reduced margins, falling sales, underutilised capacity etc, so that price, credit, increased productivity and so on may be the particular features that are stressed in the marketing mix communicated to that particular customer. In another case, a company may have highly sophisticated production systems, so that reliability, product quality and durability and so on may be the features that are stressed in the marketing mix. But even complete customer orientation has to be properly communicated to potential customers, and where competing companies have reached a similar level of customer-orientation, then the selling activity itself becomes very important. Since it is unlikely that industrial buyers are totally immune from emotional influences in their buying activities, there is likely to be a higher probability, that, all other things being equal, the company with the most professional and persuasive sales force will obtain the business.

One further difference resulting from a small number of buyers is in the use of devices such as sampling and forecasting techniques. For example, if there are 300 tenders each year for furnaces, a strike rate of one in ten may be a reasonable guide for forecasting, but if there are only ten major customers, micro market analysis is more appropriate. Whilst this kind of detailed customer analysis may also take place in the case of certain major customers in consumer goods markets, it is also considered easier to extrapolate sales based on trends observed from customers en masse.

6.2.6. Supplier loyalty

Because of the risks attendant upon making a bad purchase an industrial buyer will often prevent a change in patronage for a comparatively minor price advantage. The interface between the buyer and the staff of his major supplier in all the principle areas of business is often developed over a number of years and is not easily broken. Added to this risk is the high cost of a single purchase in the capital goods field and its far-reaching financial implications.

This inertia between buyer and seller makes the marketing task extremely difficult, for even where product or company advantages are developed, this fear on the part of the buyer lessens the degree to which he can be persuaded to change supplier for purely economic reasons.

James, B.G.S. (op cit) makes the point that this fear can be taken as irrational behaviour on the part of the buyer, but this would seem to be arguable. Many industrial production processes are organised on the basis of progressive assembly, where heavy fixed costs are involved and in which a breakdown in any stage of the production process can halt the total activity, thus resulting in heavy on-cost losses. Such a break in the production flow could result from machine breakdown, component deficiencies, non delivery of raw materials or supplies, and so on, and where a supplier has met delivery needs punctually, where components have been consistently reliable, where emergencies have been met promptly, and so on, it is reasonable to argue that fear of changing supplier for comparatively small price advantages cannot be classified as irrational behaviour.

The implications for marketing are that whenever fear of breakdown is identified as a dominant buying motive, the marketing mix must be organised so as to overcome this fear.

6.2.7. Industrial marketing research

Market research has already been mentioned in relation to capital goods. It is commonly accepted that many of the more common research techniques used in the consumer goods field are not, and cannot be, used in the industrial goods field. The complexity of the industrial purchasing process itself, the difficulty of assessing the rational and non rational influences affecting the actual purchase decision, the long purchase cycle and small number of orders of some goods, and the wide diversity of product users and customer types for other industrial goods - all of these factors make the application of market research different from that practised in the consumer goods field, which lends itself naturally to techniques such as retail audits and attitude measurement en masse.

Much more common in industrial marketing is the micro approach to individual customers which has to be superimposed on the total market environment analysis.

Such a detailed audit would probably include the following:-

- the location of the purchasing authority;
- buying motives: this would necessitate some rating system relating to the elements of the marketing mix, such as product patronage, service, price, delivery and so on;

- an analysis of the company's competitors to establish how their marketing mixes match the needs of the market;
- an analysis of the company's own internal operational variables, i.e. the marketing mix, to establish how this matches the needs of the market.

The purpose of this activity is to enable the company to achieve competitive advantages and to communicate these in the most effective way, whether through sales promotion, advertising, exhibitions or personal selling. This should ensure the best possible level of compatibility between the needs of the market and the utilisation of the company's resources.

Such micro analysis should also help the company to identify overall trends, such as market contraction, a tendency to centralised buying and so on. Without this micro analysis, the difficulties of forecasting referred to earlier are merely exacerbated.

Otherwise, the principles of marketing research in the industrial goods field vary little from those in the consumer goods field.

The actual authority of the purchasing officer varies quite considerably depending upon the nature of the goods being bought and the nature of any one company within its industry. Sometimes the buyer will be responsible for all aspects of a purchase decision, including overall policy. At other times, the buyer may more clearly resemble an order clerk, with little or no opportunity to exercise his own judgement and initiative.

In high material cost industries, or in industries where progressive assembly processes suffer high cost penalties as a result of a breakdown of supplies, components, or machinery, the status and role of the purchasing authority will probably be high, with important influences from other personnel within the company having a bearing on the purchasing decision.

Thus, a major task for marketing research is the location of the centre of purchasing authority and the understanding of the important influences on the eventual purchase decision, whether it be fear of breakdown, credit ratings, or whatever.

One company which demonstrated an ability to use buyer segmentation studies of this kind was John Rigby Steel. (125) Their research at the general level told them that a number of different functions had an influence on the decision to use shaped wire as opposed to making components in-house, and on the choice of supplier. So they prepared separate copy and campaigns for each of three functions, design, production and purchasing, a policy that was extremely successful in the number of enquiries

it generated, many of which were converted to firm orders.

6.2.8. Conclusions

The committee on definitions of the National Association of Marketing Teachers, reported by Cateora, P.R. and Hess, J.M. (60) in its statement on the fundamental differences between industrial and consumer marketing, reported four important differences which result in major diversity in marketing practices, as follows:-

- the nature of the market or the buyer;
- the organisation or operational set-up;
- the characteristics of the product;
- miscellaneous differences such as the need for a highly-skilled sales force and after sales service capabilities.

The marketing operational differences resulting from this list have already been enumerated above. However, the great diversity of types of industrial goods, ranging as they do from high cost capital goods for vertical markets, to low cost goods for horizontal markets, makes the listing of marketing differences limited in its usefulness from the point of view of drawing out a set of general principles designed to assist the application of the marketing concept and its associated technology in the industrial goods field. Such lists lead only to statements of such generality as to be of no operational significance.

For example, to say that consumer goods markets consist of long channels of distribution; a great number and variety of customers; the one price plan; mass merchandising; a large number of small transactions; extensive advertising and sales promotion, appeals to emotional buying motives; and that industrial goods markets consist of short channels of distribution; concentrated markets; heavy emphasis on direct relationships; fewer sellers and buyers; greater use of prolonged negotiation; larger units of sale; infrequent purchases; well informed, rational buyers and so on, does not really help in any practical sense. The reason is that the relevancy of such lists varies enormously according to where on the continuum referred to above the particular category of industrial goods lies.

One method of locating industrial goods on this continuum and of drawing out a set of principles based on their relevant location on it was developed by Smallbone, D.W. (235). He investigated the marketing organisations of 400 companies, which he divided into the following categories: rapid turnover consumer goods; durable consumer goods; rapid turnover industrial goods; semi-manufactures; durable industrial goods. In this order, Smallbone tested the hypothesis that the more one moved from classification one to classification five, the greater the risk

of the purchase decision, the more people are involved in the purchase decision, the greater the informed nature of the buyer, and the greater the adjustment needed between buyer and seller. Developing this hypothesis, Smallbone went on to demonstrate from his findings that as one moves down the above classification, the greater the need for persuasion at the point of decision, and that with a fixed promotion budget more will be spent on personal as opposed to non personal communication. He found that the percentage spent on personal promotion in each classification accounted for the following percentages respectively:

21%; 67%; 72%; 75%; 87%

All the similarities and differences, then, between consumer goods marketing at one end of the continuum and capital goods marketing at the other, can be explained by the hypothesis developed by Smallbone. However, the differences are not absolute; they are only differences in degree.

These are summarised in figure 2 on the following page, which has been developed from Smallbone's theory and expanded in order to provide a general theoretical framework which incorporates both the industrial classification referred to in this section and the broad marketing approach appropriate to each.

The only fact which clearly emerges from the above analysis is that it is the differences listed in this section which make marketing planning for industrial goods more difficult and less exact than for consumer goods, and that industrial marketing as a general subject is noteworthy for the variety and range of challenges which it provides. Thus industrial marketing demands a more fundamental approach and this is why so many books on the subject, in trying to draw out a set of principles applicable to a vast range of industrial goods, seem to gravitate towards non operational generalities.

It is for this reason that this thesis will concentrate on specific areas of industrial goods, at different points on the continuum. This way it should be possible to identify commonalities of problems and approach according to particular circumstances.

The data will be examined carefully to see whether there are any variations in the approach to marketing planning that reflect the differing orientations and problems of companies selling to different markets.

Industrial Goods Continuum

Figure 2

Broad markets
 Frequent purchase (often routine)
 Large number and variety of customers
 Low technological content
 Made for inventory
 Low price
 One price plan
 Long channels of distribution
 Communication to customers "en masse"
 Large number of small transactions
 Extensive advertising
 Mass merchandising
 Extensive sales promotion
 Appeals to emotion

Narrow markets
 Infrequent purchase
 Small number and variety of customers
 High technological content
 Made to order
 Larger units of sale
 High price
 Wide price range
 Short channels of distribution
 Communication to "individual customers"
 Prolonged negotiation
 Small advertising, merchandising and sales promotion content in marketing mix
 Appeals to rational buying motives

Rapid t/o Consumer goods Durable Consumer goods Rapid t/o industrial goods Semi-manufactures

Cars TV Etc

4 Operating Supplies 3(a) Component Parts 3 Fabricated Materials

I(b) Multipurpose Equipment 3(b) Process materials 2 Raw material

Durable industrial goods

I(a) Single Purpose Equipment

Key to Industrial Classification

- 1 Equipment
- 2 Raw Materials
- 3 Fabricated Materials
 - (a) Single purpose
 - (b) Multipurpose
- 4 Operating Supplies
 - (a) Component Parts
 - (b) Process Materials

The fact that marketing is more than just persuasion means that the marketing plan must organise all marketing resources and integrate all functions such as production design and development, inventory and distribution, quality control and service and promotional and sales effort, in order not only to optimise sales, but profits and return on investment. In an industrial setting, the complexity of this task will vary according to the industrial classification and the location of that classification on the continuum.

Thus, industrial and consumer marketing are not mutually exclusive, neither are they identical, and any formal study of general principles relating to marketing planning makes sense only when these can be gathered together in such a way as to be adapted and used to make them appropriate to a particular marketing situation.

A review of published literature on industrial marketing has revealed that no such set of general principles appears to have emerged in relation to the process of marketing planning. To use a medical analogy, the work which has been done so far provides only a general medical training and background; the further training to enable specialised medical work to be undertaken has yet to be done.

That this is so is confirmed by Roger, L. (209), who says:

"The reality is that marketing has not yet stormed the citadels of business industry. It merits one brief paragraph in the C.B.I.'s latest policy document."

The sample of evidence provided in section 4.0. of this thesis tends to support Roger's view. The real point, surely, is that either the principles of marketing do not apply to industrial goods marketing, or that there are enormous difficulties in implementing the marketing concept in an industrial setting. If marketing has indeed not yet stormed the citadels of industry, after at least two decades of concentrated communication of education in the discipline of marketing, then perhaps more attention should be paid to examining the special circumstances appertaining to industrial goods companies in order to understand what the difficulties of implementation are. This thesis is just one attempt to help in this process of understanding.

A brief look at sales promotional techniques and their applicability to industrial markets will help to further clarify this point. Spillard, P. (244) shows that most industrial marketers have only a narrow understanding of what sales promotion means and how to use it in industrial markets. There is a feeling that if a firm needs to promote a product, then there must be something wrong. Also, few industrial goods companies consider

the full range of promotional activities because they fail to appreciate how they can be adapted to their own problems. Such problems relate to: encouraging repeat purchase; securing marginal buyers; meeting competition; getting bills paid on time; stimulating a sales force or a dealer or an opening network; inducing rapid market penetration when introducing a new product; sustaining perception of value over and above that intrinsically possessed by the product itself; reducing perceived risk involved in buying expensive and long lasting items of equipment; smoothing out costly buying cycles.

Spillard goes on to list fifteen different types of consumer goods promotion and gives examples of how they can be adapted to help solve the special problems of industrial goods companies.

Thus, it can be seen that although the problems of industrial goods companies are of a similar nature to those of consumer goods companies, the task of finding common ground for using the techniques of consumer goods marketing to solve those problems is quite complex and requires special treatment. To say that there is no difference in principle, although true, is to fail to recognise the special difficulties of applying the marketing concept in an industrial setting.

Marketing, then, is a universal concept with a universal set of operational techniques. The implementation of the techniques and the emphasis given to the several variables differs substantially depending on the type of product and market situation.

It is now necessary to turn to international marketing which adds yet another dimension of complexity to what has already been demonstrated as being a complex subject.

DEFINITION OF TERMS (CONTINUED)

7.0. INTERNATIONAL MARKETING

7.1. Introduction

Wills, G.S. (op cit), puts forward the view that International Marketing deserves no special treatment.

"The most substantial fad of all was, and still remains, the study of international business. A new breed of scholar grew up within a new division of studies, who was an expert on "international" marketing. He challenged the fabric of studies which had already emerged. It cannot be allowed to last without doing irreparable damage to the teaching and study of the fundamental areas in a Business School. All the subjects should, in my view, incorporate an international perspective. There are in fact few aspects of international business not already encouraged in typical syllabi. The danger in permitting separate development is largely psychological. It should never be allowed to become a specialisation."

In section 6.0. it was suggested that attempts to put industrial goods and consumer goods marketing together is not very helpful. The folly of concluding that there is no need to distinguish between the two, since both have the same ultimate aim and both have the same marketing weapons at their disposal, manifests itself in two ways. Firstly, every piece of research into marketing in the industrial goods field, shows that those companies who have attempted to lift consumer goods marketing practices and place them in an industrial setting, without taking account of some fundamental differences arising out of the nature of the markets, have failed in their attempts. Secondly, most of the literature on industrial marketing, in trying to draw out a set of principles applicable to a vast range of industrial goods, tends to gravitate towards non operational generalities.

Equally unhelpful is the suggestion that industrial marketing is so completely different as to make the experience of consumer goods marketing of little or no value.

It is more likely that variations in format and differences in emphasis in the way the marketing concept is implemented, reflect the differing orientations and problems of companies selling to different markets. The complexity of the task, and its similarity to consumer goods marketing vary considerably, depending on the type of industrial good, the use to which it is put, and its location on a continuum with rapid turnover

consumer goods at one end, and high value specialist capital goods at the other.

A very similar problem to that of comparing consumer goods and industrial goods marketing can be seen when attention is turned to the subject of marketing in an international setting.

That there can be no application of the marketing concept without planning geared to the market, based on facts and integrated with other business plans is a statement which would be universally accepted by marketing academics and successful marketing practitioners alike.

Equally acceptable would be the assertion that this statement applies just as much to industrial goods as it does to consumer goods. There would also be no quarrel with the assertion that this statement is as apt in an international setting as in a domestic setting.

However, the use of this truism, as an excuse to lump international marketing and domestic marketing together is as unhelpful and as dangerous as lumping consumer goods and industrial goods marketing together and relying on a set of principles which are considered to be generally applicable.

Some evidence has been provided to illustrate the impracticability of such an approach in the industrial goods field, and of relying on general principles unless these can be gathered together in such a way as to be capable of being adapted and used to make them appropriate to a particular marketing situation.

It has already been shown that one of the principle causes of Britain's appalling export performance since the war, is the degree to which we have failed to implement the marketing concept in an international setting. It will be seen that many failures have resulted from the assumption that marketing abroad is no different from marketing at home, just as many industrial goods company failures have resulted from a failure to adapt the principles of consumer goods marketing to an industrial setting.

As has been shown in relation to industrial goods marketing, so it will be shown that the differences arising from the nature of foreign markets make marketing planning more difficult and less exact, thus providing a variety and range of challenges not common to domestic marketing, and it is on these differences that attention must be focused in order to isolate a set of actionable principles.

Cateora, P.R. and Hess, J.N. (op cit), start by confirming that whether a company is marketing at home or abroad, the differences between industrial and consumer markets remain. Foreign marketing requires that a clear distinction between the two kinds of goods

be maintained because of the basic differences in marketing activity between industrial and consumer goods. However, the majority of texts on international marketing do not distinguish between the two different types of goods.

A review of the literature on marketing in an international environment confirms the view that it is dangerous to assume that international marketing is not sufficiently different from domestic marketing to warrant being treated separately. Contrary views are comparatively rare.

Cain, W.W. (51), refers to comments made by planners from 30 top United States companies that the term "international marketing" has no meaningful identification and that it is really no different in concept and practice from what might be termed "domestic marketing". At the same time, however, the planners were unanimous in agreeing that planning on an international scale has special and unique problems associated with it, primarily in respect of implementation.

Deschampsneufs, H. (op cit), supports the view that marketing overseas is vastly different from marketing at home, even though the underlying principles of market investigation and customer service are one whether in Wales or Spain.

Bolt, G.J. (31), takes a contrary view. He states that the principle of international marketing is that the whole world and all its countries are treated as potential markets and that there is no distinction between home and export marketing. This implies that market research will be carried out, appropriate products developed, realistic pricing, packaging and branding policies will be evolved, and market and sales forecasts will be developed. There will also be effective communication with markets through advertising, sales promotion and public relations, whilst distribution policies will ensure that the product gets to the right place at the right time, with effective after-sales service being provided. Bolt concludes that international marketing is selling profitably to individual markets in any part of the world.

Kollatt, D.T. (op cit), supports this view. He defines domestic marketing as the satisfaction of markets within one's own country and states that because it is necessary to understand other markets and develop competence to satisfy those markets, foreign marketing is inherently no different from domestic marketing.

Such assertions, however, do not explain why there is such a large body of literature devoted specifically to international marketing, and although many texts concentrate on operational details, such as franchising, agents and the like, there is nevertheless, almost universal agreement that in the process of marketing goods across political boundaries, there are important changes in the nature of the solutions to marketing problems, the formulation of marketing policies, and their implementation. These changes, which comprise the uniqueness of foreign marketing, are caused by the diversity of

the problems and the variety of strategies necessary to cope with the different levels of uncertainty encountered in foreign marketing.

The development of communications and transportation systems throughout the world has revolutionised a firm's capacity to trade in foreign markets, but the fact that many successful U.K. firms do not appear to have developed the marketing expertise to cope with the worldwide opportunities, seems to indicate the need for a deeper exploration of the special problems of international operations, and the way in which they influence the implementation of the marketing concept.

7.2. Definition of terms

Adam Smith's major conclusion was that the principal economic basis for international trade is price. Each nation maximises its supply of goods by concentrating production in those areas where it is most efficient, trading some of these products for imported products where it is less efficient. Miracle, G.E. and Albaum, G.S. (185), advise that care must be taken to distinguish between the concept of trade and marketing. Economic theory suggests that trade is merely the exchange of title and takes place because a product is available at a lower price than can be obtained by one's own efforts, whilst marketing encompasses the many activities involved in identifying and satisfying customer demand.

One of the recurrent problems in this field is the difficulty of defining international marketing. To some it means merely export and import management, to others marketing in an environment different from one's own. Leighton, D.S.R. (166), defines it as the management of marketing operations in foreign countries.

Cateora, P.R. and Hess, J.M. (op cit), describe international marketing as the performance of business activities that direct the flow of a company's goods and services to users in more than one nation.

Chisnall, P.M. (61), distinguishes between international marketing and export marketing by stressing that the term "international marketing" embraces a new attitude and orientation towards securing profitable business overseas.

Even more difficult to define is the distinction between multinational and international marketing, both terms appearing to be used with some vagueness and imprecision. Some writers go to extraordinary lengths to draw a clear distinction between the terms.

Keegan, W.J. (145), defines an international firm as a national firm operating in foreign markets, with a basic orientation towards the home market. A multinational company on the other hand, is world orientated, pursuing global business objectives by relating world resources to world market opportunities.

Miracle, G.E. and Albaum, G.S. (op cit), define a multinational company as one which meets two tests. Firstly, it has some form of direct investment, such as manufacturing, in at least one foreign country. Secondly, all basic marketing decisions have a global perspective in the sense that there is no distinction between domestic and international interests, all markets being considered as an integral part of a complex network. Resources, therefore, are allocated on a worldwide basis in relation to the global alternatives available to the company.

Cateora and Hess (op cit), refer to the confusion about the terms "international" and "multinational" and say that to many practising businessmen it is measured by the degree of foreign profit, to others by the number of foreign manufacturing plants, and to still others by the attitude of mind of top management.

Cannon, G.A. and Steiner, W. (53), define a multinational company as one that meets two criteria. First, it must do business in two or more countries in such volume that the well-being of the company is dependent on more than one country. Secondly, its management must make decisions on the basis of multinational alternatives.

The term "export" is a specific term denoting the process of manufacturing goods in a domestic market and selling them abroad. The distinction that is made between "international" and "multinational", however, would appear to be unnecessary. A firm may, in fact, operate globally through a combination of straight exporting, joint ventures, agents, wholly-owned subsidiaries, licensing, contract manufacturing and so on, and to say that such a firm is neither international nor multinational would seem to be unnecessary. Further, the distinction made between the terms "multinational" and "international" seems to amount to little more than a somewhat complicated exercise in semantics, and for the purpose of this thesis the terms "multinational marketing" and "international marketing" will be used synonymously to mean marketing (market intelligence, product management, pricing, distribution and promotion) carried on across national boundaries.

7.3. Differences between domestic and international marketing

Fayerweather, J. (88), whilst not denying the similarity of of marketing problems and tasks in all countries, lays great stress on the fundamental differences in economic, cultural and political systems that influence the competitive and primary marketing objectives suitable for each market, the marketing mix that will be effective in it, and the managerial communications necessary for its implementation. The impact of nationalistic government actions intrude to complicate the structure of international marketing organisations. He concludes that international

marketing is the art of adapting basic marketing concepts to fit the environment created by foreign societies and the economics that bind the nations of the world together and that it is the difficulty of implementing this task that constitutes the fundamental difference between domestic and international marketing.

Hillier, T.J. (op cit), lists some of the problems which add a complicating dimension to the task of marketing abroad. Trade and tariff barriers, nationalism, trade agreements, general business conditions, the state of technological development, the political climate, labour conditions, foreign sourcing, raw material supply, the type of distribution network available, the stage of development of media, and so on, all add a new dimension to the marketing task.

However, many of these problems can be dealt with by specialists, and they really do not satisfactorily explain why international marketing should be recognised as a separate discipline.

Cateora and Hess (op cit), emphasise two basic differences between international and domestic operations, all of which stem from differences in the environment. Firstly, international operations are characterised by greater uncertainty than domestic operations. Secondly, the extent and nature of the information network is a complicating factor. Information is more remote and less exact and there is a consequent reduction in the efficiency of the decision-making process, often with much discussion of which decisions can be decentralised. Both of these difficulties manifest themselves in mistakes which are made because of a lack of familiarity with a foreign environment and its effect on the marketing mix variables.

Rathmell, J.M. (op cit), discusses a further problem often caused by different environments. He states that whilst the analytical tools and techniques of marketing are universally applicable, they are often more difficult to implement because of environmental conditions. More importantly, however, Rathmell adds one further factor to the list of differences between international and domestic marketing. As a firm becomes international in scope, the administrative process becomes more complex. Planning a marketing programme for ten countries rather than one means that the interaction of the company and the environment must be evaluated ten times, with additional factors to contend with, such as language, public controls, and so on. Implementing the marketing mission becomes more complex because of communication problems, and control of the marketing function is made more difficult by attitudes in foreign personnel regarding the need for, and accuracy in, control information.

Keegan, W.J. (I44), also emphasises the special difficulties arising from marketing products simultaneously in more than one

national environment. To what extent should marketing planning be autonomously carried out by subsidiary management groups? To what extent should HQ management be involved in foreign marketing research analysis, planning, creative work and so on? To what extent can lessons gained in one market be applied in another? These are the sort of questions which Keegan lists as having to be satisfactorily answered in order to enhance the effectiveness of each national marketing programme and to optimise the effectiveness of the total world marketing effort.

Further complicating the management of the marketing function is the multiplicity of different types of marketing organisation which may be used simultaneously by the same international firm. It may concurrently export to foreign customers, sell to export or import merchants, licence foreign producers, establish a production, marketing or combined subsidiary abroad, acquire a foreign firm, establish joint ventures with foreign firms, and so on.

Pryor, M.H. (205), confirms the view expressed above in relation to managing international marketing operations. His view is that the social, political environments of different countries and market characteristics restrict the alternative uses which can be made of most of an international organisation's intangible resources and complicate the process of relating all the operations to each other and of relating the activities in one market with all the others in order to optimise the corporate marketing effort.

Confirmation of this major difficulty is given by Kapoor, A. and McKay, R. (155). They draw on the results of a survey of 384 exporting firms and significantly the major problems were seen as the integration of marketing activity into a worldwide corporate effort.

One final dimension of multinational marketing which differentiates it from domestic marketing is the process of crossing national boundaries with a product, a price, and a selling and promotional programme.

Cateora and Hess (op cit), cite as an example of the need for product adaptation those countries where the culture of a prospective user of a piece of machinery has not equipped him with the basic rudiments of technical skills, and extraordinary steps often have to be taken to ensure that such simple tasks as maintenance are properly fulfilled. In addition, they list labour costs, the levels of literacy and income, climatic differences, differences in standards or number systems, the availability of other products, and the availability of power, as factors which could lead to a company having to adapt its products to foreign markets.

The Kapoor and McKay survey (op cit), also confirms that adapting products to local markets is seen as a problem in international marketing.

Turning to the question of promotional programmes, Cateora and Hess (op cit), point out that a marketing programme which is successful in one country often requires considerable adjustment to be successful in another, simply because of the different environment in which the programme is implemented. This is confirmed by the results of a survey carried out by Ward, T.J. (op cit), which shows that 71 per cent of companies were forced to make changes to media plans, sales incentives, advertising messages, distributor incentives and to their sales promotional mixes. The findings of this study confirm the need for adaptation to the environment by companies operating in foreign markets, even between two major market areas that tend to be alike in economic development. It is clear that an international company can only partially replicate its domestic product and programme, and that the major task is to design a unique marketing programme for each foreign market that meets the constraints of that particular market environment. This means researching each foreign market, and planning product, price and promotional strategies for each of them. The Ward study also shows that British companies do not adapt their products and policies nearly as much as other European companies, but for obvious reasons it is not possible to draw any significant conclusions from this finding.

Finally on this point, Chisnall, P.M. (op cit) quotes the Chairman of Unilever as saying:

"The price of success in multinational trading is endless readiness to adapt. For each country, for each segment of the market, we must formulate our package afresh."

The conclusion which can be reached from this brief review of the literature on international marketing is that there are enough differences to warrant the subject being given specialist attention in relation to marketing practices.

There can be no quarrel with the statement that the marketing process and marketing technology have universal validity. Objectives have to be defined, a marketing mix has to be devised, the elements of the programme have to be coordinated and an organisational system has to be designed to implement the plan. What is clear, however, is that the applicability of programmes and techniques are dependent on the environment in which they are applied. It is also clear that the same environmental factors cause wide differences in marketing policies as they are carried out in different countries.

The first task of international marketing management then, is to design many different programmes, for many different national

markets in order that each different marketing mix will enable the company to adapt to each environment in such a way that its goals are attained. The second major task of international marketing management is to coordinate and integrate these several programmes into an effective synergistic international marketing activity. It is the complexity of these tasks which differentiate international marketing from domestic marketing. The world's economy is extremely complex. Not only do nations differ from each other, but so do groups within nations, and this necessitates diversity in programmes and in their implementation. Skilful international marketing is concerned with the management of this diversity.

The principal differences between domestic and international marketing are summarised in figure 3.

Figure 3

Source: Cain, W.W. "International Planning: Mission Impossible"
Columbia Journal of World Business, July/August, 1970

Domestic vs International Planning

A number of external elements affect plans and planning. They may also differ between domestic and international operations:

Domestic Planning

International Planning

- | | |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| 1. Single language and nationality | 1. Multilingual/multinational/
multicultural factors |
| 2. Relatively homogeneous market | 2. Fragmented and diverse markets |
| 3. Data available, usually
accurate and collection easy | 3. Data collection a formidable
task, requiring significantly
higher budgets and personnel
allocation |
| 4. Political factors relatively
unimportant | 4. Political factors frequently
vital |
| 5. Relative freedom from
government interference | 5. Involvement in national
economic plans; government
influences business
decisions |
| 6. Individual corporation has
little effect on environment | 6. "Gravitational distortion
by large companies |
| 7. Chauvinism helps | 7. Chauvinism hinders |
| 8. Relatively stable business
environment | 8. Multiple environments, many
of which are highly unstable
(but may be highly
profitable) |
| 9. Uniform financial climate | 9. Variety of financial climates
ranging from over-
conservative to wildly
inflationary |
| 10. Single currency | 10. Currencies differing in
stability and real value |
| 11. Business "rules of the game"
mature and understood | 11. Rules diverse, changeable
and unclear |
| 12. Management generally accustomed
to sharing responsibilities
and using financial controls | 12. Management frequently
autonomous and unfamiliar
with budgets and controls |

P A R T I

THE THEORETICAL FRAMEWORK OF MARKETING PLANNING
FOR INDUSTRIAL GOODS IN INTERNATIONAL MARKETS

8.0. A LITERATURE REVIEW

8.1. Introduction

The theories and principles of marketing which have evolved over the past four decades from the observation of the processes engaged in by successful commercial enterprises, are well documented in text books, theses, manuals, pamphlets and articles, and there is broad agreement about what the concept of marketing is and about the tools and techniques which can be used in the marketing decision-making process.

As a discipline, however, marketing is still comparatively young, and the majority of literature in existence has evolved from the marketing of consumer goods and services as opposed to industrial goods and services. Of this great volume of literature only a comparatively small amount is devoted to the marketing of industrial goods.

One reason for the paucity of literature on industrial marketing is suggested by Risley, G. (215), as being that the people who run industrial product companies are likely to have technical backgrounds, that the need for marketing is not so apparent, and that this is because of a fundamental lack of appreciation of the role of marketing in an industrial environment resulting from the belief that industrial customers buy on a more rational basis, matching specification with needs, so that there is less room for persuasion and other promotional techniques. This whole question was considered in section 6.0.

Also, having provided some evidence of a relationship between poor marketing and Britain's inadequate export performance, it is not surprising to find that marketing academics have been paying increasing attention to the questions raised by marketing in the international environment. The direction of these efforts has, in the main, been directed at comparative analyses and at a number of general issues international in scope. And as is so often the case in new fields, such investigations have been wide-ranging, ill-defined and comparatively sparse.

This is reflected in the work of Ryans, J.K. and Baker, J.C. (213), who believe that the instructor's task in colleges and universities is made more difficult by the fact that many of the textbooks on international marketing are too conceptual and theoretical.

It is not surprising, therefore, that the amount of literature devoted specifically to the marketing of industrial goods internationally is very small, a fact discovered by both Holton, R.H. (op cit) and Ward, T.J. (op cit) Both concluded that if the literature on international product policies is classified as underdeveloped, that portion of it dealing with international

products must be regarded as primitive, largely because of an assumption on the part of many writers that marketing industrial products is the same the world over.

"In the literature of international as well as domestic marketing, it is interesting to see that rather little attention is given to the marketing of producer goods relative to consumer goods, especially in view of the fact that it is so broad a subject, so vitally important for individual firms, for industries and for the economy."

On marketing planning as a specific subject area in the field of marketing, Winkler, J. (267) says:

"Strange as it may seem, there are not many books about marketing planning specifically; most books on marketing include only a chapter or so about the planning function, but since planning is the name of the marketing game, that hardly seems to do it justice."

Wilson, A.'s intensive examination of marketing literature failed to produce any detailed study of the process of marketing planning. (274) He found that there is no accessible body of knowledge on this topic on which writers can build.

In view of the above comments about the apparent paucity of literature on industrial and international marketing, and on marketing planning, the compilation of the bibliography presented difficulties. However, references were included on the basis that each had to meet one or more of the following criteria:-

- an illustration of some aspect of the theory or practice of planning that might have some bearing on the marketing of industrial goods either in domestic or international markets;
- treatment of a policy issue having direct bearing on the formulation of international marketing strategy;
- presentation of empirical evidence relevant to problems in international marketing;
- illustration of international marketing practices of broad relevance to this thesis;
- development of any philosophy with implications for the formulation of marketing strategy;
- development of a theoretical framework on which the principle issues in the field could be analysed;
- suggestions of areas for future research.

The purpose of this section is to review that part of the literature which falls within the boundaries of these criteria, and which appears to throw light on the specific subject under investigation.

8.2. The History of Planning

Since very little has been written specifically about industrial marketing planning on an international basis, it is necessary to build the literature review around a broad base of subjects that might serve to illuminate the current state of the art.

The principle landmark in the history of the generic nature of planning as a formal business activity is seen to be the second world war and the military influences that resulted.

Subsequently there was an increasing diversity of approaches to planning in the corporate context, as firms moved gradually away from economic theory to consideration of multifunctional objectives and strategies and the different levels and time scales of planning.

There has been a growing interest in planning in the U.K. as a managerial tool since the early sixties. Over this period it has consistently been seen by academic commentators to be of increasing relevance as a means of coping with the growing turbulence of the business environment and the increasing complexity of the marketing task in all kinds of enterprises.

Yet this literature review, which concentrates on the period from 1960 to 1980, finds ample evidence pointing to a wide gap between theory and practice, a gap which appears to be as wide today as it was in the early sixties.

For example, a study by Martin, J. (181) in 1979, showed that of one hundred Times top 1000 companies, all claimed to be planning, but only ten per cent engaged in "comprehensive" planning according to Martin's definition. The remaining ninety per cent engaged only in various forms of forecasting and budgeting.

It is extremely disturbing to find that, after nearly four decades of interest in planning, it is still seen by many companies as being inflexible, too detailed, ritualistic and time consuming. This brief review, therefore, will concentrate on attempting to draw together a number of strands which, during the years, have spread confusingly over a diverse range of related topics.

One theme, however, underlies them all - writers universally believe in planning as being inherently "good". Surely, therefore, given the gap between theory and practice, either the theory is in some way erroneous, or academics have in general been guilty of a gross over-simplification of a subject which has an infinite number of contextual ramifications, or both.

The purpose of this thesis, and the hypothesis from which it started, is to explore this apparent paradox, by means firstly

of a literature review, and secondly by means of an empirical study.

8.2.I. The Evolution of Modern Planning

Since the turn of the century, the challenges confronting the firm have become increasingly more complex. Today, the growing diversity of company needs in a rapidly changing environment has resulted in shorter product life cycles, which have therefore become more difficult to manage profitably. Distribution patterns have changed dramatically in most markets, and competitive pressures have intensified with the geographic dispersion of operations and the growing internationalism of the scale of businesses, the management of which has to become more competent as a result of the growing professionalism of management educators. The socio-cultural, legal, political environments in which managers have to operate have become more volatile and subject to more rapid change. The volume of data and information has mushroomed, and processing methods have become more sophisticated whilst the availability of quantitative techniques to the management of the marketing function has outpaced the ability to use them effectively. Added to this is the ever-present difficulty of measuring the behavioural aspects of marketing, such as social, cultural and psychological.

The result of all this is that it is becoming increasingly difficult to find and develop profitable markets, and since all enterprises have to be based on profitable markets, greater attention is being paid to the way in which the marketing function is managed.

But it has not always been so in Britain, particularly during the immediate post war years, when Britain was still thought of as the workshop of the world, with other nations still anxious to acquire its technology and products. During this period, functional management, particularly production and research and development, continued to determine commercial success, with sales management gradually growing in importance during the fifties and early sixties, as it became increasingly more difficult to find markets for the goods which were being produced.

The gradual addition of societal and political pressures to business management, coupled with the growing sophistication of worldwide competition, has resulted in the present situation described above.

Ansoff, H.I. (7), and Ringbakk, K.A. (op cit), postulate an evolutionary process for planning systems in response to a similar history in the United States, starting with standing policies and procedures in the second half of the nineteenth century, and developing into the static systems embodied in

organisational structures until the fifties and early sixties. Gradually developing out of organisational structures during the same period, were dynamic systems concerned with information and decision-making flows, in response to an environment which was gradually ceasing to be only mildly competitive and unstable. Examples of dynamic systems are financial control, budgeting, management by objectives and project planning.

One such system which emerged was long range planning, the first "total system" geared to preparing an organisation for its future. Its weakness was that it was extrapolative, assuming smooth projections of demand, prices, economic climate, and so on.

Strategic planning, with its systematic analysis of alternative possible futures, developed out of this, but eventually the growing need for a tighter fit between long range strategic planning and action plans led to the development of PPBS (Planning, Programming, Budgeting Systems), which was centred around product/market missions as opposed to organisational convenience. This in turn led to the development of the "strategic business unit" and eventually into strategic portfolio management and the planning systems of today. Today's planning systems result in formalised statements under a series of headings which will be examined in detail in a later section of this thesis.

Typically, however, there would be systematic consideration given to the broad environment in which the firm operates and to the way in which it relates to its own internal strengths and weaknesses. A forecast of discontinuities in the environment may well thus result in a shift of emphasis in the objectives of the firm.

The early systems lacked most of this, usually resulting in only budgets, forecasts and goals, which tended to be extrapolations of past budgets, forecasts and goals.

This brief review of the evolution of planning systems raises a number of critical questions which may give a clue as to why, even today, a totally integrated planning system such as that described above, seems to be a comparative rarity.

Firstly, it is clear that organisational issues are intricately involved with planning system effectiveness. For example, if the planning process is centralised under a team of planners, there is the potential danger that it could easily become separated from the realities of the day-to-day actions of line management and thus become neglected and disregarded as largely academic.

Furthermore, if planning is decentralised, the whole difficult issue emerges of whether the process should be top down or bottom up, and of what the relationship should be between the centre and the operating divisions. A new dimension of complexity is

added in the multinational company, with product groups, market groups, and country groups. The location of the strategic responsibility becomes exceedingly unclear.

But how important is all of this anyway to a small undiversified company, where presumably a very simple, more intuitive planning system could serve the same purpose as a more complex institutionalised system in a large diversified firm? What, also, about the infinite number of possible situation-specific variations to the two organisational extremes described above?

Finally, it is obvious from the above summary that planning systems evolved gradually and grew in sophistication in response to pressures brought to bear on the firm by environmental conditions. The most intricate and advanced systems appear to have been developed by firms operating in a complex and increasingly hostile environment.

IT WOULD SEEM REASONABLE, THEN, TO ASSUME THAT UNLESS ALL FIRMS HAVE TO FACE THE SAME DEGREE OF COMPLEXITY AND HOSTILITY, THERE IS NO NEED FOR A SIMILAR SOPHISTICATION OF SYSTEM, SINCE PRESUMABLY SIMPLE SYSTEMS AKIN TO THE OLDER EXTRAPOLATIVE SYSTEMS ARE PERFECTLY CAPABLE OF COPING WITH ENVIRONMENTAL AND COMPETITIVE SITUATIONS THAT ARE ONLY MILDLY HOSTILE AND UNSTABLE. COMPLEXITY AND HOSTILITY ARE ASSUMED TO BE RELATED TO THE FOLLOWING: PRODUCT/MARKET DIVERSIFICATION; SIZE OF COMPANY; HIGH OR LOW MARKET GROWTH RATE.

This would seem to be a perfectly reasonable hypothesis to take into the empirical stage of the research. Although the whole basis on which the thesis rests is the widespread belief that marketing planning is, per se, a "good thing" there remains the possibility that formalised marketing planning is largely irrelevant in an industrial and international context. One of the major purposes of this thesis is to establish whether or not this is so.

Already, it is possible to see that the whole subject of planning has a mind-boggling array of potential complexities that are unlikely to be satisfactorily catered for in some universal "theory" of marketing planning.

It is against this background that this literature review should be set to establish to what extent the current body of knowledge is able to unravel these complexities, and to what extent it can be considered to be adequate or in need of development and refinement.

8.3. Universal Belief in the Need for Marketing Planning

Notwithstanding this hypothesis, the literature is replete with papers and books universally commending marketing planning as a process.

Immediately, then, there is an apparent paradox, for the simple reason that such views are based on the belief that companies with complete marketing planning systems are more "successful" than those without. This will be further discussed later in this section.

Belief in the need for planning as a formal business activity, is universally accepted by writers. The basis for such a belief is that a company has no "group" brain which automatically regulates the behaviour of its managers. Companies are made up of individuals, whose effectiveness will be enhanced if plans are made to influence their actions in the area of marketing decision-making.

Without exception, writers in the field of industrial goods and international marketing also agree on the need for planning marketing activities.

A substantial body of the literature on marketing planning deals in an assertive way with the need for marketing planning. Generally speaking, no empirical evidence is provided to substantiate these views. The views of writers such as Davidson, J.H. (78), Dodge, H.R. (84), Winkler, J.(op cit) and Tilles, S. (252) are fairly representative of writers who exalt marketing planning as a panacea for commercial problems.

Davidson and Dodge, for example, believe that lack of marketing planning causes companies to do a maintenance job rather than a development job, dealing constantly with recurring crises, and putting out fires. Such businesses, operating on a day-to-day basis, with no marketing purpose, tend to be followers rather than leaders, always trailing behind by dint of being forced merely to keep things going. Without a marketing plan, management is completely absorbed in day-to-day happenings, as if they are on a treadmill, always trying to catch up; which represents a formidable roadblock to the successful implementation of the marketing concept, planned activity being inherent in the concept.

Winkler, in describing the increasing complexity of the marketing task, focuses on the need for a planned approach to this discipline. He describes markets as dynamic, interactive, and involving behavioural influences. Many market variables such as economic, technological, social, cultural, governmental and competitive circumstances, are outside the company's control. Then there are product variables in relation to competitive products, prices, distribution channels and after-sales service levels. There are optional variables such as advertising, sales promotion, selling, public relations and physical distribution, each operating within a complex process of its own. Much of the data relating to these variables is non linear and lagged. Then there is the problem of what is desirable, technically possible, and what is affordable. All of this is further complicated by the fact that

businesses are becoming more and more capital intensive, with all the concomittant financial risks, leading to a desire for large, standard markets, whereas markets themselves are becoming more diverse and sophisticated.

Tilles concluded that the need for an explicit strategy stems from two key attributes of a business: (i) the dependency of success on the mutually reinforcing work efforts of many people; (ii) the attainment of success being problematical in the context of a rapidly changing environment.

He believes that it is developments such as these that can rapidly undermine the market opportunities on which a company has concentrated its efforts, and when the company examines its array of skills and resources it often finds itself illsuited to compete in any other market.

Those who write about marketing planning internationally, such as Pryor, M.H. (op cit) Scholhammer, H. (239) and Yoshino, M.Y. (294) follow the same line of argument, except that they believe it is even more vital when operating in international markets.

Yoshino argues that, in the initial stages of foreign market entry, projects are often dominated by production personnel, and marketing planning is often ignored, with the result that marketing decisions are made piecemeal, often leading to failure.

Pryor and Scholhammer believe that many cultural, economic and physical differences around the world do not make planning impossible; they make it essential. They make frequent reference to the increased uncertainties that companies are confronted with and to complex management problems that arise from a wide range of environmental differences, increased political and economic risks, adverse and frequently discriminating legal regulations. All these situational characteristics add yet another dimension to the market place and create uncertainties which make the development of systematic marketing plans imperative.

Another substantial part of the literature, represented by writers such as Miracle, G.E. and Albaum, G.S. (op cit) Cateora, P.R. and Hess, J.M. (op cit) and Fisher, L. (91), makes reference to the problems which will result inevitably from a lack of marketing planning.

Fisher believes that the root cause of any company's current problems can be found in an earlier failure to plan for adaptation to the changing environment. By studying today's trends and planning to adapt to them as they occur, it is easier to select emerging market opportunities and begin the process of adaptation in good time. Planning for this change is essential, and he believes that a plan will succeed against intuitive effort every time.

Miracle and Albaum, and Cateora and Hess, confirm this view by stating that companies that do not systematically plan international marketing operations will never advance beyond being merely occasional exporters of products designed largely for the home market. Lack of marketing planning allows companies to rush into promising foreign markets only to find that activities there conflict with or detract from the company's primary objectives. Unless marketing objectives are clearly defined beforehand, together with the means of achieving them, management cannot know what resources are required and what gains are expected. Without knowing objectives, company standards cannot be established and planned control is impossible.

Whilst such a view is intellectually appealing, it must be seriously questioned whether the facts actually justify it. There are many examples of "successful" international companies that do not "systematically plan" their overseas operations. Such examples would appear to justify the hypothesis as stated at the end of section 8.2.1.

Yet another section of the literature, represented by writers such as Thompson, S. (op cit) Davidson, J.H (op cit) and Kollatt, D.T. (op cit) makes reference to the belief that companies that plan will always outperform those that do not.

Kollatt, D.T. et al describe how in the U.S.A. in the early nineteen fifties, the systematic pre-planning of the total marketing effort became a new management attitude and technique and how formalised approaches to marketing planning became popular because of the competitive advantages which were accruing to companies who coped with problems and opportunities by adopting a systematic marketing approach.

Thompson carried out a three year study on the planning practices of 20 large American companies. The overwhelming view which emerged from this study was that those companies who prepared plans for known needs, probable developments, and even uncertain eventualities, fared better than those who let themselves get caught unawares by changes in markets, products, and methods. This research report has an abundance of quotations from directors of major companies, such as Edward G. Green, Vice President Planning and Marketing, Westinghouse Air Brake Company, who said.

"The speed and complexity of our environment make it impossible to foretell the future with a high degree of accuracy. For that reason, we must clarify our objectives and determine what action must be taken, when, by whom, and at what cost, to achieve our goals."

In the same report, the planning director of a steel company was quoted as saying:

"By thinking about the future of our business, we become aware of

events now on the horizon that may present to us, in the future, grave problems or great opportunities. We can make some plans now that will prepare us for a range of eventualities that might happen."

To summarise, this brief overview of the literature on marketing planning points overwhelmingly to the conclusion that marketing planning helps companies within an international business setting to achieve a desired future by committing corporate resources to bring about the effective achievement of specific goals. It communicates throughout the company an understanding of the character and nature of the business and enables each department to understand its role in relation to the process of sales and profit making. All company decisions can then be made with a fuller understanding of their implications. Thus it is fundamental in a business, since from it flows the volume and timing of revenue, the demands on production and R and D, the size and character of the labour force, and so on.

Having briefly looked at the literature on this subject, it is now possible to return to the apparent paradox referred to earlier in this section. Some obvious contradictions are apparent from the literature.

FIRSTLY, BY TRACING THE DEVELOPMENT OF PLANNING SYSTEMS, IT WAS POSSIBLE TO DEVELOP THE HYPOTHESIS THAT IF COMPETITIVE AND ENVIRONMENTAL CONDITIONS ARE ONLY MILDLY HOSTILE AND UNSTABLE, FORMALISED MARKETING PLANNING IS UNNECESSARY. THIS COULD EXPLAIN THE FACT THAT SO FEW COMPANIES APPEAR ACTUALLY TO CONFORM TO THE THEORY OF MARKETING PLANNING.

Secondly, by reviewing representative sections of the literature on marketing planning, it was possible to conclude that marketing planning is universally seen as being "good".

THIS LEADS TO THE SECOND HYPOTHESIS WHICH IS THAT COMPANIES WITH COMPLETE MARKETING PLANNING SYSTEMS WILL BE MORE SUCCESSFUL THAN THOSE WITHOUT, IN ENVIRONMENTAL AND COMPETITIVE CIRCUMSTANCES WHICH ARE DIRECTLY COMPARABLE.

These two hypotheses represent the apparent paradox referred to above, although further consideration will lead to the conclusion that they are not necessarily contradictory. It is all a question of how "success" is measured. For example, a firm operating in a stable and unhostile environment may well be considered to be commercially successful, yet at the same time be less "successful" according to some criteria other than profit, such as, for example, the degree to which it is successful in coping with the kind of operational problems that all companies have.

This is a complex issue, on which the literature throws little light, and it will be one of the objectives of this thesis to

attempt to explore and explain this issue through the empirical studies.

This section has criticised the literature for its assertiveness, (what Glaser and Strauss refer to as "exemplification", or the development of a logically deduced theory based on ungrounded assumptions). Apart from this, there are other major criticisms that will be referred to in the following section. Before this, however, it is necessary to take a brief look at that part of the literature that focuses on the benefits which are claimed to accrue to companies with complete marketing planning systems. The purpose of doing this is to establish to what extent the evidence appears to justify the second of these hypotheses.

8.4. The Benefits of Marketing Planning

Pearson, E.A. (198) sees four major benefits being enjoyed by companies that use comprehensive marketing planning. Firstly, objectives are based on specific market-centred opportunities, not on vague hopes of doing better. Secondly, efforts are focused on identifying specific major opportunities which leads to concentration on the key strategic changes that are needed to capitalise on them. Thirdly, top management can devote its limited time to key issues without getting bogged down unnecessarily in details. Lastly, integrated action is encouraged within the company because responsibilities are clearly defined and it is possible to measure how each unit performs in relation to its specific goals. Action is coordinated and directed towards a set of strategic goals throughout the organisation rather than being the by-product of each department's individual activities. A marketing plan, by identifying priorities, serves as a basis for agreement for all parties on the goals towards which the marketing effort is to be directed, thus contributing to coordinated action and reducing misdirected management by expedient.

Boyd, H. and Massey, W. (50) identified six benefits of planning:

1. Coordination of the activities of many individuals whose actions are inter-related over time.
2. Identification of expected developments.
3. Preparedness to meet changes when they occur.
4. Minimisation of non rational responses to the unexpected.
5. Better communication among executives.
6. Minimisation of conflicts among individuals which would result in a subordination of the goals of the company to those of the individual.

All writers in this field agree on the fundamental benefits of marketing planning as outlined above, and whilst writers like

Terpstra, V. (246), add benefits such as the encouragement which is given to systematic forward thinking by management; better coordination of international efforts by balancing available corporate resources against a set of global opportunities and uncertainties; a stronger sense of integration with other functions; and the provision of the framework for a continuing review of operations, these are basically extensions and refinements of the benefits outlined by Pearson.

It is commonly believed that the core benefit of marketing planning is that it facilitates the achievement of success. As early as 1966, Najjar, A. (192) stated:

"The net result of business planning according to management scholars, is business success."

This theme is often repeated in subsequent work in the areas of corporate and marketing planning.

Ansoff, H.I. et al (6) and Thune, S. and House, R. (251) in researching the benefits of marketing planning, used a series of measures related to the following variables:

Sales; earnings; earnings/share; total assets; dividend/share; stock price; debt/equity; earnings/total equity; P/E ratio.

With these "objective performance measures", "conclusive and significant" evidence was obtained that planners outperform non planners.

Thune and House, using economic measures of performance such as sales, stock prices, earnings per share, return on common equity and return on capital employed, concluded that:

"In this study, companies that engage in formal long range planning, when considered as a group, have historically outperformed a comparable group of non planners."

Schoeffler et al (223), writing about the PIMS study of the Marketing Science Institute (Profit Impact of Marketing Strategies), concluded that a systematic planned approach to strategy formulation leads to a higher return on investment.

An even earlier study, in 1966, (reported by Leighton, D.S.R.) (op cit), by the Stamford Research Institute of the 400 leading U.S. corporations, showed a high correlation between those companies that showed the highest growth rate and those that used systematic planning procedures. The emphasis in successful companies was found to be on written plans and systematic procedures for their preparation, implementation and review.

The major criticisms of such studies, however appealing their conclusions, is that there is an inherent assumption that there is a causal relationship between commercial success and formalised marketing planning. There is no exploration of, or attempt to explain, the reasons for the commercial success of those companies that did not engage in formal marketing planning. It could be argued, for example, that other factors, such as, say, management style, were as much determinants of success as formalised marketing planning.

Nor is there any exploration of the circumstances of those commercially unsuccessful companies that also have formalised marketing planning systems, and one cannot avoid feeling that such studies leave a number of vital questions unanswered.

Nevertheless, it would be foolish, in the face of the evidence, not to assume that there appears at least to be a relationship of some kind between formalised marketing planning and commercial success. It would be equally foolish, however, to use such evidence to prove that commercial success will automatically accrue to companies adopting formalised marketing planning procedures.

Formalised planning systems were discussed by Camillus, J.C. (55). He draws on the work of Vancil at Harvard, whose work over a period of years isolated "a set of commonly adopted purposes of planning," which are:

- (i) to develop an orientation to the unforeseen environment of the future and to develop new ideas and opportunities. The focus is on events external to the firm, undertaken through the scanning of developments both inside and outside of the firm's industry, in the realms of economics, sociology, politics, technology, etc. Also, to assess the impact of future environmental change and to increase the organisation's ability to anticipate and adjust to changes:
- (ii) to determine what business the firm shall compete in and how it shall compete with respect to the market segment, product line, financial posture, production methods, etc:
- (iii) to deploy resources in the form of action plans and operating programmes which are necessary to implement the strategies which have been identified:
- (iv) to develop a frame of reference for the annual operating budget. The purpose is to determine the various profit goals, capital expenses and budgets by product or functional group as an outgrowth of the action programmes:
- (v) to develop a framework in the minds of senior management by writing down objectives, strategies, programmes and budgets in order to facilitate operating decisions:
- (vi) to develop managers by means of improved communications and understanding.

In his dissertation, Camillus showed that improved communication is not so much a result of the planning activity, but rather a consequence of formalising the planning activity. This is because a formal planning system demands interaction between executives at particular times and motivates them in their own interest to communicate their perceptions of how and to what extent their individual activities should influence the corporate future.

Camillus clearly favours formalised planning and lists seven positive benefits.

- (i) Planning becomes a regular, required activity, rather than being dependent on individual executives' enthusiasm or motivations. Executives have to take decisions and arrive at conclusions.
- (ii) More relevant executives can be involved in the decision-making process.
- (iii) It ensures that all known factors relevant to decision-making are considered.
- (iv) It ensures that common, explicitly-stated assumptions are used by participating executives.
- (v) It ensures that explicitly-stated and accepted decisions about objectives are made, thus providing for "unity of direction and coherence of managerial effort."
- (vi) The formal statement of expectations regarding the future provides the foundation for an organisation-wide understanding of when changes in either objectives or actions are required.
- (vii) Formalising the planning activity facilitates its design so as to serve precisely those purposes which the firm seeks to serve through this activity.

Camillus suggests that the development of an orientation to, and an understanding of, the implications of environmental turbulence, is largely dependent on the individual motivation and capability of executives, and that the formalisation of strategy is necessary only to the extent that it is required to be communicated to other levels of management. Camillus believes that the development of action plans is considerably dependent on the existence of a formal system. Furthermore, that coordination of a number of action plans of various functions and departments within an organisation makes formalisation essential. The development of a budgeting reference frame is, he believes, even more dependent on a formal system, as is improved communication, management development, and the development of a common framework in the minds of senior management, as a formal system requires that specific executives meet at particular times to discuss selected aspects of current and future operations of the organisation.

He acknowledges, however, that the whole process is largely dependent on the individual motivations and capabilities of

executives, and that the formalisation of strategy is necessary only to the extent that it is required to be communicated to other levels of management.

IN OTHER WORDS, CAMILLUS ACKNOWLEDGES FIRSTLY THAT THE EXISTENCE OF A FORMALISED SYSTEM, PER SE, WILL NOT FACILITATE SUCCESS, AND SECONDLY, THAT THE DEGREE OF FORMALISATION WILL DEPEND TO A LARGE EXTENT ON THE SIZE OF THE ORGANISATION.

This conclusion most definitely appears to support the first hypothesis as stated at the end of section 8.2.1. It also points to the fact that the subject of formalised marketing planning is infinitely more complex than the literature indicates.

The major criticism of those works already referred to, is that although marketing planning to cope with uncertainty and change is universally accepted as the very essence of purposeful management, very few writers acknowledge that effective marketing planning remains the most baffling area for analysis and action.

This is surprising when it is considered that there is some evidence (to be discussed in the next section), that many companies have rejected formalised marketing planning systems because they have not brought the claimed benefits referred to above.

Norburn, F. (193), in his review of corporate planning research, identified most of the major writers in this area as finding problems and difficulties in the implementation of formal planning.

Reference has already been made to the diverse and often uncontrollable nature of the many variables involved. Through planning, organisation and control of all the relevant variables in the marketing mix, a total and effective marketing programme is possible, but Terpstra, V. (op cit), states that although most companies recognise the need for sales promotion, advertising, selling, public relations, and so on, few of them successfully blend them together into an effective marketing plan.

Black, T.P. (op cit) admits that although every commercial enterprise in a capitalist economy has been compelled to consider the basic elements of the marketing mix, most have not succeeded in doing so in any logical sequence.

The major problem in marketing planning seems to be that, for the reasons stated, it is considerably more complex than other functional areas. Marketing is concerned primarily with people and ideas in a constantly changing environment, and only to a minor degree with physical things. Relationships are essentially of a persuasive character, and the process of coping with a volatile and dynamic environment of great uncertainty makes it difficult to forecast the results of marketing efforts. Because of the lead time that must elapse between concept and fruition

in most marketing programmes, the marketing manager must learn to live in the future.

At the same time, when more complex marketing operations, higher costs and increased uncertainty call for greater emphasis on the planning function, there remains the difficulty of how to initiate formalised marketing planning systems that will help overcome the problems.

Thus, whilst marketing planning for industrial goods in international markets is seen as being essential for success, it is also a difficult task, and it would seem to be necessary to see what the literature has to say about the nature of these difficulties.

8.5. Previous Studies of Marketing Planning Failures

Notwithstanding the importance of marketing planning and its universal acceptance by scholars as being central to the profit-making process, little research has been carried out to find out why it appears to be poorly understood and badly executed by a large number of companies on both sides of the Atlantic.

A review of the literature on marketing planning failures reveals that recent studies are still coming to similar conclusions to studies carried out twenty five years ago. Also, what research has been carried out describes planning difficulties quite well, but generally fails to link these difficulties back to any general "theory".

The specific purpose of an early study carried out by Liander, B. (op cit), was to determine and analyse the impact of the Treaty of Rome on marketing management and organisation in companies operating in the E.E.C. before 1957. One of the conclusions of the study was that marketing tends to be a fragmented assortment of separate functions which lack coordination and synthesis, and that there is a striking lack of planning which is designed to meet anticipated changes in the firm's marketing environment. This is confirmed by the fact that many firms did not regard marketing as a total, interacting system.

Liander's major conclusion was that marketing planning as a process, involving the determination of marketing goals and the means of their achievement, was alien to many firms in the study. Frequently, planning was confused with goals, objectives, budgeting, forecasting, and the like. Unfortunately, Liander postulates no explanation as to why this should be so, and one is left wondering whether it really matters.

Ames, B.C. (9), reported on the findings of a major study carried out by McKinsey and Company into the planning process of 50 industrial companies, the purpose of which was to discover

why, in spite of a great deal of time and effort, marketing planning for industrial goods appeared not to be paying off.

Four major findings emerged, which go some way towards explaining why formalised marketing planning systems often go badly wrong:

Firstly, chairmen often failed to communicate substantive corporate objectives. Without an assessment of the growth outlook and some determination of company direction, properly communicated downward through the organisation, it was found that marketing strategies and cost and profit projections were being developed in a vacuum and were thus often misdirected. On the other hand, unrealistic corporate growth objectives, without a proper assessment of the economic and industrial environment, led to frustration and a lack of sense of reality in the planning process. The leader companies tended to start by setting profit objectives relating to shareholder's equity and then worked out what had to be done to reach these goals.

Secondly, there was generally a failure to fit the concept of marketing planning into the industrial context. Industrial companies tend to have many markets and channels, each requiring a discrete marketing strategy. One electrical equipment manufacturer in the study sold its major product in thirty distinct markets, through several different channels, and had tried to cover this complex process with one single marketing plan.

One other important major difference between consumer goods and industrial goods marketing emerged from the study, and was seen as a major reason why the consumer goods marketing planning concept was not being effectively adapted to the industrial goods scene. In consumer goods, marketing, advertising and sales promotion, often are the core elements. In industrial goods companies, engineering, manufacturing, technical service, and so on, are often the factors that make or break performance in the market place, and the marketing department have to plan around the constraints imposed by these other functions. Since the success of a marketing plan depends on the share of total company resources each product or market receives, it is unrealistic to expect product managers to be successful without the full participation of other corporate and operating managers throughout the process.

Although this is not made explicit in the research, it is clear that this problem relates directly to that of inadequate corporate planning. The study found that marketing planning was not built into the management process, but grafted on. This problem was summed up by one industrial product manager, who said:-

"We never had any idea from top management of the kind of business the company wanted, the minimum return expected, or the kind of support it would be willing to throw into its various markets. Worse still, we had no cooperation from the development groups on the plants where decisions are made that really control the business. The planning we did was bound to be a bust."

The third major problem revealed by the McKinsey study was an over-emphasis on format and procedure, leading to a lack of substance and innovative thinking. The planning process, including too many elements and too many details too far ahead, tended to become an end in itself rather than the means to an end.

The fourth major finding of the study, after comparing several years' plans for the same product, was evidence of "tunnel vision", resulting from straight line extrapolation and repetition of major programmes. Failure to understand changes taking place in the market such as competitive moves, shifts in demand patterns, and so on, led to a reluctance to face up to unpleasant truths about the competitive situation. Thus, insufficient and less-than-candid analysis led to a lack of choice among alternative courses of action, often resulting in the continuation of stale or imitative strategies.

The study showed that marketing planning in successful companies had worked principally for three reasons.

Firstly, better definition and direction from top management, which took account of the multiplicity of markets and channels, led to a better coordination between marketing and other functional areas. This included specific statements of how fast the business should grow, what markets and products should be emphasised, which should be avoided, and what profit returns were acceptable. The very existence of such corporate objectives meant that all managers were able to understand the underlying assumptions of strategies and programmes and were thus more willing and able to respond to them.

Secondly, strategies in successful companies were fact-founded. Comprehensive knowledge of the economics of the business, trends in the market, how the market is structured, where value is added by competitors, and so on, enabled planners to develop realistic strategies for the present business, as well as serving as the basis for overall corporate long range planning, and providing the direction for programming key activities and projects in other functional areas.

Finally, the study showed that superior programming was a major contributory factor of successful marketing planning. No projects were approved that were not directly related to the agreed marketing strategy. Thus, functionally interesting projects of no commercial relevance, were not undertaken. Also,

techniques such as PERT were applied to major projects to assist interfunctional coordination, to indicate potential problem areas, and to initiate corrective action before the programme deviated from plan.

The conclusion from this study is that marketing planning can make as big a contribution to the profitability of industrial goods companies as it has to consumer goods companies, providing there is less emphasis on the system, more focus on improving decision-making through thorough analysis, and continual interchange between marketing and other functions.

The writer of this thesis sees this major work as an important milestone in the development of marketing planning thought, for it succeeds with great clarity in throwing light on the dysfunctional consequences of marketing planning when the process itself is misunderstood and badly managed.

Another major study which included a section on marketing planning was carried out by Saddick, S.M.A. (op cit). Three aspects of the practices of marketing planning were examined in the three industries under study: whether planning was being undertaken at all; what is being planned; and how far into the future plans covered.

The fieldwork, which was confirmed by the results of 322 postal questionnaires revealed that 5 of the 36 companies visited maintained that planning is useless because all the variables outside and most inside the company's control cannot be predicted, let alone controlled. These companies found no use for marketing planning at all.

He found that a third of the companies visited had reasonably comprehensive plans, one quarter had plans with goals in the majority of areas, one quarter had plans covering only some areas, and the remainder had no plans at all.

He found that in the majority of companies, plans are prepared either without a clear definition of terms or without clarification of what is to be done and without clear definition of control procedures.

Only a quarter of all companies did any formal planning in the full sense of the term - that is, writing down all parts of the plan. Large companies, because their formalised structure calls for formal guides and control, and because better information enables them to establish more definite strategies, were found to be more likely to engage in formal planning than small companies.

It was also found that where the chief executive accepts the marketing concept, marketing planning is more advanced. Whereas

the McKinsey study (op cit) concluded that over-emphasis on procedures is one of the principal causes of the failure of marketing planning in industrial goods companies, the Saddick report concluded that more emphasis is needed on the formal process.

On marketing planning, Saddick concluded:

"There can be no application of the marketing concept without planning. This planning should be geared to the market, integrated with other business plans, and based on facts."

Pearson, E.A. (op cit) confirmed the findings of all the studies referred to above in relation to the role of top management. He developed this theme, expressing the view that top management's inadequate role takes two forms. At one extreme is the lack of interest shown in the plans developed by planners, often leading to the imposition of conflicting plans inflicted on the organisation by uninformed top management. At the other extreme is over-involvement in planning detail by top management. Pearson quoted companies who have solved this problem as recognising top management's fundamental responsibility for approving the basic strategy and the supporting facts that relate to each major product or market. Marketing management is then free to develop and execute specific programmes designed to implement the approved strategies, with top management becoming involved only when there are significant deviations from planned results.

Davidson, J.H. (op cit) described a survey carried out by the U.S.A. National Industrial Conference Board in the mid 1960's on 195 companies. The survey results confirm the findings of the other studies described above in that many companies criticised marketing planning on the grounds that it was too academic, that it inhibited flexibility, and that it consumed too much time.

A study carried out by Ringbakk, K.A. (op cit) on 350 companies in Europe and America revealed ten reasons why planning fails. Ringbakk's thesis is perhaps one of the best known and most widely quoted studies in the area of business planning. His broad objective was to study planning practices in U.S. companies to learn about what planning was done, why companies plan, who the participants are, and what problems were being encountered.

Although the study related specifically to corporate planning, the findings are consistent with the McKinsey findings. The ten reasons are given as:-

- planning is not integrated into the total management system;
- only some levels of management are involved in the

- process;
- responsibility for planning is vested solely in planning staff;
- management expects plans to come true exactly as planned;
- too much detail is attempted;
- management fails to implement the plan;
- extrapolation and financial projections are confused with planning;
- inadequate information inputs;
- too much emphasis is placed on only one aspect of planning;
- the different dimensions of planning are not understood.

The Camillus study (op cit), although clearly favouring formalised planning activity, nevertheless recognises the possibility of some dysfunctional consequences, as follows:

- (i) there is real danger that the formalisation of an activity can inhibit creativity. Formalisation demands that an activity be carried out in a particular manner and on a repetitive basis, with the possibility that, unless managed properly, it could become a meaningless ritual;
- (ii) if the system is badly designed, it could result in giving the wrong focus to participating executives.
- (iii) if inadequate time is allocated to planning, the output will be unlikely to be effective;
- (iv) an improper sequence of planning actions may also result in a suboptimal planning activity;
- (v) formalisation may lead to inappropriate executives being required to participate in the planning process;
- (vi) flexibility to react to changing needs may be reduced.

These dysfunctional consequences are confirmed by the findings of the research referred to above.

More recent studies in the late seventies and early eighties tend to confirm the views of Ringbakk and Camillus.

Martin, J. (op cit) in a paper specifically about corporate planning, claimed that the gap between theory and practice is growing.

"All too often bad planning impedes or imperils a business: and gifted entrepreneurs who are at the heart of all successful businesses - and hence the generation of real wealth - know it."

Lorenz, C. (op cit), quotes the Vice President of General Electric as saying:

"One of the major dangers in the complex planning cycle of a multibusiness company is that attention can be diffused. Far more issues are raised than can ever be resolved."

Wynne Jones, D. (293) summed up the major problem of planning during the seventies, referring to:

".... highly qualified, but young men, in planning departments, with their own systems and jargons - perceived as a classic head office function of the worst type - resented and increasingly ignored While the technical sophistication of the planning systems increased, there was no similar improvement in the clarity of the overall strategies promulgated by chief executives and their boards, as a key input to the planning process. Vague long term goals became positively dangerous when translated into corporate plans. Frequently, the vagueness arose through the desire to encapsulate the whole organisation's future strategy into a single goal, and this failed to recognise the network of goals any organisation must have. Such goals will incorporate the chief executive's intentions, but also will reflect the company's past philosophy and the mission and roles it perceives itself as able to achieve in society.

Another harmful aspect of this vagueness was the confusion of strategy with the detailed planning function and top management's assumption that it could delegate both to a planning department."

Weichmann, U.E. (283), in a study of 40 major U.S.A. and European multinational and headquarters and subsidiary marketing planning problems, revealed that one of the major problems was subsidiary management deficiencies in basic marketing skills and in marketing planning knowledge. This led to a lack of strategic thinking in long range planning, which tended therefore to be extrapolative.

The conclusions to be reached from this brief view of previous studies on marketing planning in the industrial field are clear. All the studies confirm a lack of appreciation of the marketing concept and inadequate marketing skills in companies where marketing planning is criticised. In these companies, planning is confused with goals, forecasts, budgets, and so on, and marketing is seen as a fragmented assortment of separate functions carried out by managers whose activities are grafted onto rather than built into the management process. This tends to lead to tunnel vision, resulting from a lack of adequate information and a marketing function which is ineffective because it operates in a vacuum, with neither the appreciation of, nor cooperation from other functional areas.

The need for flexibility as a reason for not believing in planning is often an excuse for failing to face up to problems and to exploit opportunities. The evidence suggests that, in companies where the chief executive does not understand or believe in the marketing concept, marketing planning can degenerate into an overemphasised format and procedure, providing a platform for the hair-splitter and safety for the academically-minded manager who prefers discussion to action.

8.6. Conclusions and hypotheses emerging from the literature review: some new insights

This brief review of work done in this area does not provide a complete answer as to why, after nearly four decades of marketing experience, the marketing concept still has difficulty in being implemented in an industrial and international setting.

However, some evidence has been provided in the last section to show that marketing planning is an extremely complex, multifaceted process, the implications of which are largely ignored in the literature. The result is a body of literature on marketing planning which is in the main over-simplistic, too generalised and inadequate as a guide to practitioners seeking to understand marketing planning systems and their organisational implications.

The literature review on marketing planning failures in the previous section gives rise to a third hypothesis.

THIS IS THAT THE INTRODUCTION OF FORMALISED MARKETING PLANNING HAS PROFOUND ORGANISATIONAL AND PSYCHOLOGICAL RAMIFICATIONS FOR A COMPANY, REQUIRING AS IT DOES, A CHANGE IN THE WAY IT MANAGES ITS BUSINESS. THUS, UNLESS A COMPANY RECOGNISES THESE RAMIFICATIONS, AND PLANS TO SEEK WAYS OF COPING WITH THE PROBLEMS INHERENT THEREIN, THE INTRODUCTION OF FORMALISED MARKETING PLANNING WILL BE UNSUCCESSFUL. THIS FAILURE WILL RESULT FROM RESISTANCE TO PLANNING FROM WITHIN THE ORGANISATION.

There is some evidence that the introduction of planning across a company is a traumatic experience requiring the detailed attention and support of top management over a number of years, if latent resistance by line managers is to be overcome.

To summarise, three principle hypotheses have so far emerged from the literature review. It is now necessary to put these together to see how they relate to each other and what their implications are for the empirical stage of this thesis.

The three hypotheses are:

1. IF COMPETITIVE AND ENVIRONMENTAL CONDITIONS ARE ONLY MILDLY HOSTILE AND UNSTABLE, COMPLETE MARKETING PLANNING IS UNNECESSARY.
2. HOWEVER, COMPANIES WITH COMPLETE MARKETING PLANNING SYSTEMS WILL BE MORE "SUCCESSFUL" THAN THOSE WITHOUT IN COMPARABLE ENVIRONMENTAL AND COMPETITIVE CIRCUMSTANCES. "SUCCESS" IS CONSIDERED TO BE A QUALITATIVE ASSESSMENT OR INDICATOR OF HOW AN ORGANISATION COPES WITH ITS ENVIRONMENT.
3. THE INTRODUCTION OF FORMALISED MARKETING PLANNING HAS PROFOUND ORGANISATIONAL AND PSYCHOLOGICAL RAMIFICATIONS

FOR A COMPANY, REQUIRING, AS IT DOES, A CHANGE IN THE WAY IT MANAGES ITS BUSINESS. UNLESS A COMPANY RECOGNISES THESE RAMIFICATIONS AND PLANS TO SEEK WAYS OF COPING WITH THE PROBLEMS INHERENT THEREIN, FORMALISED MARKETING PLANNING WILL BE INEFFECTIVE DUE TO RESISTANCE FROM WITHIN THE ORGANISATION.

These three hypotheses, taken together, go some way towards explaining why, after nearly four decades of marketing planning, so few companies appear to have adopted a process which is universally acclaimed by academics as essential to long term commercial success.

They also give some indication that the literature on the subject of marketing planning is inadequate for practitioners seeking practical guidance on marketing planning systems.

Whilst there can be no such thing as an off-the-peg, universally applicable system, because of the differing size, diversity, complexity and personality of companies, what is clearly needed is something more than the current literature provides. This literature falls into three major categories:

- textbooks which provide guidance on the management of the marketing function, but not on the actual process of marketing planning itself;
- papers which treat marketing planning in a very generalised way, telling about the need to carry out situation reviews, set objectives and strategies, and so on, without providing any real guidance of operational significance;
- papers which discuss various aspects of marketing planning, such as "top down/bottom up" processes.

Finally, the hypotheses point very clearly to the necessity for some empirical work in the area to explore and explain their far-reaching implications.

9.0. THE PROCESS OF MARKETING PLANNING: DEVELOPING A THEORETICAL FRAMEWORK FROM THE LITERATURE

9.1. Introduction

When one considers the vital importance of marketing planning and its universal acceptance by academics as being central to the profit-making process, and the fact that it seems to be poorly understood and badly implemented by so many companies, it is surprising to find that there are not many books about marketing planning specifically.

Many books, particularly those about the marketing of industrial goods and about international marketing, quite properly devote whole chapters or sections to specific elements of the marketing mix, but fall short when it comes to the planning process. In fact many of them fail to deal at all with the process of blending each of the variables into a coherent whole.

An example of this is the N.E.D.C. report of the Machine Tools Economic Development Committee (op cit) which stresses the importance of marketing planning, and the need for more attention to be paid to it. Yet it devotes only one paragraph to the subject.

It is surprising to find not only that scant attention is paid to marketing planning as a subject, but also, that where it is discussed, it is often done in a somewhat cavalier fashion, often being described in such general terms that any attempt to translate it into actions of operational significance are likely to be extremely difficult. The following quotation from Keegan, W.J. (op cit) is not untypical of the kind of terminology used in many text books:

"The planning and control process is concerned with relating opportunities and threats in the world market environment to the basic strengths and weaknesses of the company. The planning process results in the selection of objectives, given the alternatives open to the company. Given the objectives, the implementation of decisions about objectives must be accomplished. In marketing this requires the design and specification of products, prices, channels and communications. Given specified marketing plans the next step is implementation. The final phase of the global marketing process is control, that is, the measurement and evaluation of performance. The results of this control activity are fed back into the planning process and become an important input into the planning cycle."

There is nothing in this statement that can be disputed in terms of logic. Nor indeed can the vast majority of writings in this area be disputed in terms of logic and clarity. The problem only arises when such statements are considered in the actual working environment, in which the practising manager

desires to know what detailed steps he has to take in order to integrate all the variables for which he is responsible, in such a way as to achieve the company's commercial objectives.

The reason for this apparent dilemma is not too hard to find. Firstly, as has already been stated, the inter-relationship between the many and diverse marketing variables is complex, whilst the market itself is also an extremely complex system encompassing many diverse variables. The manner in which this complex market responds to these several marketing inputs is not known exactly, in spite of the facts that the outputs of the system are measured on scales such as sales volume, brand share, company image, profit, and so on. Planning and integrating the several elements of the marketing mix into a marketing plan demands a skilful combination of data and information gathering, analysis, logic and subjective evaluation within some kind of systematic framework. The attempt to apply scientific analysis to a system which involves so many constantly-changing variables, and then attempting to predict outcomes on quantitative scales in an integrated plan is a difficult process, to say the least. It is not surprising, therefore, that attempts to describe the process of marketing planning are often somewhat generalised and not always practicable.

Another problem is that the precise make-up of a marketing plan will vary from company to company, depending as it does on the nature both of the business and of the market in which it operates. For example, capital goods pose special problems for the planner, for the number of items sold are comparatively few, this number being subject to considerable fluctuation. Whilst problems such as this merely highlight the need for planning, it will be clear that a capital goods marketing plan will be a very different document from a consumer goods marketing plan. Again, the marketing plans of a large international company will be very different from that of a purely domestic operation.

Yet another problem is that those texts which do include sections on marketing planning tend to describe the process as a neat stage-by-stage series of mutually exclusive events, represented diagrammatically by vertical and horizontal lines.

Anyone who has constructed a marketing plan in a real working situation, knows that, in the same way that the many variables themselves are complex and interactive, so the actual process itself is a continuous interplay of assumptions, objectives, strategies, programmes and budgets. The procedure is far from being a simple flow from objectives to plans. In practice there is constant movement backwards and forwards, from the general to the specific, so that some stages may well occur concurrently rather than consecutively. Unfortunately, few texts even mention this continuous interplay, and flow charts and diagrams are not susceptible to representing this process

effectively.

The end result of the marketing planning process is a marketing plan, which should contain, inter alia, planned sales and profit objectives and expenditures on marketing programmes in money and unit terms. These terms become measurable objectives which are controlled by measuring actual sales and expenditures against what was planned. In most companies, the measurements and evaluations generated by this control process become major inputs into an ongoing planning process, so that planning and control are intertwined and inter-dependent.

This raises the question of the organisational dilemma of planning versus control. On the one hand there is general agreement that plans should be flexible in order to enable the company to react to changed circumstances. On the other hand, budgets, which are the financial summation of the plans, tend to be treated as fixed and are typically changed only with reluctance.

Wilson, A.C.B. (op cit) suggests that one solution is to treat anything planned to happen in the current financial year as inflexible, and anything planned for ensuing years as flexible. The impracticality of this suggestion is ignored by Wilson, and is worthy of more detailed consideration in later sections of this thesis.

It will also be shown that there is some disagreement between writers about the basic logic of the sequence and the several constituent parts of the process.

Before proceeding to examine the literature on the actual marketing planning process itself, it would be useful to discuss the circumstances in which marketing planning takes place within a company.

It has already been suggested that marketing planning is a continuous and complex process. Clearly if this is the case, over a period of time a company should develop not only a more detailed knowledge and understanding of the inter-relationship of the many variables operating within its markets, but should also acquire a certain expertise in the planning process itself. What this means is that the process which such a company actually goes through will probably be different from that of a company introducing marketing planning for the first time.

For example, an initial marketing audit for a company with little experience of planning is likely to be a sizeable task and may be better carried out by an independent auditor in the form of an outside consultant. The reason is that in using a company employee for a marketing audit, not only may the necessary technical marketing knowledge be lacking, but it may also be undesirable to have one executive seen to be

apparently checking on another's performance. In contrast, a marketing audit for a company experienced in marketing planning, is more likely to be an on-going part of an integrated management process, undertaken at many different levels within the organisation as an accepted and necessary concomitant of preparing for tomorrow.

Also, the time scale for planning will vary according to circumstances, and the complexity of the plan itself will also vary. For example, for a company new to marketing planning, a first marketing plan is more likely to be a comparatively simple document, whereas another company may have many levels of objectives and subplans to meet the diverse functional objectives relating to many different markets.

What this means is that each company will have to develop its own planning system suitable for its own situation and needs.

NEVERTHELESS, WHILST THERE CAN BE NO SUCH THING AS AN "OFF-THE-PEG" PLANNING SYSTEM THAT COULD BE OPERATIONALISED IN ANY COMPANY, THERE IS A CONCEPTUAL APPROACH WHICH IS COMMON TO ALL PLANNING.

This section of the thesis is about this conceptual approach. The literature on marketing planning has been reviewed in order to establish an accepted sequence of activities and a series of decisions about objectives and the means of achieving them.

The assumption has been made at this point that the marketing planning process itself does not differ conceptually according to whether a company is operating internationally or only domestically.

9.2. The Marketing Audit

Much of the literature on planning agrees that because marketing is a complex function, with many inter-relating parts, which themselves interface with the market place and the actions of competitors, the starting point in marketing planning has to be some kind of a situation analysis. This is referred to by many writers as a marketing audit.

Fundamentally there is no difference between a situation analysis and a marketing audit, except that the actual term "marketing audit" implies a formal, periodic review by an independent body. As such, it is not uncommon for companies to subject themselves to such an audit by an outside firm of consultants from time to time, whereas a situation analysis may be considered to be a continuous internal process of self appraisal and evaluation, which culminates in a summary marking the beginning of a new planning cycle and which forms the basis

of the next decision-making stage.

One very important fact which emerged from Thompson's study of planning (op cit), was that studying a firm's capabilities is an essential prerequisite to setting objectives. This leads to the view that it is logical to carry out a marketing audit before setting objectives.

In an ongoing situation, a company will constantly review its marketing organisation and operating effectiveness and adapt gradually to changing circumstances. For example, the N.E.D.C. report of the Machine Tools Economic Development Committee (op cit), quotes the most successful companies as constantly appraising and improving their marketing resources. Some companies, however, particularly those new to marketing planning, will adopt a more formal major audit type approach and then may make a number of far-reaching changes in their organisation and policies as a result. The purpose of both the situation analysis and the marketing audit, however, is the same, and there appears to be no general rule which governs when each should be used. This study assumes that they are the same and that their purpose in relation to marketing planning is to help the company to understand the dynamics of its business and its markets, and how they inter-relate.

The actual function of the marketing plan, expressed in its simplest form, is to answer three central questions:

- where is the company now?
- where does the company want to go?
- how should the company organise its resources to get there?

The situation analysis, or marketing audit, is the means by which the first of these questions is answered.

Hill, D. (143), splits the marketing audit into three major sections as follows:

- the business and economic environment;
- competitive analysis;
- present position analysis.

The purpose of examining the business and economic environment is to identify those environmental factors which are likely to affect the company's trading in the following years. Primary factors include such things as population trends, incomes, infra-structure development and new technologies. He makes no reference to factors such as legal, political and social legislation, all of which clearly will influence the control which a firm has over its policies. Secondary factors, mentioned by Hill, include changes in user industry patterns, and an assessment of how the primary factors have affected them.

Hill describes the competitive analysis as including sales and market share trends, their products and their major strengths and weaknesses.

Finally, the present position analysis is described as an assessment of all resources available to the company, including products, their profitability, market share trends, sales by area and by major customer groups, the amount and effectiveness of promotional expenditure, and marketing methods and their effectiveness.

Price, D. (202), includes more details than Hill about the factors which should be reviewed in the audit, giving examples, such as the effect which steel deliveries, investment levels and raw materials shortages have on the motor industry. Price also includes in his review of competitive activity, pricing details such as fixed price contracts and escalation clauses.

Hill's and Price's articles are fairly typical of the considerable volume of literature in which references are made to this subject, and before critically assessing this literature it would be useful to list the factors which emerge from this review as being relevant to a marketing audit.

The summary of the items to be included in the audit, which is given in figure 4 reflects whatever contiguity of thought there is in this area, and includes all the factors taken from the literature on the subject, even though only some of them are included in each book or article. The headings used are a combination of many, but are the ones which best reflect the most common elements and which best demonstrate a logic which is absent from some of the more generalised texts.

The major problem with the majority of the literature on the marketing audit part of the marketing planning process, is that there is an academic proclivity to categorise and list without paying sufficient attention to the detailed use to which such lists can and should be put.

For example, the factors listed in figure 4, although being a synthesis of the many parts to be found in the literature on the subject, are PER SE, and in that form, almost meaningless without a considerably more detailed description of how each heading should be used and developed.

Much of the literature indicates that marketing plans are developed in phases, as follows: a searching analysis of the industry and the company (the marketing audit); the formulation of objectives and strategies on the basis of phases one and two; development of programmes to implement the strategies. It is probable that, at the marketing audit stage, just as is the case in the literature on the subject, insufficient attention

Figure 4

THE MARKETING AUDIT

EXTERNAL VARIABLES

(PAST, PRESENT, FUTURE)

BUSINESS AND ECONOMIC ENVIRONMENT

Economic.
Political/Fiscal.
Social.
Business.
Legal.
Technological.
International.
Intra Company.

THE MARKET ENVIRONMENT

Total Market.
Segments.
Channels.
Products.
End Use.
Geography.
Needs.
Tastes.
Attitudes.
Habits.
Purchasing Ability.
Stocks.
Turnover.
Profits.
Out of Stocks.
Inventory.
Customer Classification.
Customer buying power.
Customer Problems and requirements.
Customer methods of supplier selection.

THE COMPETITIVE ENVIRONMENT

Products.
Technology.
Sales and Market Shares.
Marketing Skills.
Marketing Decision Variables.
Key Success and failure factors.

INTERNAL VARIABLES

(PAST, PRESENT, FUTURE)

OWN COMPANY

Sales (total, by geographical location, by industrial type, by customer, by product, etc)
Market Shares.
Profit Margins.
Marketing Procedures.
Marketing Organisation.
Sales/Marketing control data.
Marketing mix variables, as follows:-
- Market Research.
- Product Development.
- Product Range.
- Product Quality.
- Unit of Sale.
- Stock Levels.
- Distribution.
- Dealer Support.
- Pricing, discounts, credit.
- Packaging.
- Samples.
- Exhibitions.
- Selling.
- Sales Aids.
- Point of Sale.
- Advertising.
- Sales Promotion
- Public Relations.
- After Sales Service.
- Training.

is paid to the need to concentrate on analysis which determines which trends and developments will actually affect the company. The list in figure 4 merely demonstrates the completeness and logic of analysis. But whilst the planner should consider every heading, he should discipline himself to omit from his plans all information that is unrelated to the company's specific problems. Inclusion in the plan of such things as brand switching analyses, or over-detailed sales performance histories by company and product which lead to no logical actions whatever, only serve to reduce the focus and relevance of the audit. All analysis should be assessed on the basis of what it means in terms of the company's future development.

This point is fully explained by Roseberry, T.N. (210). He stresses the importance of understanding as much as possible about the dynamics of a business and its markets, and how they inter-relate. He stresses that whilst marketing strategy decisions are more effective when made with the kind of perspective that comes from as-complete-as-possible objectivity and on the basis of the most complete and thorough information about the market environment, the objectives of all this research work are often lost in the activity itself. The end result, all too often, is merely the accumulation of a large amount of information, qualitative and quantitative, encompassing facts, opinions, threats, and so on. Roseberry's view is that it is often at this point that the audit approach fails in its objectives.

The next step he describes as a sifting process leading to the information being organised in a logical manner, followed by a review of the information to identify those factors and conditions that appear to be pertinent to the future of the company. In other words, situations, trends, facts, information, opinions, and so on, which appear to have a bearing on the problems which face the company in getting and maintaining markets. Judgement should be used to omit anything which is not relevant, the end result being a condensed statement of market information which is pertinent to the company's problems, with all extraneous information removed.

Roseberry's work is the most thorough and detailed explanation of what a marketing audit is and how it should be carried out.

9.3. Summary of the Marketing Audit

Only some writers such as Dodge, H.R. (op cit), Roseberry, T.N. (op cit) and Christopher, M.G. et al (op cit), specifically mention a formal statement of problems and opportunities as being the next step. Again, logic indicates that this formal statement of strengths, weaknesses, opportunities and threats is the appropriate vehicle for making the marketing audit relevant to what the company is about, since this will indicate what objectives and strategies are necessary.

The key to the successful completion of this stage of the marketing planning process is seen by Roseberry as being the ability to organise this statement of threats and opportunities into a logical and usable format. The particular grouping which Roseberry suggests is not one which would lend itself to some situations, but at least Roseberry, unlike many writers on marketing planning, attempts to exemplify what he means by organising information into a logical and usable form as an aid to setting objectives and strategies. These are summarised in figure 4.

Essentially, the marketing audit is about the collection and analysis of data and information, whilst the audit summary is the synthesis of this data and information into intelligence essential to problem-solving. The following empirical examples are indicative of this process in practice.

The Westinghouse Air Brake Company auditing process is described by Thompson (op cit). They believe that planning has to start with information on the general economy. The second kind of information needed has to do with the outlook for the health and growth of the industries served by each of their divisions. They make it clear, however, that merely to record information of this kind is not planning. Planning requires the discovery of the extent to which these economic factors do actually indicate what the course of the business should be. Economic indicators, per se, cannot be used in plans in any direct way.

A case quoted by Christopher, M.G. (op cit), exemplifies this approach. A French paint manufacturer discovered from his audit that his sales had been declining, whilst the industry's had been increasing, that new channels were emerging, and that 75 per cent of his sales came from a declining sector of the market. Statements about these specific factors led to the emergence of new broad objectives for the company. In other words, the marketing audit, leading to the statement of threats, opportunities, strengths and weaknesses, was the precursor of a market-centred programme of action.

Whilst this section has concentrated on producing a check list of headings which should be included in a marketing audit, and on indicating that the sole purpose of such an audit is to enable the company to focus its attention on taking advantage of market opportunities, there is nevertheless a gap in the literature on marketing auditing, when it comes to the actual modus operandi. For example, one of the elements included in figure 4 under the heading "marketing decision variables" is "selling". This clearly is intended to mean the total activity connected with the sales force, including its management and control. But the heading "selling" by itself in the context of an audit is meaningless, unless the person carrying out the audit has the necessary knowledge and objectivity to ask the right questions about selling.

In the same way, the headings "sales and marketing control data" and "marketing decision variables", imply a critical examination of all data that is generated and produced in order to control sales and marketing activity, and of what decisions are made as a result. For example, value of sales, volume of sales, category of sales, sales targets, total value of orders, geographical sales, market sector sales, analysis of units sold, MAT, variance from forecasts, number of enquiries received, conversion ratio, complaints, volume and value of new accounts, production delays, delivery delays, price volume relationships, and so on.

Clearly, in an ongoing situation, a company's information and control system should ensure that trends are observed and acted upon more or less as they occur. Nevertheless, whether these and other questions are asked as part of a formal periodic audit or as part of an ongoing control system, the conclusions to which they lead and the objectives and strategies which flow from these conclusions, are an essential prerequisite to the allocation of marketing resources within the budgetary and planning cycle.

Many texts on marketing planning do little more than rationalise the need critically to audit the marketing effort. The value of such works is considerably lessened by not going on to explain how it should be done.

9.4. Planning Assumptions

There is no clear pattern which emerges from the literature on what the next step in the marketing planning process should be. Indeed, some writers, such as Price, D. (op cit), Roseberry, T.N. (op cit) and Dodge, H.R. (op cit), believe that objectives and strategies should be agreed before the situation analysis takes place, whereas logic dictates that the more general view reflected in the literature, that objectives and strategies should flow from a situation diagnosis, is the right approach to marketing planning.

For example, any company that is new to marketing planning, or indeed to any kind of formal planning, even at corporate level, will logically begin the process with a complete and thorough audit, not just of the marketing function, but also of all other functions. This is described by Winkler, J. (op cit). Figure 5, which is taken from his book, describes diagrammatically the functions that are likely to be included in such a management audit, how they inter-relate, and how they naturally result in a statement of company missions and objectives.

Figure 5

Long Range Planning

22

Developing the Plan

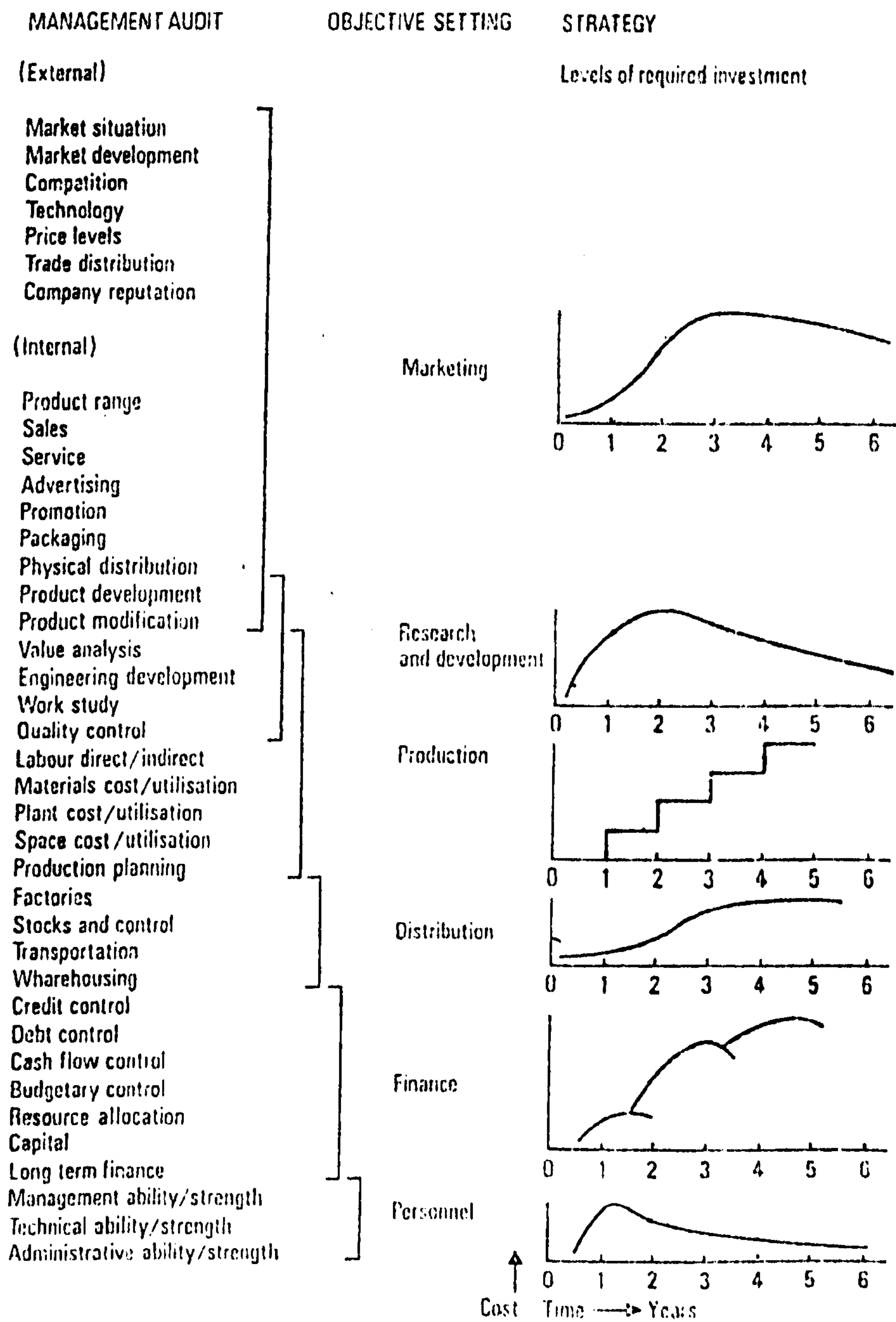


Figure 6 Long-range planning.

However, in an ongoing situation, as already stated above, a company will constantly review its operating effectiveness, and adapt gradually to changing circumstances, so that the need for amendments to the corporate plan does not suddenly manifest itself as a result of a formal, periodic audit.

Rather, at a given point in the planning cycle, it is more likely that the results of this continuous information and control procedure will be brought together in a formal review of the past year's performance and that this will itself result in the necessary amendments being made both to the statement of company objectives and to the marketing objectives.

However, no matter which set of circumstances obtain, it seems illogical to place a statement of objectives before a situation analysis or marketing audit, and for the purpose of building a theoretical framework for marketing planning, the overwhelming majority view which emerges from the literature will be taken, which is that the starting point in the process, is some kind of formal or informal review of the company's past performance and standing in relation to its markets and competitors.

There is almost universal agreement that the next step in the marketing planning process, is a statement of marketing objectives.

Some writers, however, such as Winkler, J. (op cit), Dodge, H.R. (op cit), Rathmell, J.M. (op cit), and others, interpose a stage which they describe as "generating and evaluating alternatives". From the point of view of completeness and logic, it is a stage which ought to be included as a step in the planning process. However, in the same way that, at the audit stage, only those elements are included in the summary which have a pertinent and actionable bearing on future activity, so it would seem unlikely that any useful purpose would be served by including what is an ongoing management function as a formal step in the marketing planning process.

For example, a complete management audit will reveal weaknesses and threats, and in deciding what the corporate objectives should be, top management will have to evaluate alternative objectives, such as whether they want to remain in manufacturing and wholesaling, or to diversify into retailing, or to become factors, and so on. Likewise, alternative marketing objectives will be generated and evaluated as a result of the marketing audit. In the same way, at the strategy stage, management will have to evaluate whether, in order to combat a threat from a competitive new product, the company should, say, introduce an entirely new product, or reformulate and repackage an existing product.

Also, at the tactics stage, management will have to decide whether to use, say, wholesalers who satisfy either one or another set of criteria. At the very micro level, the salesman will have to decide the most cost effective way of achieving his targets from a whole host of possible options.

In other words, the generation and evaluation of alternatives is an accepted management function that applies to just about everything the company does at virtually any level, rather than being a discrete stage in the marketing planning process. However, there can be no argument that it should happen as part of this process. But for the purpose of establishing a theoretical framework for marketing planning, it will be omitted.

There is one other step in the planning process which is mentioned quite specifically by some writers, such as Mascarenhas, M.(op cit) and Dodge, H.R.(op cit). These and some other writers suggest that the most logical step after the marketing audit is a statement of planning assumptions, on the basis that, having found out where the company is in relation to its markets, management has to have some idea, some framework, of what they think will happen, before they can decide what it is sensible to want to do. Such writers argue that without some attempt to standardise the environment in which planning takes place, chaos is likely to ensue.

All the different people involved in planning will need to know what has been assumed about the major environmental factors, such as general economic conditions, changes in the market and in the competitive climate, as well as changes within the company itself, such as assumed increases in R and D expenditure, and marketing expenditure.

The major advantage of interposing a statement of assumptions as a separate phase in the planning process is consistency throughout the several departments involved in planning and forecasting, which in turn must be a major aid to the coordination of the many different elements into a universally consistent master plan. For example, it would clearly be inefficient to have one departmental manager planning on the assumption that the market was going to increase by ten per cent over the next twelve months, while another was planning his activities on the basis of his own assumption that there would be a market decline of around five per cent.

The headings under which assumptions require to be made, will of course, vary from company to company, and again, assumptions only need to be made in so far as they are relevant to the decision-making process. For example, assumptions may need to be stated about general economic conditions, about market or sector growth, about product availability, about range

rationalisation or range extension, about levels of advertising and sales promotional support, about sales force expansion, pricing levels, competitive activity, general trade conditions, raw materials availability, legislation, delivery strikes, trade stock levels, and so on. All that is necessary are brief and simple statements under all the relevant headings about factors which will affect sales in the forthcoming year.

For example, an industrial goods company might state:

With respect to the economy, it is assumed that:

- 1) There will be no major change in the gross national product.
- 2) There will be no major industrial action affecting consumer buying practices.
- 3) There will be a 10 per cent inflation rate.

With respect to the company's industrial climate, it is assumed that:

- 1) Industry overcapacity will increase from 105 to 115 per cent, as new competitive plants come into operation.
- 2) Price competition will force price levels down by 10 per cent across the board.
- 3) A new product in the field of x will be introduced by our major competitor before the end of the second quarter.

Another example might be the assumptions made about the effects which economic factors are likely to have on trade stock levels, and this will determine strategy on the split between above-the-line and below-the-line expenditure. Such an assumption could well lead to a decision to divert some advertising expenditure into the sales promotional budget with the objective of putting pressure on wholesalers to stock the company's products as opposed to competitive products. Without such an assumption being explicit, promotional strategy could well be very different.

Thompson, S. (op cit), concluded from his study that assumptions about a plan should be few in number. If a plan will succeed regardless of the validity of the assumption, there is no need for the assumption, since it does not control the effectiveness of the plan. Thompson also says that reviewing assumptions on which a plan is based serves to focus attention on the specific conditions that must exist if the plan is to be realised. Assumptions impose limitations which ought to be clearly recognised by management throughout the formulation and execution of plans.

The Planning Director at Westinghouse is quoted in the same report as saying about assumptions:

"They must be uniform for all concerned, they must be known, and they must be in writing."

Stated, agreed assumptions, then, are a necessary prerequisite of planning all marketing activities.

Terpstra, V. (op cit) summarises this very well:

"Every plan is conceived in the midst of certain major internal and external forces that influence marketing success. Market growth, customer response to a new product, competitive moves, government legislation, and costs, are just a few of the uncertain factors about which assumptions must be made in order to formulate a plan."

In other words, all who participate in the planning process should do so under the same ground rules.

It is difficult to imagine any marketing plan succeeding without this step being taken, and it is surprising that so few writers mention it. For the purpose of this study, this will be included as the second discrete stage following the marketing audit.

9.5. Marketing Objectives and Strategies

9.5.1. Marketing Objectives: What they are and how they relate to corporate objectives

There are no works on marketing which do not include at least one paragraph on the need for setting objectives. Setting objectives, therefore, is a mandatory step in the planning process.

The literature on the subject is, however, not very explicit, which is surprising when it is considered how vital the setting of marketing objectives is.

An objective will ensure that a company knows what its strategies are expected to accomplish and when a particular strategy has accomplished its purpose. In other words, without objectives, strategy decisions and all that follows will take place in a vacuum.

Following the identification of opportunities and the explicit statement of assumptions about conditions affecting the business, the process of setting objectives should in theory be comparatively

easy, the actual objectives themselves being a realistic statement of what the company desires to achieve as a result of a market-centred analysis, rather than generalised statements born of top management's desire to "do better next year". This view is confirmed by Smalter, D.J. and Ruggles, R.L. (242), whose study of the Pentagon leads them to believe that, if problems and opportunities have been defined properly and fully, objectives will have automatically been defined or will be easily set.

Reference has been made to the extreme difficulty of forecasting the results of the marketing action. However, unless the marketing executive does forecast, he cannot plan.

The logical approach to the task of setting marketing objectives, in terms of making this function manageable, would seem to be to proceed from the broad to the specific, in the sense that corporate objectives should lead naturally to marketing objectives, which in turn should give rise to sub-objectives for specific elements of the marketing mix.

Hopkins, D.S. (297), describes this process as beginning with a statement of what he calls "the primary mission", followed by measurable objectives for a number of marketing sub-functions. He also reproduces a table based on information supplied by 68 manufacturing companies, 43 of whom were manufacturers of industrial goods, which shows that less than three quarters had specific objectives for field sales and advertising. Just over half had specific objectives for sales promotion and pricing, and less than one third had specific objectives about marketing research, distribution, service, packaging, and other elements of the marketing mix.

This might indicate that the question of objective setting is more complex than it would at first sight appear, a view shared by Saunders, C.B. (243) who, in his work on the setting of organisational objectives, indicates that setting objectives for business activities is a highly complex and dynamic process and that this requires top management to look inside as well as outside the organisation.

Miracle, G.E. and Albaum, G.S. (op cit), refer to what they call a refining process in the task of setting objectives. At the top level, management are concerned with long run profitability; at the next level in the management hierarchy, the concern is for objectives which are defined more specifically and in greater detail, such as increasing sales and market share, obtaining new markets, and so on. These objectives are merely a part of the hierarchy of objectives, in that corporate objectives will only be accomplished if these and

other objectives are accomplished; at the next level management are concerned with objectives which are defined even more tightly. Miracle and Albaum give examples of communications objectives, such as;- to create awareness amongst a specific target market about a new product; to change a particular customer attitude; and so on. Again, the general marketing objectives will only be achieved if these and other sub-objectives are achieved. It is clear that sub-objectives, per se, unless they are an integral part of a broader framework of objectives, are likely to lead to a wasteful misdirection of resources.

For example, a sales increase, per se, may be possible, but only at an undue cost, so that such a marketing objective is only appropriate within the framework of corporate objectives. In such a case, it may well be that an increase in sales in a particular market sector will entail additional capital expenditure ahead of the time for which it is planned. If this were the case, it may make more sense to allocate available production capacity to more profitable market sectors in the short term, allowing sales to decline in another sector. Decisions such as this are likely to be more easily made against a backcloth of explicitly stated broad company objectives relating to all the major disciplines.

Waterworth, D. (290), examines the relationship between marketing objectives and overall company objectives, an important ingredient of which he feels is an adequate return on assets. The pressure for profits comes from shareholders, and in order to achieve profits, sub-goals have to be set which will utilise the company's existing assets to provide for future growth.

Majaro, S. (188), in a discussion on the results of a survey of the advertising practices of U.K. and European companies, draws some interesting conclusions, which are relevant to a discussion of marketing objectives. He found that whilst 70 per cent of companies actually set advertising objectives, these were mostly crude and were frequently confused with marketing objectives such as to increase sales or market share. It is his view that it would not be reasonable to expect advertising to achieve such objectives, unless advertising were the only element in the marketing mix. Majaro concludes that the general approach should be to set advertising objectives which can be measurably achieved by advertising and that management approval will be obtained if they are wholly consistent with wider objectives. Objectives set in this way integrate the advertising effort with the other elements in the marketing mix and this leads to a consistent, logical marketing plan.

These views are confirmed by West, M. (291), Colley, R.H. (69) and Britt, S.H. (41). Out of 135 advertising campaigns

investigated by Britt, only two met the objectives set by Britt for adequate objective setting. In particular, he found a failure to set objectives in quantifiable terms, a failure to realise that results of advertising campaigns cannot be measured in sales terms, and the common use of unmeasurable superlatives such as "maximum support." Even more surprising is his finding that in over 90 per cent of cases, proof of success was not given in terms of the previously-stated objectives, in the sense that, for example, where awareness was a stated objective, success was expressed in sales, and so on.

Ansoff, H.I. (op cit), wrote on the importance of making objectives explicit within the firm, since they then become tools in appraisal, control and coordination in all phases of the decision-making process, as well as being used as a basis for an integrated view of the entire management process known as management by objectives.

The Cranfield School of Management Marketing Communications Research Centre, supports the view expressed above. Corkindale, D. et al (73), state that:

"Corporate objectives involve the balancing of the specific objectives ascribed to the individual activities in such a way as to optimise their specific and interacting contributions to the overall objective. This last is the area of greatest weakness, but it is also an area of enormous complexity."

The monograph then proceeds to investigate this statement in relation to advertising, concluding that it is pointless to set advertising objectives, except in relation to corporate objectives which are themselves right.

This particular piece of research is interesting, since a major conclusion is that functional objectives can be counter-productive in corporate terms, unless they derive from the corporate objectives themselves. The reason given is that the marketing mix itself is only part of the total business mix, which includes production, distribution, finance, and personnel, and top management must continuously make decisions on an almost limitless number of possible permutations of trade-offs between the various components. Included in top management's tasks is the need to ensure that marketing objectives are in line with corporate objectives and that advertising objectives are in line with marketing objectives.

"When considering the question of setting advertising objectives, one cannot avoid some reference to the beliefs or assumptions of the underlying purpose of the marketing mix."

They also state that company and marketing objectives must be realistic before advertising goals can be set.

The Cranfield MCRC research is important in that the conclusions reached in respect of advertising are likely to be just as applicable to other elements of the marketing mix.

Indeed, many writers acknowledge that a contributory cause of ineffective marketing planning is a lack of clearly defined objectives at the corporate level. This was mentioned in section 8.5. In the same section it was also mentioned that many writers refer to the confusion which exists between objectives, strategies, plans, forecasts, budgets, and so on.

Thompson, S. (op cit), found that objectives are essential to planning. He says that objectives act as a signaling system. Failure to achieve business objectives highlights the need for reviewing plans, restating major problems, asking new kinds of questions, applying incentives and rewards. In addition, objectives enable the manager to do at least three things: to evaluate the merits of unforeseen opportunities when they occur; to weigh alternative courses of action; and to enable him to study his past and current practices to improve his performance.

Interpreting all the texts on setting objectives in the area of marketing planning, in the context of this study is difficult, in the sense that, whilst it is intellectually simple to differentiate between an objective and a strategy, the two things are inextricably inter-dependent in marketing planning, and this is rarely made clear in texts on the subject.

To recapitulate on the definition given in section 5.5.5: what a company wants to achieve, is an objective; how it is to be achieved is a strategy. In a sense, this means that the only true objective of a company is, by definition, what is stated in the corporate plan as being the principal purpose of its existence. Most often this is expressed in terms of profit, since profit is the means of satisfying shareholders or owners, and because it is the one universally accepted criterion by which efficiency can be evaluated, which will in turn lead to efficient resource allocation, economic and technological progressiveness and stability.

This means that stated desires, such as to expand market share, to create a new image, to achieve an x% increase in sales, and so on, are in fact strategies, at the corporate level, since they are the means by which a company will achieve its profit objectives. In practice, however, companies tend to operate by means of functional divisions, each with a separate identity, so that what is a strategy in the corporate plan becomes an objective within each department. For example, marketing strategies within the corporate plan become operating objectives within the marketing department and strategies at the general level within the marketing department themselves

become operating objectives at the next level down, so that an intricate web of inter-related objectives and strategies is built up at all levels within the framework of the overall company plan.

The really important point, however, apart from clarifying the difference between objectives and strategies, is that the further down the hierarchical chain one goes, the less likely it is that a stated objective will make a cost-effective contribution to company profits, unless it derives logically and directly from an objective at a higher level.

This review has confirmed the need for setting clear, definitive objectives for all aspects of the marketing programme, and that marketing objectives themselves have to derive logically from corporate objectives. The advantages of this practice are that it allows all concerned with marketing activities to concentrate their particular contribution on achieving the overall marketing objectives, as well as facilitating meaningful and constructive evaluation of all marketing activity.

For the practical purpose of marketing planning, it will be apparent from the observations above concerning what was referred to as a hierarchy of objectives, that overall marketing objectives have to be broken down into sub-objectives, which, taken all together, will achieve the overall objectives. By breaking down the overall objectives, the problem of strategy development becomes more manageable, hence easier.

Crissey, W.J.C. (68), develops a complex series of inter-linking matrices for each element of the marketing mix. Each cell is broken down in stages to show specific objectives, the programme to achieve those objectives, the plan of execution, and an evaluation of the expected results. There are as many cells as there are categories in the market place, each of the segmental plans being built into the master marketing plan. The concept developed by Crissey is sound and accords with the principle outlined above, but appears to place too much emphasis on the system for developing plans rather than on the actual content, a mistake made by many companies, whom research has shown, have failed to implement marketing planning successfully.

In view of the inter-dependence of objectives and strategies, and the fact that what is a strategy at one level becomes an objective at the next level down, it would be counter-productive in terms of classifying the process of marketing planning to treat the setting of objectives and the setting of strategies as two discrete stages.

It has been stated that the logical approach to the task of setting objectives seems to be to proceed from the broad

to the specific, in the sense that corporate objectives should lead logically to a series of sub-objectives and programmes.

At the corporate level, the overall company objective is often stated quantitatively in terms of earnings per ordinary share, profits growth, and return on capital invested. In the corporate plan, this is then broken down into a number of strategy statements, which represent the general means by which the company intends to reach its profit goals. These statements usually set the limits on the broad business methods which will be employed and include such statements as the type of market to concentrate on, whether the company plans to remain in manufacturing, or to become factors, or to enter the field of retailing, or to diversify into other fields, and so on.

All these strategy statements will, of course, be the result of either a formal marketing audit and/or situation analysis, or of an ongoing review process such as that described above.

The very nature of such statements means that such a plan is normally a document covering a longer period than just one financial year. Normally these are for at least five years, but many companies carry out long range planning for considerably longer periods.

The broad strategy statements are then broken down within the corporate plan to more specific statements of objectives under each of the major disciplines.

Drucker, P. (86), defines eight areas where performance and results determine the prosperity of the enterprise:

- market standing;
- innovation;
- productivity;
- physical and financial resources;
- profitability;
- manager performance and development;
- worker performance and attitude;
- public responsibility.

Corporate objectives can be listed under five major headings:

I. Financial objectives

- cash flow;
- earnings;
- return on investment;
- earnings per share.

2. Competitive strength objectives

- market share;
- sales.

3. Internal efficiency objectives

- target turnover ratios;
- key management profile;
- skilled personnel profile;
- other resources
 - age of plant,
 - machinery,
 - inventory.

4. Flexibility (risk) objectives

- maximum per cent of sales and profits dependent on given customers, products and technologies;
- liquidity requirements;
- innovation.

5. Social responsibility objectives

To summarise, a more realistic way of expressing corporate objectives would be:

- | | | |
|-----------------------------|---|---------------------------------------------------------------------------------------------------------------------|
| <u>Corporate objective</u> | - | desired level of profitability. |
| <u>Corporate strategies</u> | - | which products and which markets (marketing); |
| | - | what kind of facilities (production and distribution); |
| | - | size and character of the labour force (personnel); |
| | - | funding (finance); |
| | - | other corporate strategies such as social responsibility, corporate image, stock market image, employee image, etc. |

It is now clear that at the next level down in the organisation, i.e. functional level, what products are to be sold into what markets, become Marketing Objectives, whilst the means of achieving these objectives using the marketing mix, are Marketing Strategies. At the next level down there would be, say, Advertising Objectives and Advertising Strategies, with the subsequent programmes and budgets for achieving the objectives. In this way, a hierarchy of objectives and strategies can be traced back to the initial corporate objective.

In some corporate plans, corporate strategies are then developed into outline plans for each discipline, to include statements

about such events as when a particular type of product should be introduced, the limits of advertising and promotional expenditure for the long range planning period, manpower limits for the sales force, and so on.

Each of these outline plans is then consolidated into a series of long range profit and loss accounts and balance sheets.

The overall effect of such a corporate plan is that it not only states what the company plans to achieve in terms of profits, but how it plans to do it. Stating the "how" entails breaking the overall company profit objective down into departmental sub-objectives, so that there is a logical hierarchy of objectives, strategies, and tactics developed, culminating in effect, in format, a replica of each of the departmental plans which derive from it.

From this corporate plan, each departmental head can take his cue, and begin his own detailed plan for the following planning period.

In the specific case of the marketing plan, a similar procedure is now followed. Pearson, E.A. (op cit), Sabin, G.L. (134), Kollatt, et al (op cit), and other writers, stress that the detailed one year marketing planning cycle should begin by obtaining agreement from all those marketing executives involved in the planning process to the overall marketing objectives and strategies.

The purpose of obtaining prior agreement to strategic plans is to avoid wasting valuable time in developing finished programmes that may not be acceptable, because they do not make the right contribution to the overall plan.

9.5.2. Marketing Objectives: What they should contain

At this point it is probably germane to attempt to define precisely what should be included in marketing objectives.

Once again, considering the importance of marketing objectives, it is surprising to find that very little has been written on the subject of what areas should be included in overall marketing objectives and on the nature of such objectives.

Morgan, G.A. (177), states:

"Grandiose goals, however emotionally appealing, which merely float in the sky like so many Platonic ideas, are an unmitigated vice in serious planning. But it is hard to eradicate, because of the human propensity for wishful thinking, which at times threatens to reduce planning to cheer leading."

Drucker, P. (op cit), describes seven marketing objectives that have to be identified in any company:

1. The desired standing of the existing products in their market in turnover and percentage share measured against direct and indirect competition.
2. The desired standing of existing products in new markets measured as in 1.
3. The existing products which should be phased out and ultimately abandoned, and the future product mix.
4. The new products needed in existing markets, the number, their properties and the share targets.
5. The new markets which new products will help to develop, in size and share.
6. The distributive organisation needed to accomplish the marketing goals and the pricing policy appropriate to them.
7. A service objective, measuring how well the customer should be supplied with what he considers value.

It is difficult to evaluate Drucker's criteria in the absence of any specific texts on the subject of marketing objectives, although it is hard to accept price and service levels as marketing objectives.

A little thought will confirm that, in the long run, it is only by selling something (a "product") to someone (a "market"), that any firm can succeed in staying in business profitably. Simply defined, product/market strategy means the route chosen to achieve company goals through the range of products it offers to its chosen market segments. Thus the product/market strategy represents a commitment to a future direction for the firm.

If future profits and cash flows are to be maximised, a company must consider carefully how both its current customer needs are changing and how its product offerings need to change to satisfy these changing needs. Since change is inevitable, it is necessary to consider how companies can gain continuing growth. The two main sectors of commercial growth are product development and market development.

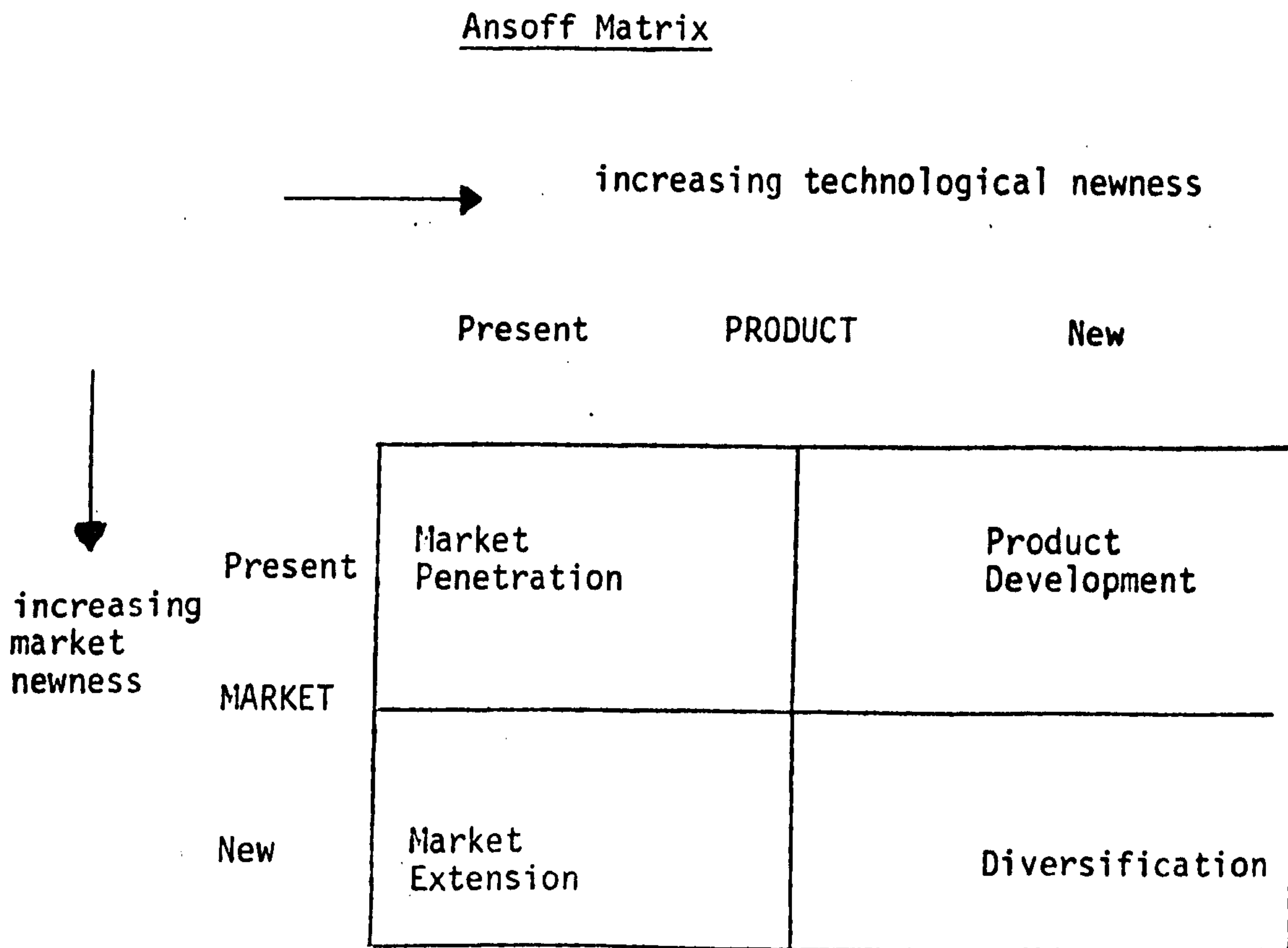
This is confirmed by the work of Ansoff, H.I. (op cit), who developed a framework for determining what should be included in marketing objectives. He concluded that a firm's competitive strategy can be simplified to two dimensions only - products

and markets. To put it even more simply, Ansoff's framework is about what is sold (the "product"), and who it is sold to (the "market"). Within this framework Ansoff identifies four possible courses of action for the firm:

- selling existing products to existing markets;
- extending existing products to new markets;
- developing new products for existing markets;
- developing new products for new markets.

The matrix in figure 6 depicts these concepts.

Figure 6



It is clear that the range of possible marketing objectives is very wide, since there will be degrees of technological newness and degrees of market newness. Nevertheless, Ansoff's matrix provides a logical framework in which marketing objectives can be developed under each of the four main headings above. In other words, marketing objectives are about products and markets only. Common sense will confirm that it is only by selling something to someone that the company's financial goals can be achieved, and that advertising, pricing, service levels, and so on, are the means (or strategies) by which it might succeed in doing this. Thus, pricing objectives, sales promotion objectives, advertising objectives and the like should not be confused with marketing objectives.

These general guidelines appear to be confirmed by many of the cases referred to in Thompson's study, (op cit). A spokesman for E.F. Hauserman said:

"The president said what earnings per share he wanted, so we started from there. We are in the metal fabrication business as well as in the construction business, in so far as we design, manufacture and install moveable interior walls. In determining our objectives, we derived the ranges of earnings for metal fabricators and extractors. This gives us a guide on how well we are doing. We also looked at what we had done in the past, making projections of what earnings would be. This tells us what would happen if we don't do anything. We then recognised that if we were to achieve the financial objectives we set for ourselves, we were going to have to grow faster. Other areas for which we needed to determine objectives were for new markets for our products. We can do two things. We can fabricate metal and we can install, as in the construction business. We ask, 'What else might we fabricate out of metal? What else might we install?' Then we ask, 'Why should we restrict ourselves to metal?' These kind of questions fan out broadly and lead to the establishment of our objectives."

In the same study the president of another firm outlining the kind of activities for which basic objectives are established, replied:

"Our goals are established in terms of profit, sales, and new fields we want to develop. We concern ourselves with what fields we should be working in and the potential growth areas we ought to exploit. We examine the question of obsolescence of our products determining what products will soon need to be replaced. We don't just decide that our sales must increase by 20% in a year. What we say is, 'What are the increments that are likely to result from the fields in which we are engaged? What increment would result from a field that we contemplate engaging in?' The goals we set are related to realities rather than adopted by some arbitrary figure such as, 'We need to have a growth rate of 10% a year.' The plan for such growth is feasible and practical in our total area of activity."

This case also tends to confirm the principles of setting marketing objectives as laid down above.

On the subject of defining the areas in which objectives should be set, Thompson concludes simply that objectives should only be established because their achievement is essential. He recognises that it is not always easy to determine, among many factors, what is essential and what is not, but the setting of objectives nevertheless, requires keen discrimination between the essential and the merely desirable. This guards against setting so many unimportant goals that sight is lost of the really vital ones. As Thompson says, any unnecessary objective may prove a distraction and increase the difficulty of understanding and implementing a plan.

Reference was made in section 8.0. to the difficulty of assessing the quality of marketing objectives, and to some of the powerful conceptual frameworks which have been developed as an aid to sharpening a firm's rationality about its marketing objectives.

Principal amongst these are the Ansoff matrix, referred to above, the concept of the Product Life Cycle, market segmentation, and the notion of product portfolio management developed by the Boston Consulting Group.

At Appendix 3 there is a discussion of each of these key concepts, and of how they can aid the development of marketing objectives.

However, although it was felt unnecessary to include a discussion of these concepts in the main body of this thesis, it was felt necessary to include some brief conclusions about them, and to present some interesting new insights which emerge from the literature and which have a direct bearing on the fieldwork.

9.5.3. Marketing Strategies

There was a detailed discussion of marketing strategies in section 5.6.

Marketing strategies are the means by which marketing objectives will be achieved and are generally concerned with the four major elements of the marketing mix, as follows:

- Product - The general policies for product deletions, modifications, additions, design, packing, etc.
- Price - The general pricing policies to be followed for product groups in market segments.

- Place - The general policies for channels and customer service levels.
- Promotion - The general policies for communicating with customers under the relevant headings, such as: advertising, sales force, sales promotion, public relations, exhibitions, direct mail, etc.

Once agreement has been reached on the broad marketing objectives and strategies, those responsible for programmes can now proceed to the detailed planning stage, developing the appropriate overall strategy statements into sub-objectives.

Before proceeding to describe the next stage of marketing planning, i.e., the construction of actual working plans, it should be stressed that the vital phase of setting objectives and strategies is a highly complex process, which, if done badly, will probably result in considerable misdirection of resources, a view confirmed by the findings reported in section 8.5., on why marketing planning fails.

A two year study of 35 top industrial companies by McKinsey and Company revealed that leader companies agreed that product/market strategy is the key to the task of keeping shareholders' equity rising.

Clearly, then, setting objectives and strategies in relation to products and markets is a most important step in the marketing planning process.

9.6. Programmes

Although most of the literature on marketing planning portrays the process as a series of discrete steps, it has already been indicated that the process is, in fact, a continuous inter-play of assumptions, objectives, strategies, programmes and budgets, with a constant movement backwards and forwards, from the general to the specific, and with some stages occurring concurrently rather than consecutively.

The construction of programmes as a direct consequence of overall marketing objectives and strategies is included as a separate stage in the planning process because it follows logically in the natural flow from the general to the specific.

There is a comparatively large number of papers specifically about the construction of marketing programmes, which falls into that section of the body of literature dealing with various specialised aspects of marketing planning.

On the subject of how marketing plans should be organised, Winkler, J. (op cit), describes the actual structure of a marketing plan, listing the following:

"a product mix plan; a sales plan; an advertising plan; a sales promotion plan; a physical distribution plan; a market research plan; an R and D plan, and a pricing plan. These are in respect of a functionally based company.

For a decentralised organisation, there may be a regional plan, and for a market-structured organisation there may be a market plan."

This latter point made by Winkler acknowledges that there are many possible combinations in the way plans are actually constructed. Thus, there may be a market plan or a product plan which includes in it strategies and tactics relating to pricing, promotion, packaging, and so on.

Winkler's list of possible plans could be expanded to include a public relations plan, a training plan, and a dealer support plan.

The most practical way of organising plans will, of course, vary from company to company, depending on circumstances. For example, Terpstra, V. (op cit), states that international marketing plans can be composed of several elements, including a plan for each foreign market, a plan for individual product lines, a plan for international product development, and so on.

To summarise, a company organised according to functions might have an advertising plan, a sales promotion plan, a pricing plan, and so on.

A product based company might have a product plan, with objectives, strategies and tactics for price, place and promotion as necessary.

A market or geographically based company might have a market plan, with objectives, strategies and tactics for the four P's as necessary. Likewise, a company with a few major customers might have a customer plan. Any combination of the above might be suitable, depending on circumstances.

A number of writers attempt to explain what process should be followed in constructing marketing programmes.

Horne, E.C. (I2I), describes how he involves all the pertinent people in the International Minerals and Chemicals Corporation in weaving together in a coordinated way, all the possible elements of the marketing plan. This weaving together and coordination is obviously key to successful marketing planning,

since objectives are meaningless without action programmes to back them up. McKay, E.S. (183), lists a number of plans which have to be constructed and says:

"All these functions, plans and programmes are tied together in the integrated sales programmes."

Dodge, H.R. (op cit), comes near to explaining what has to be done to construct working plans, when he describes what he calls derivative programmes, budgets, and control reports as a means of translating plans into meaningful assignments for the individuals and departments making up the organisation. He says that plans are not statements of intention, but are selected courses of action, the results of which can be measured. Being measurable, a plan becomes operational and can be controlled.

Pearson, E.A. (op cit), in a piece of work specifically about how to develop a marketing plan, merely states that the fourth phase in comprehensive marketing planning is the development of programmes to implement marketing strategy. He also states that an obvious requirement of comprehensive marketing planning is to aim every action programme at the accomplishment of a specific marketing strategy, so that, when all the programmes aimed at one specific strategy are added together, they should promise a good chance of reaching that strategic end result.

Crissey, W.J.C. (op cit), goes to considerable lengths to demonstrate how this phase of marketing planning is executed, including in his article a series of matrices.

One such matrix is for a sales promotional programme for a specific product group in a specific market segment, the matrix itself being part of a larger matrix. Objectives have to be stated, and the programme planned to achieve those objectives. The elements of the programmes should be arranged in a time sequence with the phase that will be executed first at the top, then the next phase in time, etc., represented in the table under the heading "Program". The third step is to decide how each phase of the programme will be executed - who will do it, how it will be done, and who will be informed of the progress. The fourth stage included by Crissey in the matrix is the evaluation of the programme in terms of dollars expended to achieve the objectives set out in step one.

The procedure described by Crissey appears to be unnecessarily complicated, and whilst it is entirely logical, it is the very sort of approach which could easily lead to the kind of superfluous detail and overemphasis on the system identified in section 8.5., as being detrimental to marketing planning. However, Crissey is one of the few writers who demonstrates in a practical way, one feasible approach to marketing planning, and his system could probably be adapted to a simpler format depending on individual company needs.

Mascarenhas, M. (op cit), also attempts to demonstrate by the provision of charts how this phase of the planning process can be translated into action. He works on the basis of establishing the key results that have to be achieved as a result of a situation analysis, followed by the programmes to achieve these results and their financial implications. These are then summarised on planning worksheets.

Mascarenhas stresses the need to spell out the specific results which have to be achieved, together with the relevant measurement indicator, such as sales increase, number of new accounts, and so on. These indicators should be built into an information and control system in order that the company can actually measure progress towards objectives.

Mascarenhas is also one of the few writers who attempts to demonstrate a practical way of evolving work programmes and of integrating them into an overall plan. The same stricture, however, must apply in this case, in that in a practical sense, forms such as this do not lend themselves to the kind of detail included by Mascarenhas. Nevertheless, as an example of logic, it is faultless and clearly demonstrates the steps which have to be followed in order to arrive at a marketing plan.

Yet another action-orientated paper is that by Sabin, G.E. (op cit). Sabin, Marketing Vice President of Omark Industries Inc. of Portland, Oregon, found that operations were becoming complex. It was especially difficult to coordinate the planning of marketing activities for their four major product lines, (saw chain, power activated tools and fasteners, diamond equipment for masonry, saws and drills and percussion stud welders), and to ensure that any coordinated document was effectively communicated to all levels of management. Sabin found the answer in large 17" x 22" marketing plan sheets, which list in tabular form on a month by month basis all promotional plans for each product line for the next eighteen months.

First, Sabin agreed the broad outlines of marketing strategy with the appropriate levels of management and then circulated these on blank sheets for details of plans to be included by the relevant managers. This enabled budgets to be prepared by referring to these sheets, which were up-dated and re-issued every six months.

Horne, E.C. (op cit), who is Vice President of the International Minerals and Chemicals Corporation of Stokie, Illinois, goes to some trouble to explain how he succeeds in coordinating a complex series of plans into a workable whole. He operates through a Marketing Plans Board, which is the coordinator of the several inputs into an integrated marketing programme.

Planning begins nine months in advance of the beginning of the financial year. All those involved in the planning process receive a statement of the planning procedure, a calendar of planning events and a questionnaire which forms the basis of the marketing audit. This forces participants to reduce their thoughts to writing, hence more carefully thought-out appraisals and assumptions.

Each of these completed reports is then circulated to departmental heads before the next Plans Board meeting, which then sets objectives and delineates tentative strategies. These overall objectives are then developed by managers into sub-objectives which form a basis for measurement. Finally, the Plans Board produces a formally-written marketing plan, carrying costs and providing a timetable of events in complete detail for twelve months. This is then incorporated into the company budgeting and accounting procedures.

This plan, to quote Horne,

"is a real working tool, not only because the whole market audit is here, but because the objectives are spelled out, the plan designated, the monies specified, the activities calendarised, and the responsibilities delineated. Planning that carries a program of action and responsibility with it, is not intended to be an exercise in abstract theory. An effective marketing plan, short range or long range, should produce the desired result."

The principal points, which emerge from the literature referred to above, are: firstly, that plans proceed from the broad to the specific then back to the broad in the form of an integrated plan; secondly, that the controlled involvement of all personnel who will be responsible for carrying out the plan, is conducive to creating a commitment to the plan, thus obviating the "grafting on" problem described in section 8.5. In other words, in this kind of marketing planning, the manager becomes a developer and an operator of a business system and not an ad hoc problem-solver. The business knows where it is going and how it is going to get there. All members of the management are very much involved and participate both in the planning and in the doing. Planning is not done by professional planners and then imposed on the rest of the organisation. It is done by everyone throughout the organisation, all the time as part of each person's job.

9.7. The Marketing Budget

Having completed this major planning task of setting up objectives and strategies, it is normal at this stage that judgement,

analogous experience, field tests and so on, have to be employed, to test out the feasibility of the objectives and strategies, particularly in terms of costs. It is also at this stage that alternative plans and mixes are delineated, and any necessary adjustments made to the objectives and strategies as a result of this process.

Whether action programmes are made out on pre-printed planning sheets or are submitted according to some kind of pre-planned format, it is clear that the final step in the programme planning stage is the preparation of appropriation expenditure statements which can be integrated into a consolidated marketing budget. These appropriation expenditure statements have to set out the timing and details of individual expenditure items in order that, should amendments be required, there is a reference as to exactly where and how such adjustments can be made.

The literature on marketing planning is not very explicit about the precise components or derivation of marketing budgets. However, what does emerge is that the setting of budgets should be the logical outcome of the total marketing planning process. This way the resulting budgets are more likely to be realistic and related to what the whole company wants rather than just one functional department.

The point which emerges from this analysis is that it is desirable to have a clear statement of objectives and strategies, and a programme of action, with costs and timing. All marketing activities are cost areas, and all are also, either directly or indirectly, revenue earners. If these activities are planned as a result of the process of logic described in this section, then the whole budgeting process will possess a focus and a direction, so that variances can be more readily identified, and so that any necessary amendments to the plan can be made in a more rational manner and against the backcloth of an overall plan.

In a sense, this approach is very similar to the concept of zero based budgeting, in which all marketing expenditure is justified each year against the tasks that have to be accomplished.

If these procedures are followed, a hierarchy of objectives is built up in such a way that every item of budgeted expenditure can be related directly back to the initial corporate financial objectives. For example, if sales promotion is a major means of achieving an objective in a particular market, when sales promotional items appear in the programme, each one has a specific purpose which can be related back to a major objective. Doing it this way ensures that every item of expenditure is fully accounted for as part of a rational, objective and task approach.

Incremental marketing expense can be considered to be all costs that are incurred after the product leaves the factory, other than costs involved in physical distribution, the costs of which usually represent a discrete subset.

There is, of course, no textbook answer to problems relating to questions such as whether packaging should be a marketing or a production expense, and whether some distribution costs could be considered to be marketing costs. For example, insistence on high service levels results in high inventory carrying costs. Only common sense will reveal workable solutions to issues such as these.

Under price, however, any form of discounting that reduces the expected gross income, such as promotional discounts, quantity discounts, loyalty rebates, and so on, as well as sales commission and unpaid invoices, should be paid the most careful attention as an incremental marketing expense.

Most obvious incremental marketing expense will occur, however, under the heading promotion in the form of advertising, sales salaries and expenses, sales promotional expenditure, direct mail costs, and so on.

The important point about the measurable effects of marketing activity is that anticipated levels should be the result of the most careful analysis of what is required to take the company towards its goals, whilst the most careful attention should be paid to gathering all items of expenditure under appropriate headings. The healthiest way of treating these issues would seem to be through the approach to marketing planning outlined in this section of this thesis.

9.8. Summary of the Theoretical Framework for Marketing Planning

Before proceeding to summarise the theoretical framework which has emerged from this review of literature on the subject, there are a number of writers whose views conflict with the logical steps outlined above and which seem to display a certain amount of confusion about the process of marketing planning.

Price, D. (op cit), and Dodge, H.R.(op cit), believe that objectives and strategies should be agreed before the situation analysis takes place. Dodge actually states:

"Some opposition to this can be found among those who hold that in order to have realistic goals the first step should be a critical self audit to gain awareness of company strengths and weaknesses. There are even some who would go so far as to relegate the establishment of objectives to the third step after self audit and forecasting."

Roseberry, T.N. (op cit), in his article on making strategy decisions, insists that a starting point in the process is the setting of an objective, which he describes as mandatory, a point also made by Bolt, G.J. (32).

However, the more generally accepted view of the most logical approach to marketing planning which emerges from the literature is that objectives and strategies should flow naturally from a situation analysis, and for the purpose of establishing a theoretical framework, the process as outlined in this section is the one which has been adopted in this thesis.

Many writers depict the marketing planning process diagrammatically, which is one way of summarising the several steps described in this section.

Kollatt, D.T., et al (op cit), provide two charts, which are reproduced as figures 7 and 8.

Figure 7 accords with the theoretical framework at the general marketing management level. It will be seen that the Celanese Corporation of America begins the process by moving through the stages of analysis, objective setting, and strategy setting, and that these are then communicated in writing to marketing and sales management. It is at this point that there appears to be a divergence in procedure in that a detailed situation analysis now takes place at each level of management before their own objectives and programmes are agreed. It is difficult to criticise this approach, since there is no indication of the relative success of this company in its market, but it would appear to be illogical to agree overall objectives and strategies before the detailed analyses at the lower level have taken place. Also the diagram appears to indicate that there is a one-way flow from the marketing Vice President to departmental heads at the planning stage.

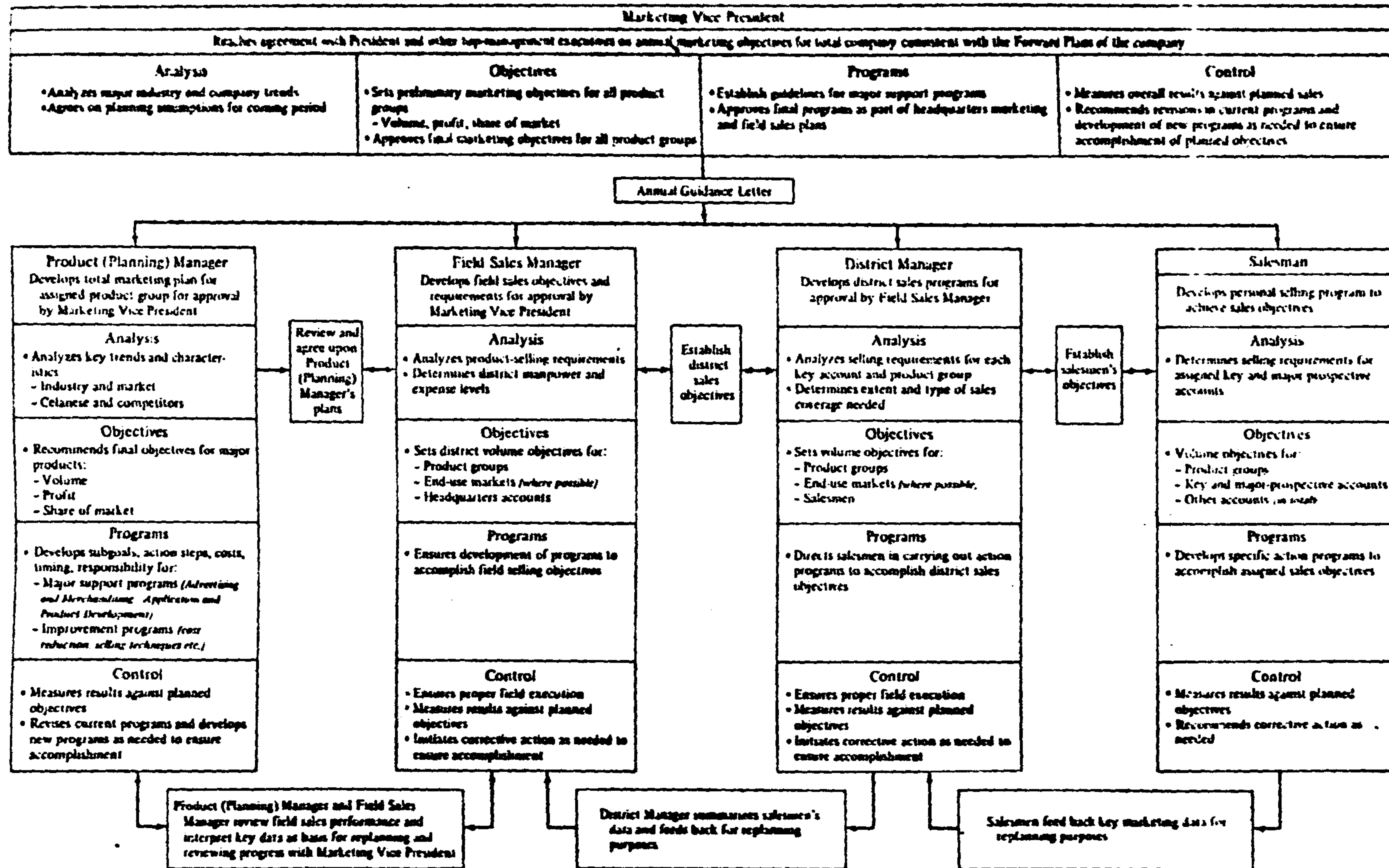
Nevertheless, the diagram does neatly depict the hierarchy of objectives, strategies, and programmes referred to earlier in the section.

Figure 8 follows the general pattern described in this section and depicts the constant interplay and feedback by means of broken lines, but omits the statement of assumptions and forecasts.

The General Electric marketing planning process depicted in figure 9 also follows the general outline described in this section. The several steps begin and end with the customer and the only criticism of the diagram is that there is no statement of assumptions and no indication of information and control procedures.

Marketing planning and control process for the operating companies of Celanese Corporation of America.

Figure 7



Must work closely with Advertising and Merchandising and Application and Product Development to ensure that all these plans are fully integrated

SOURCE: George B. Moseley in *The Development of Marketing Objectives and Plans* (New York: National Industrial Conference Board, 1963), p. 35. Reprinted by permission.

Figure 8

A market planning and control system.

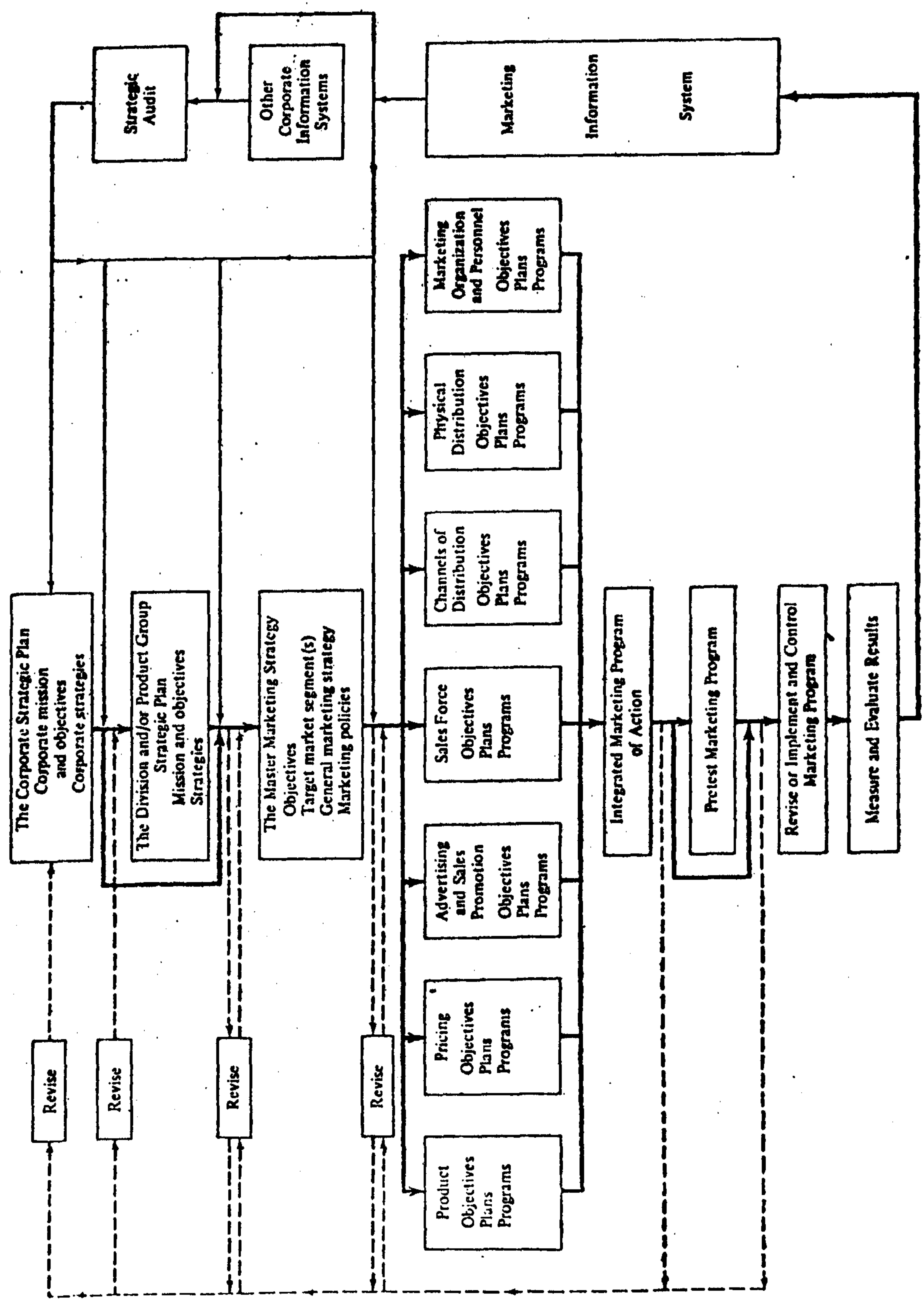


Figure 9

THE G-E MARKETING PLANNING PROCESS — "PATHWAY TO PROFITS"

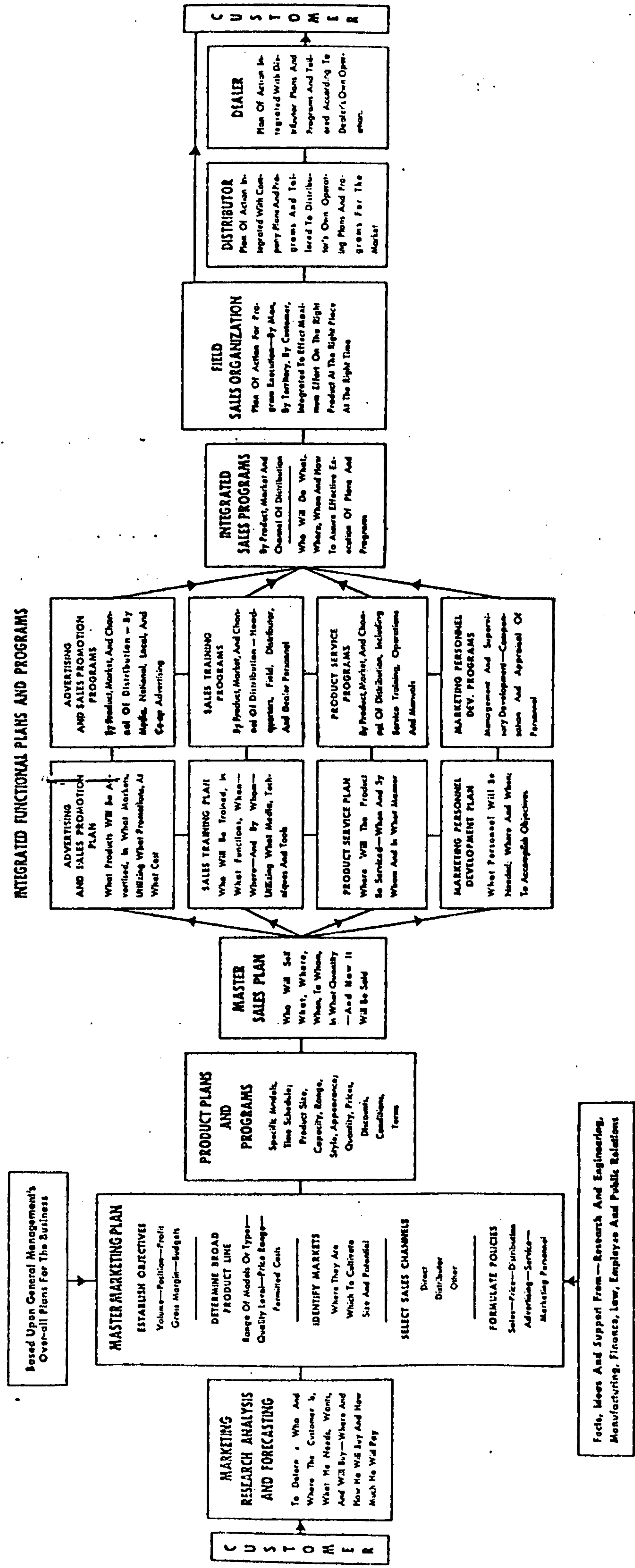


Figure 10

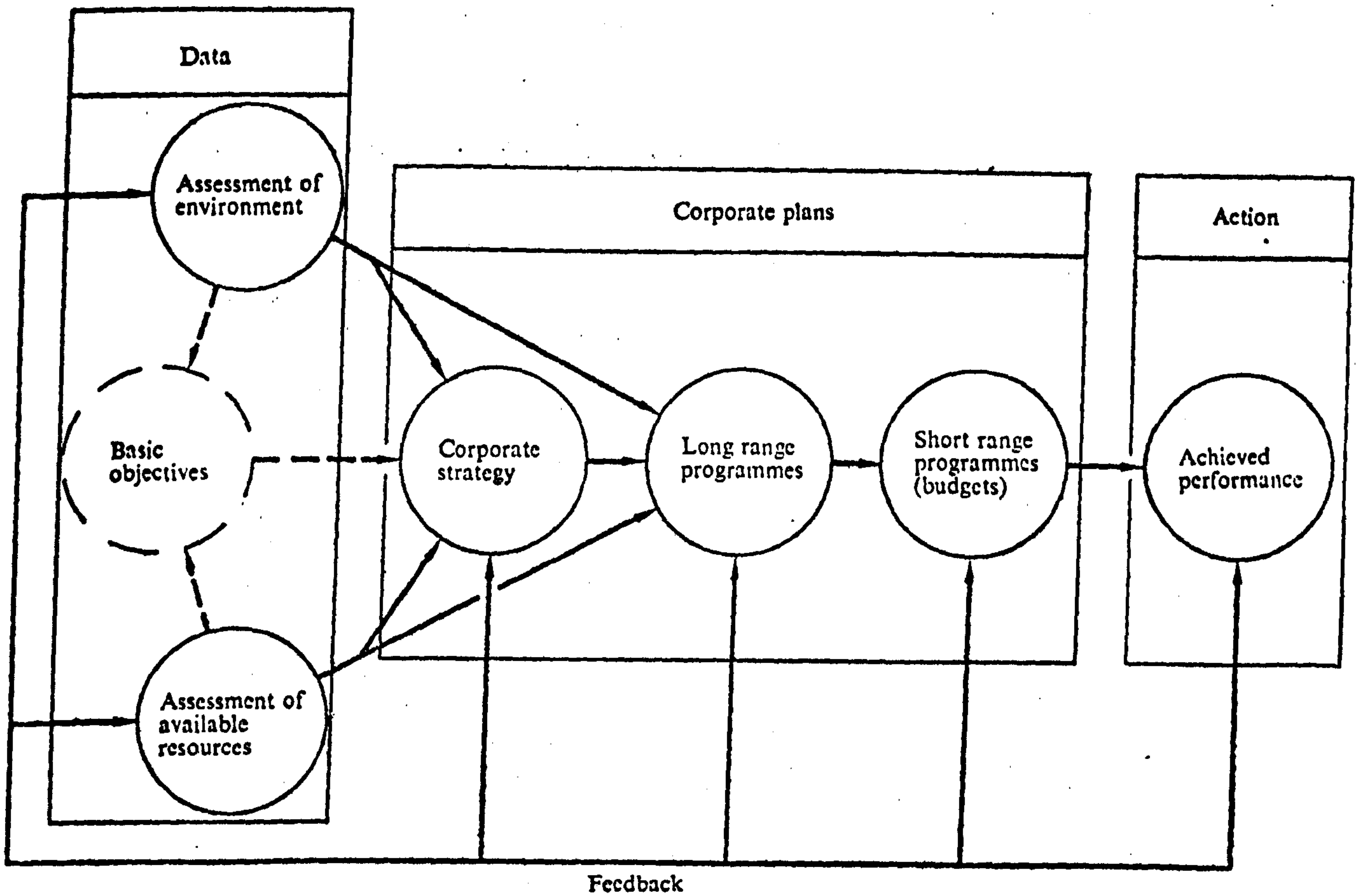


Chart 1
The Structure of Planning

Figure II

THE CORPORATE PLANNING PROCESS

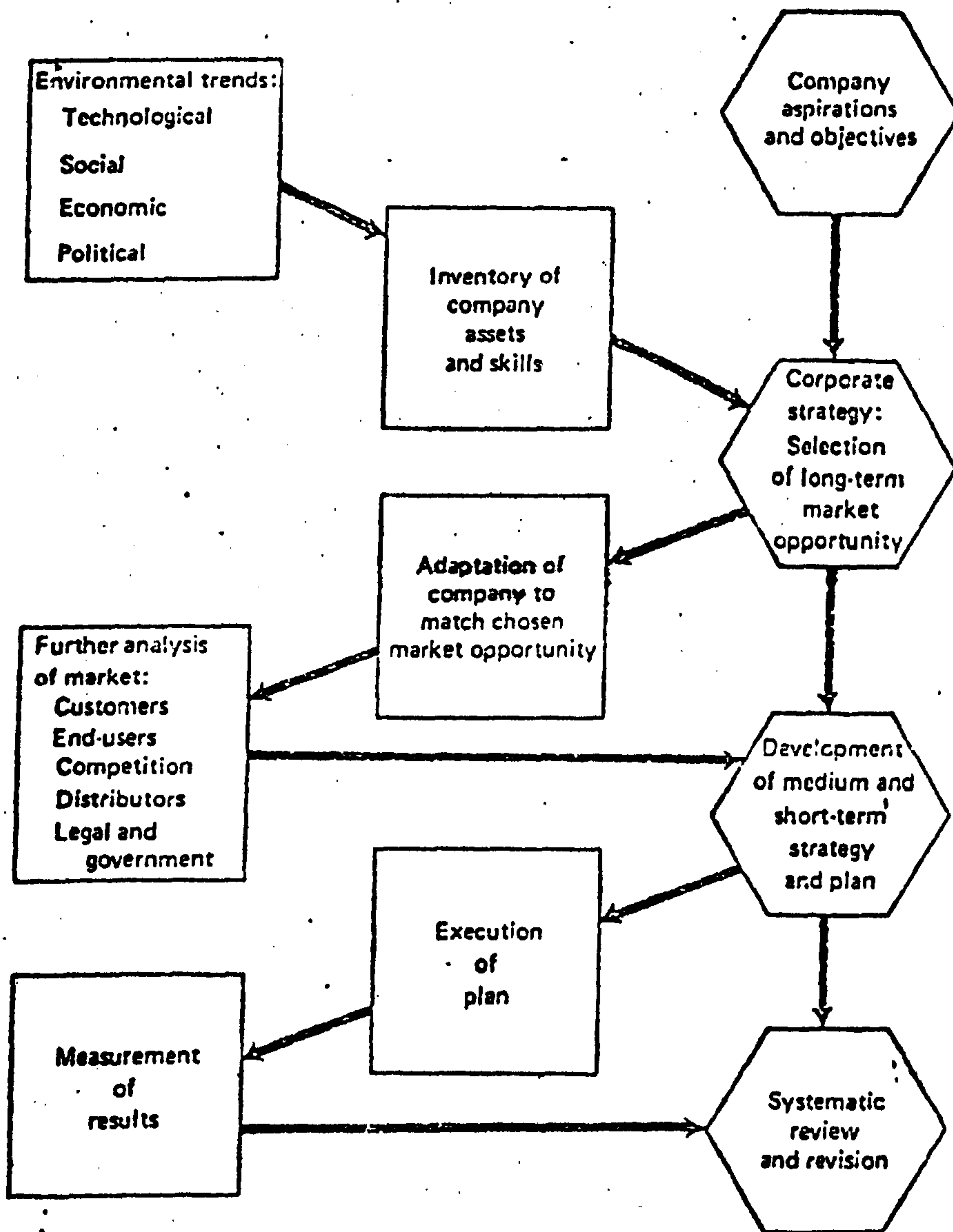


Figure 12

532 / INTERNATIONAL MARKETING: TEXT AND CASES

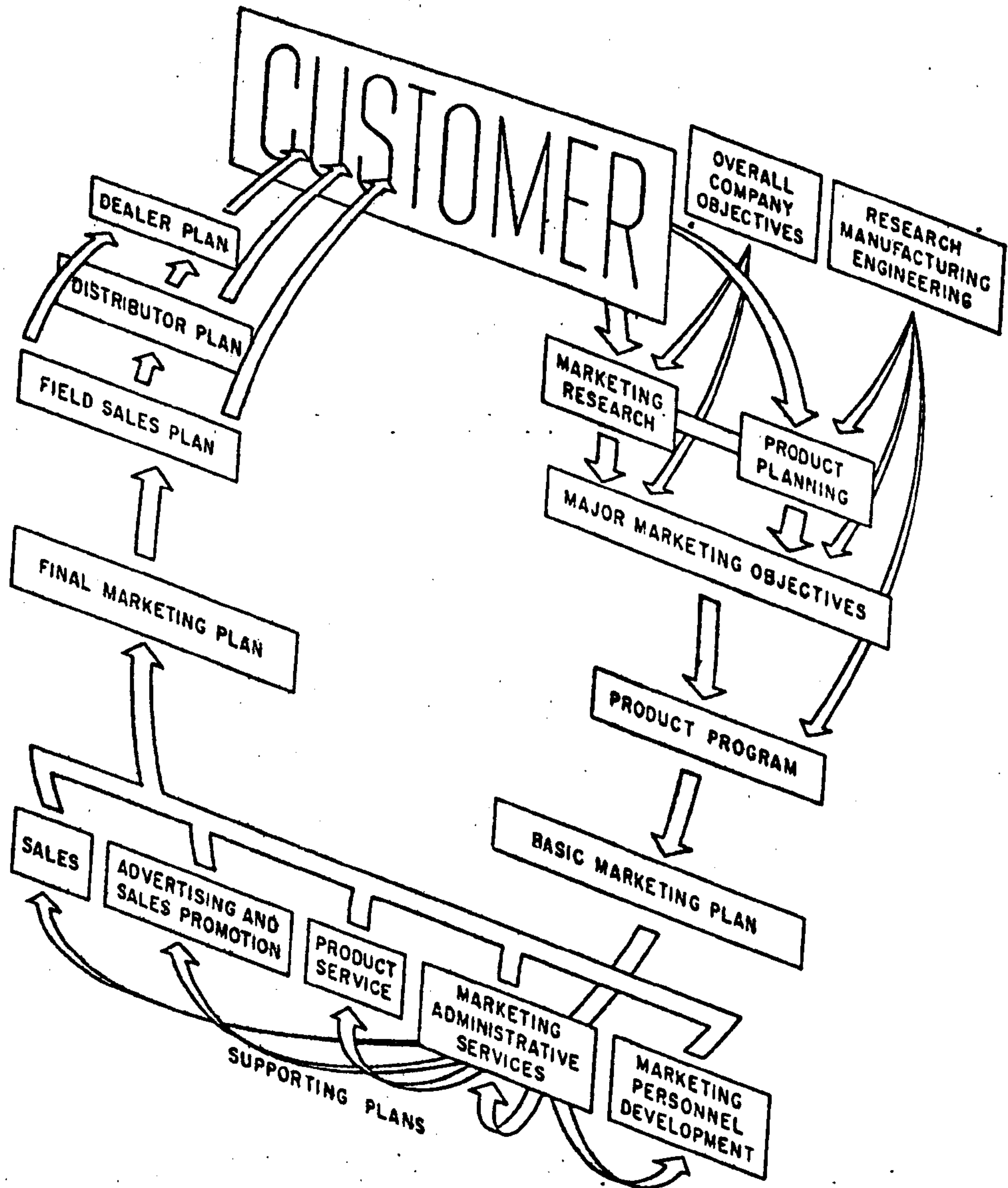


figure 10-7 three-dimensional representation of marketing planning process

Source: James Jewell, "The Marketing Concept," in *What Modern Marketing Means to Sales Success*, National Association of Manufacturers, New York, 1958. Reprinted by permission.

Figure 10, from Coram, T.C. et al (70), represents in very broad outline the process of long and short range planning and demonstrates the way in which they interface, which accords with the description given in this section.

The diagram shown in figure 11, in Fisher, L. (op cit), also shows the progression from corporate plan to short range market plan. However, the marketing audit takes place after the setting of corporate strategies. As explained in this section, it is difficult to see how strategies can be set at corporate level before the completion of a marketing audit, since only part of the picture will be available to top management, and this is the kind of situation that could lead to unrealistic objectives.

Figure 12 in Leighton, D.S.R. (op cit), again demonstrates the logical flow from the general to the specific and is in general in accordance with the theoretical framework outlined in this section. An interesting feature of this model is that marketing research precedes the setting of marketing objectives.

Figure 13

322 *Managing the Marketing Program*

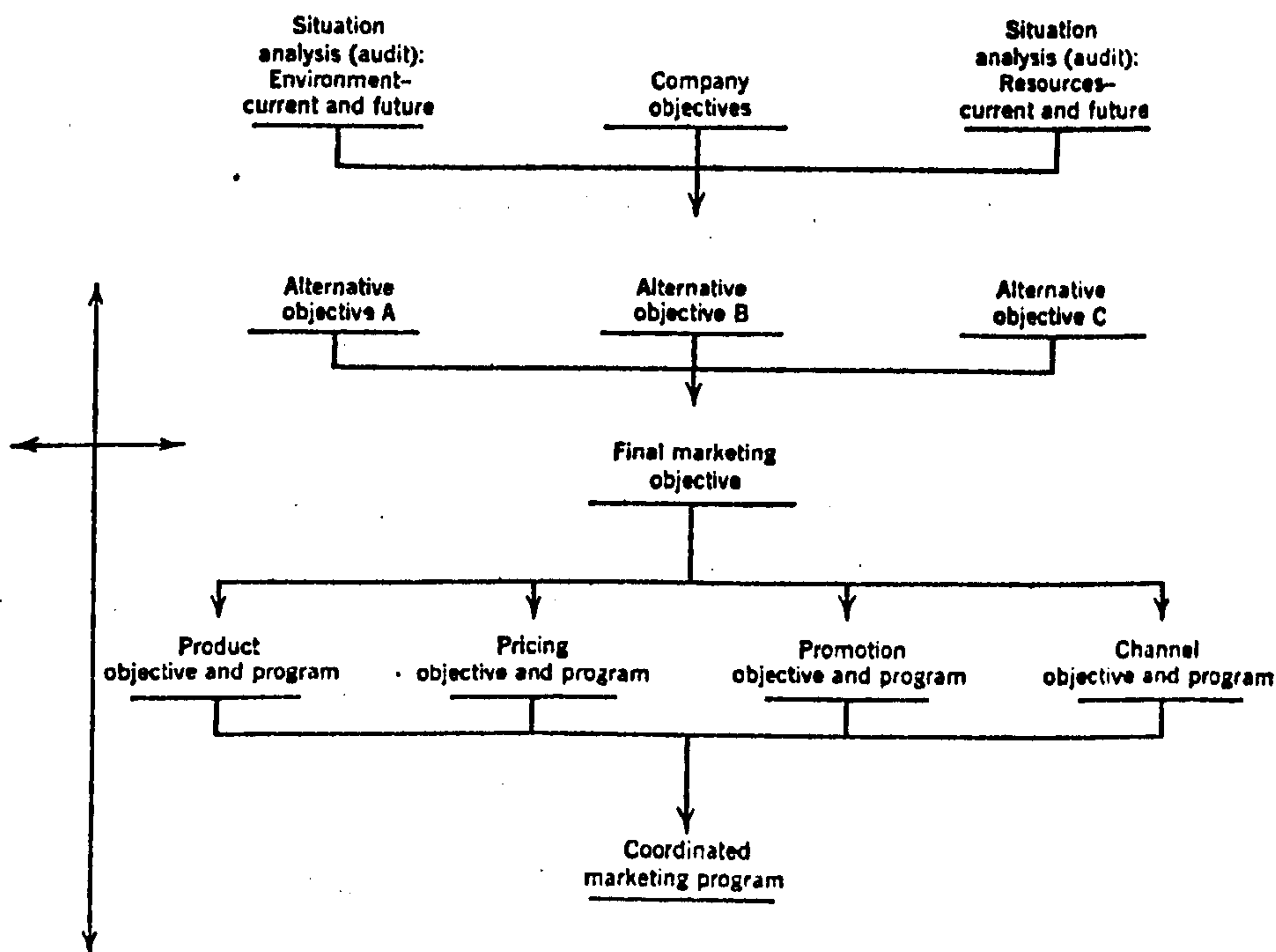


Figure 13, in Rathmell, J.M. (op cit) is more typical of the literature on this subject, and has therefore been incorporated into the theoretical framework for the purpose of this thesis. This shows that the situation analysis, or audit, of the environment and of resources, forms the basis of setting company objectives, from which flow the final marketing objectives, which in turn lead to individual marketing mix programmes, these finally being aggregated into a coordinated marketing plan.

Hovanyi, G. (II6), also demonstrates the same logic. This model (figure 14), shows that conditions in the market and in the total economy dictate the market and enterprise goals, and from these goals flow the marketing objectives. These marketing objectives lead to refined marketing objectives for separate markets.

The point about conducting a marketing audit before setting objectives is made explicit in figure 15 (reproduced from the MCRC paper (op cit)), and based on Smalter, D.J. and Ruggles, R.L. (op cit). This model also demonstrates the flow from objectives to strategies, to plans, and then to evaluation and review.

Thompson's study (op cit), concludes that planning involves the following steps:

1. Gathering information, on both the external environment and the company internally, in order to see the major problems facing the business.
2. Identifying and studying the factors which may limit the company's efficiency and growth in the future.
3. Formulating basic assumptions. It may also involve determination of several plans for the future, based on a markedly different set of assumptions.
4. Laying down the objectives or the goals of the business based on information gathered, assumptions, predictions, and a study of major problems.
5. Determining the actions which must be taken to achieve the objectives.
6. Setting up a timetable for these actions.

Some of the models depicting the marketing planning process give the impression of being absurdly complex, whilst others exhibit signs of confusion in respect of the order in which the various activities in the planning process occur.

Figure I4

THE MARKETING PLANNING PROCESS

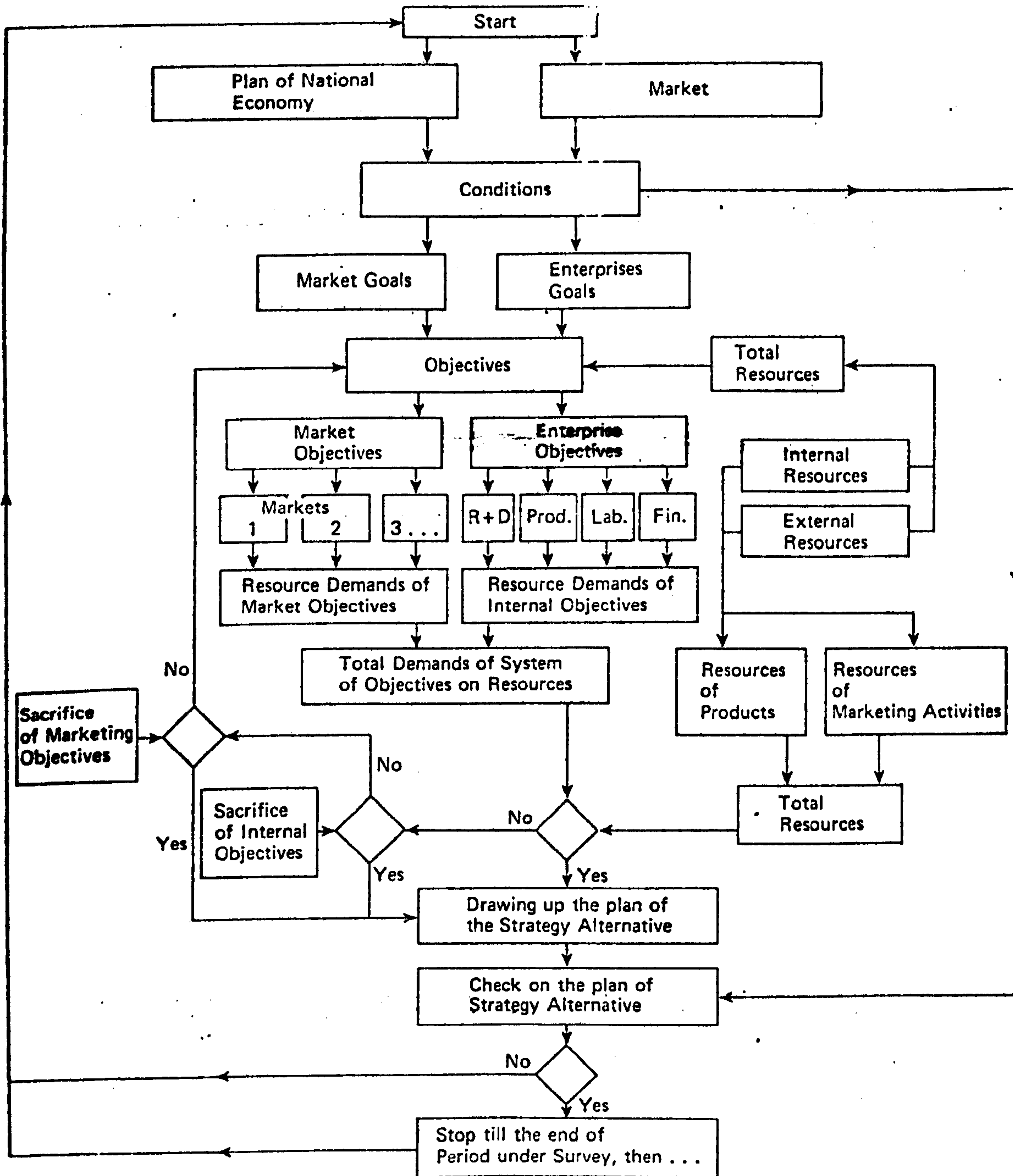
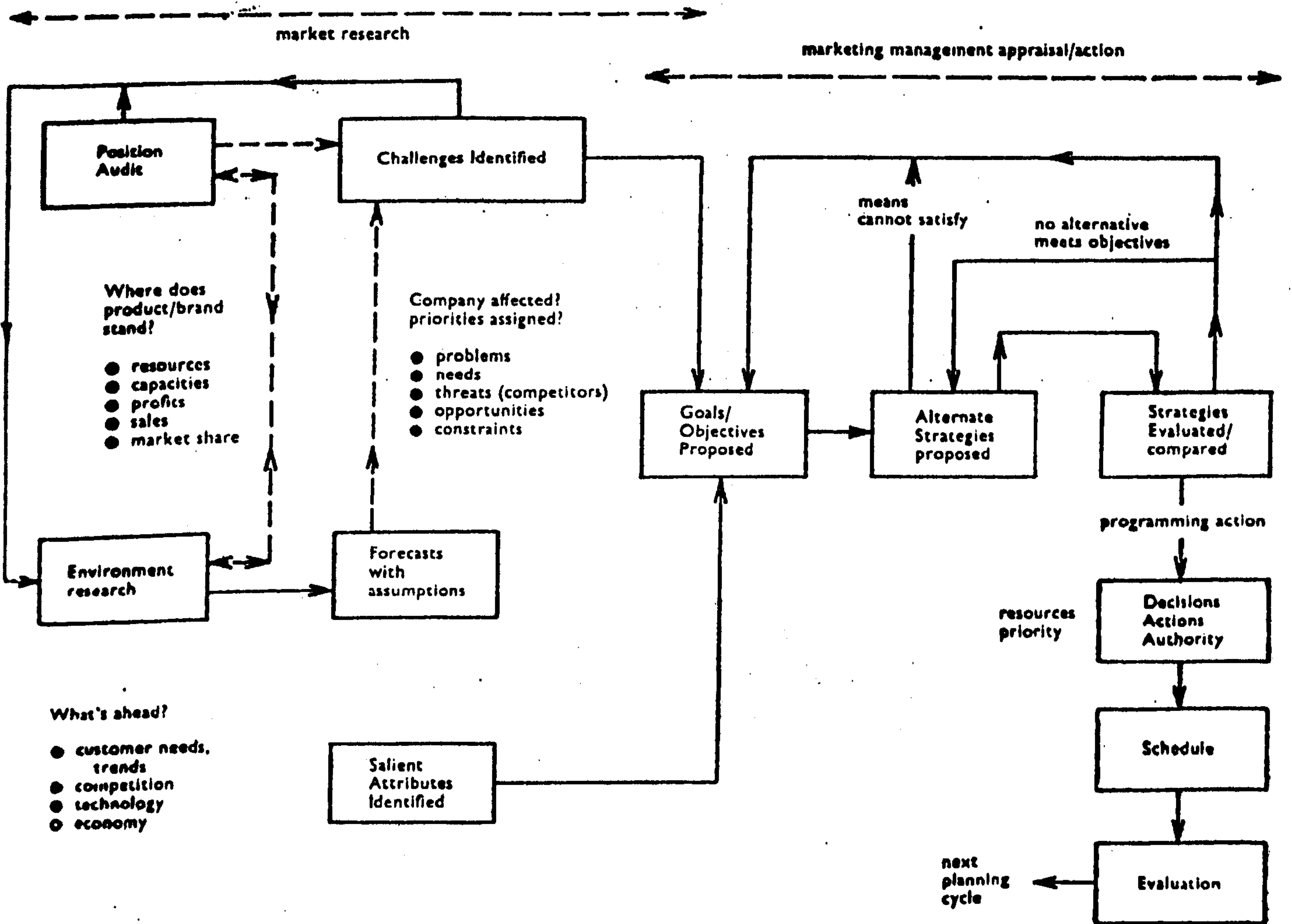


Figure 15

A Planning Framework For Objective Setting



Nevertheless, there is sufficient evidence to suggest that the following flow chart, (figure I6), encapsulates the theoretical framework of marketing planning as outlined in this thesis.

It will be observed that this flow chart links marketing planning into the corporate planning process. Although there is some confusion in the literature concerning the relationship between long range and short range marketing and corporate planning, this model treats the two activities as being part of the same process. Thus, after the marketing audit, (which is part of a company-wide management audit), marketing objectives and strategies for, say, five years are agreed, so that they are consistent with other functional capabilities. These are then developed into specific marketing objectives and strategies for the following financial year. In this way the detailed marketing plan for the following year should be totally consistent with the company's long range objectives. It should be stressed, however, that it is only the one year marketing plan which is worked through into detailed programmes. The remaining years in the long range cycle will only be worked through in broad terms for budgetary purposes, i.e., in order that a long range profit and loss account and balance sheet can be agreed.

It will be apparent from this diagram that this process, as depicted in figure I6 applies to one business unit only. For the purpose of this thesis, the definition of a business as used in the PIMS study (op cit), will suffice.

"A 'business' is defined as a division, product line, or other profit centre selling a distinct set of products and/or services to an identifiable group of customers, in competition with a well defined set of competitors, and for which meaningful separation can be made of resources, operating costs, investments and plans."

For a multi-business company such as a conglomerate, whilst the same process as described in figure I6 should apply, there may well be an intermediate step through some organisational arrangement such as a staff or line director functionally responsible for marketing at headquarters level. It will be his responsibility to ensure that individual business marketing plans are consistent with corporate objectives and resources. These additional steps, at least in theory, should be exactly the same as those described in figure I7 in the following section.

9.9. Summary of the Process of Marketing Planning in International Markets

Terpstra, V. (op cit), states that the techniques used for marketing

START

MARKETING AUDIT

CORPORATE FINANCIAL OBJECTIVES AND CORPORATE ASSUMPTIONS

Figure 16

SUMMARY OF AUDIT

PLANNING ASSUMPTIONS

DRAFT MARKETING OBJECTIVES AND STRATEGIES (LONG AND SHORT RANGE) AND SALES FORECASTS

LONG RANGE CORPORATE OBJECTIVES, STRATEGIES AND BROAD PLANS. LONG RANGE PROFIT AND LOSS ACCOUNTS & BALANCE SHEET

SHORT RANGE MARKETING OBJECTIVES AND STRATEGIES

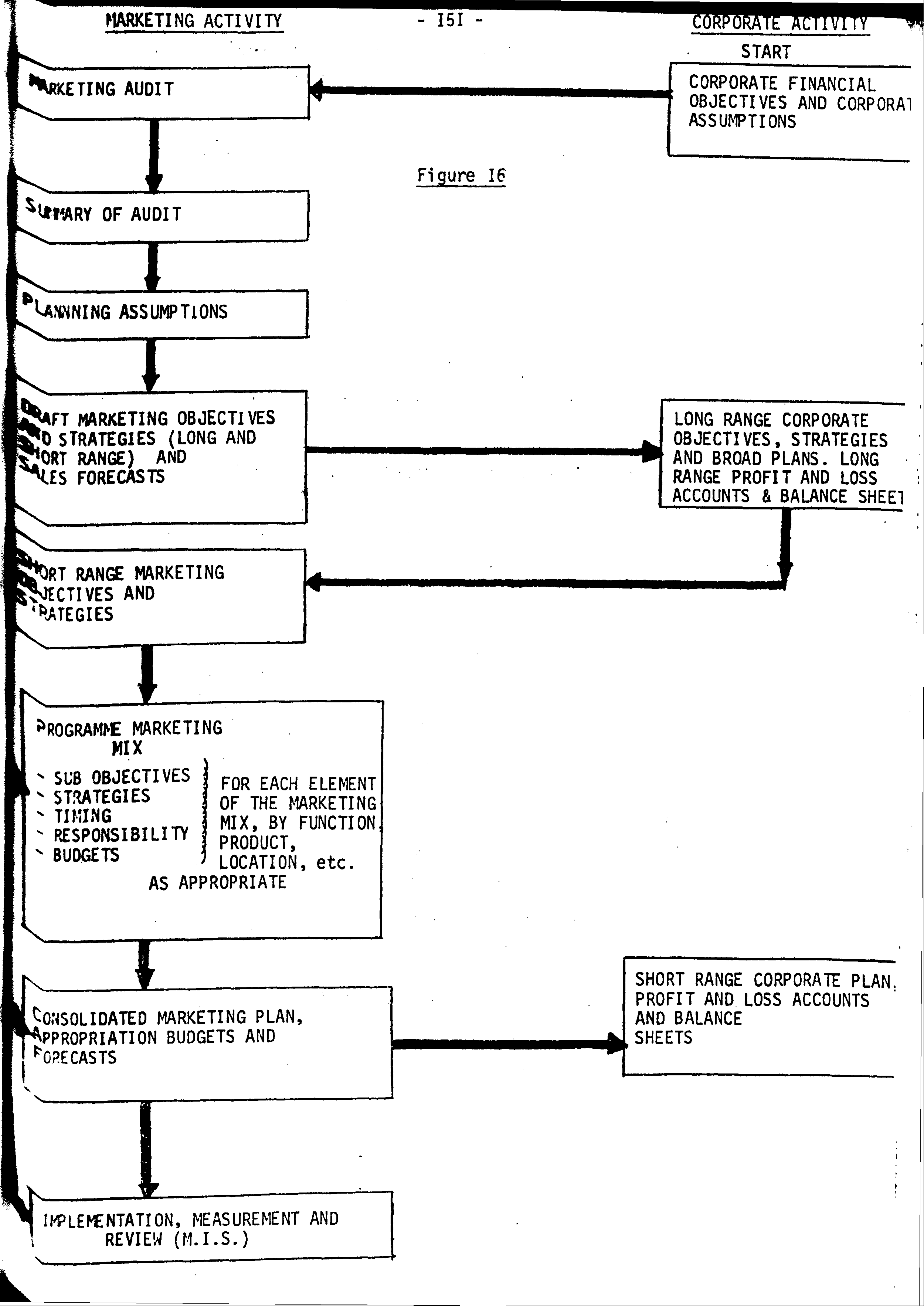
PROGRAMME MARKETING MIX

- SUB OBJECTIVES
 - STRATEGIES
 - TIMING
 - RESPONSIBILITY
 - BUDGETS
- FOR EACH ELEMENT OF THE MARKETING MIX, BY FUNCTION, PRODUCT, LOCATION, etc. AS APPROPRIATE

CONSOLIDATED MARKETING PLAN, APPROPRIATION BUDGETS AND FORECASTS

SHORT RANGE CORPORATE PLAN, PROFIT AND LOSS ACCOUNTS AND BALANCE SHEETS

IMPLEMENTATION, MEASUREMENT AND REVIEW (M.I.S.)



planning in international markets derive from domestic practice, and that "there is nothing peculiarly international about most planning techniques."

The brief literature review which follows is intended to place the actual process described earlier in this section and summarised in figure I7 in the perspective of an international operation.

There is no disagreement that the natural starting point in the process of international marketing planning is a marketing audit and situation analysis. This has to be completed for each country or market in which the company operates. Terpstra lists the following factors as being of relevance, depending on circumstances: exchange rates; balance of payments; nationalism; population growth rates (distribution density); income distribution; GNP; natural resources; topography; climate; transportation; energy; communications; commercial structure; tax structure; role of government; foreign investment.

Terpstra then proceeds to examine in detail the possible relevance of each of these factors to the plans of international companies, concluding that the international marketing plan is a function of the cultural, legal/political, and economic environment. Terpstra summarises the variables to be included in the audit as follows:-

1. Population - global and individual markets.
2. Demography - education, literacy, health.
3. Income - size and growth of foreign markets.
4. World Trade - growth and patterns.
5. International relations - cold war, regionalism, commercial policy.
6. Technology - relating to the firm's products and operations.
7. Political environment - nationalism, relations with host governments.
8. International business - foreign operations and international competition.

Keegan, W.J. (op cit), outlines seven major dimensions which must be scanned to assess the basic characteristics of each national market environment.

- I. Market characteristics:
 - (a) Stage of development.
 - (b) Stage of product life cycles.
 - (c) Buyer behaviour.
 - (d) Society/cultural factors.
 - (e) Physical environment.
 - (f) Size of market, rate of growth.
2. Market institutions:
 - (a) Distribution systems.
 - (b) Communication media.
 - (c) Marketing research services.
3. Legal environment: (laws, regulations, codes, tariffs, taxes, etc.)
4. Industry conditions:
 - (a) Competitive size and practices.
 - (b) Technical developments.
5. Government policies and attitudes.
6. Resource position:
 - (a) Manpower (availability, skill, potential, cost).
 - (b) Money (availability, cost).
7. Financial environment: (balance of payments, foreign exchange, regulations, etc.)

Chisnall, P.M. (op cit), Scholhammer, H. (op cit), and others confirm that these are the kind of details which should be included in the international marketing audit.

Terpstra makes one additional point about the international marketing audit. He states that it is primarily a marketing research job. It is difficult to quarrel with this statement, since much of what constitutes a marketing audit must be based on some form of research, either past or continuous, although care must be taken not to confuse marketing research and marketing information systems. The difference is defined in section 10.

Terpstra goes on to confirm that this audit leads to a statement of problems and opportunities, which in turn triggers and guides the strategic planning.

In other words, the actual process of international marketing planning is the same in principle as that described earlier in this section.

Since the international firm finds itself in a different situation in each of its national markets, each firm will develop its own expertise in devising a format which will enable the international planner to interpret and evaluate each individual audit, to help him to optimise performance on an international basis.

The role of headquarters and subsidiaries is discussed in detail in section 10.

The degree of central planning and of national planning which takes place will obviously depend upon the many factors described in the section on the E.P.R.G. profile (section 10.7.4.). Obviously the amount and the nature of the planning for each of the firm's foreign markets will depend on the volume of business and the level of involvement in each market. For example, for a purely export operation, the company will have to rely heavily on its local representative for most of the input to the planning process. The same serious limitation in the planning process would apply in the case of licensing. Joint ventures are also unlikely to be able to fit into the classical pattern described above, since the local partner may have objectives different from those of the international firm, which makes planning difficult from the point of view of integration. In the case of wholly owned subsidiaries, all these problems are eliminated, at least in theory, but as already stated, the approach here will depend on the importance, degree of autonomy of the subsidiary, and the degree to which a company conforms to what has been described as a truly multinational approach to marketing.

As Terpstra states, there are two basic parts to the international marketing planning process:

- (i) developing the plan for each national market;
- (ii) integrating national plans into a coherent international plan.

At the corporate headquarters level, having completed the country-by-country situation analysis, long range goals for finance, production, personnel, marketing and R & D can be set. This will include the international product line, the number of foreign markets, and the nature of the firm's involvement in each one.

Goals are set for the whole company, as well as for product lines or divisions, and for country subsidiaries. This parallels the setting of corporate objectives, together with outline

strategies and plans, described in the previous section. As stated in section 10, headquarters should provide at least sales and earnings expectations for subsidiary companies based upon the comparative analyses emerging from the several situation analyses of the company's markets.

Headquarters would also be responsible for strategic planning, and would decide what resources to allocate, as well as coordinating and rationalising product design, and the pricing, advertising and distribution activities of each subsidiary. Operating subsidiaries then become responsible for submitting operating plans for integration into the international marketing plan.

Thus, the international marketing planning process appears to be the same in principle as for the domestic process. The international company will move from the broad to the specific through a hierarchy of objectives, strategies and tactics. The only difference is in the complexity of the communications chain and in the multiplicity of individual plans which have to be incorporated into the central plan at headquarters.

The comprehensive international marketing plan will be composed of several elements which may be a combination of individual foreign market plans, product or divisional plans, or functional plans. Thus, one could find examples of international marketing plans for the German market, for hydraulic cranes, or the fork truck division, or for advertising.

The international marketing planning process is summarised in the model given in figure 17.

Neither of the models (figures 16 and 17), includes the normal flow chart device of asking questions such as:-

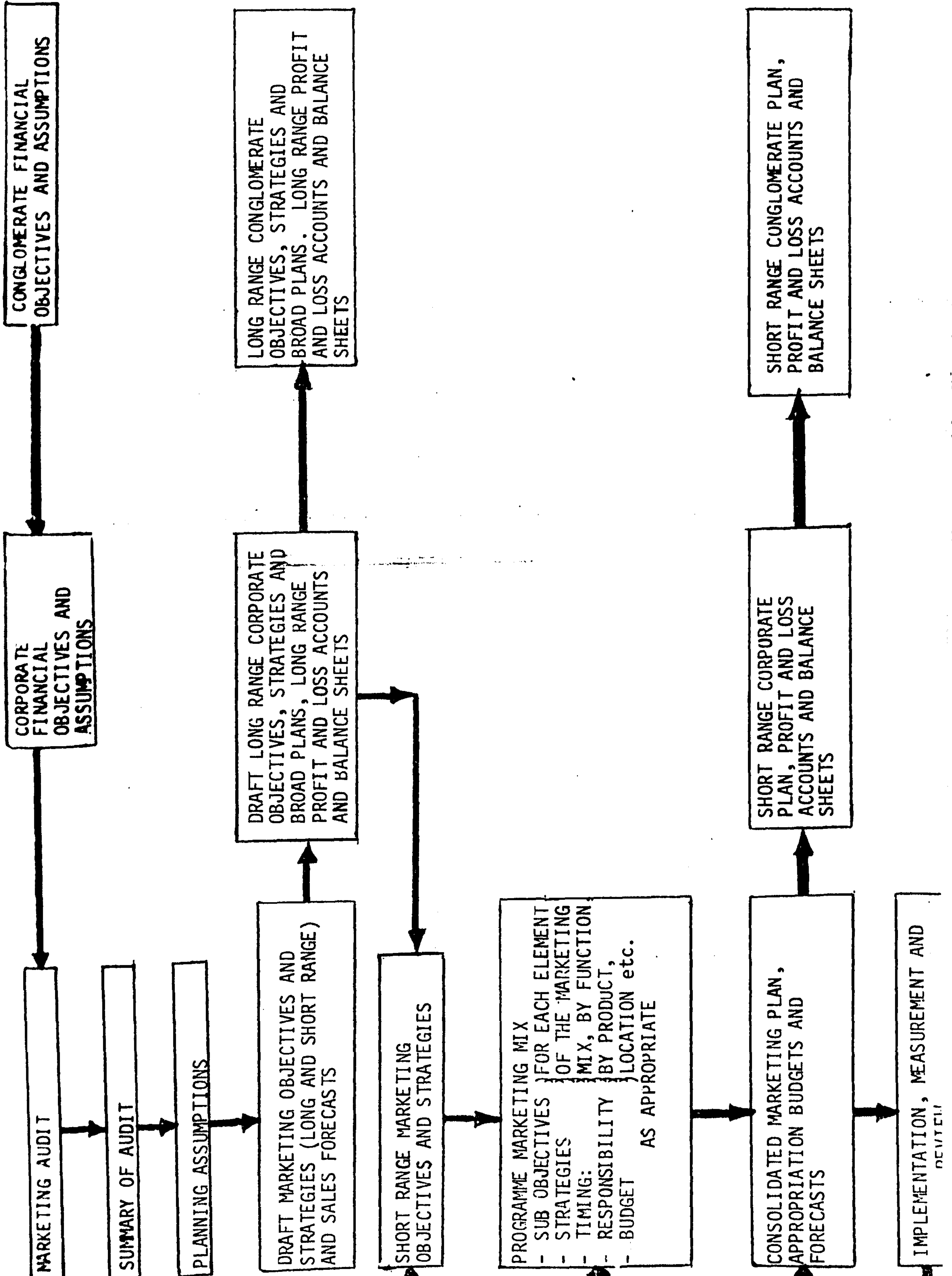
"Are the plans approved?"
"Are the objectives achievable?"

and so on, since it has already been pointed out that there is a continuous interplay between the several levels of management involved and between the different stages.

It will be observed that basically figure 17 is the same as figure 16, with the addition of a conglomerate, or headquarters involvement. The organisational arrangements for handling this process are not considered here.

It was the models in figures 16 and 17 that were tested to establish the degree to which companies adhered to the theoretical framework, and whether any amendments are necessary.

Figure 17



10.0. OTHER RELATED ISSUES EMERGING FROM THE LITERATURE WHICH HAVE AN IMPORTANT BEARING ON THE THEORETICAL FRAMEWORK OF MARKETING PLANNING

10.1. Introduction

There are a number of other issues emerging from the literature review which appear to have an important bearing both on the development of a theoretical framework for marketing planning and on the empirical stage of the research.

These are:

- the role of the chief executive;
- the role of the planning department;
- evaluation and review procedures;
- the planning cycle;
- bottom up/top down planning;
- the headquarters role in marketing planning;
- location of the responsibility for strategic planning;
- coordination between headquarters and division;
- the EPRG profile;
- individual versus standardised marketing strategies.

They are important because they could throw some light on what has already been shown to be an enormously complex and multifaceted subject.

Each of these issues will be briefly examined in the context of the literature on marketing planning and a number of further hypotheses will be developed in section II.

10.2. The Role of the Chief Executive in Marketing Planning

Roney, C.W. (2II), argues that few chief executives have a clear perception of:-

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

He describes the chief executive's responsibility as:

"to work through the planning programme's design with his staff and agree on its objectives, approach, procedures and membership of the top management team. His first responsibility, after deciding upon the structure of the planning programme

itself, is to make delegating decisions More importantly, the chief executive must make fundamental decisions on the planning role to be played by line officers who manage operating divisions and/or departments."

Having made these fundamental assignments, the chief executive's planning role develops into certain specific responsibilities:

- He regularly reviews and approves the corporate approach to planning and is accountable for its quality.
- He decides how much responsibility can be delegated to each member of his team during each of the six ongoing stages of planning - business analysis, forecasting, selecting goals, defining strategy, contingency planning and replanning.
- He directs planners and other staff in performing services which help to clarify alternatives and coordinate the process of planning.
- He directs line managers in performing their planning responsibilities, reviews their plans, and ultimately accepts or rejects them.
- He approves corporate goals and objectives of corporate entities.
- He reviews corporate entities' strategy in order to understand the goals and objectives which he ultimately must approve or disapprove: but he should not necessarily have to approve strategy, because strategy consists of goal-directed activities within the span of authority delegated to subordinates.
- He delegates responsibility to implement strategy and action programmes.
- He directs planned efforts to amend the corporation's structure through acquisitions, mergers and divestments.
- He approves allocation of financial and other corporate resources which are required to implement the plans of each corporate entity.

Wynne Jones, D. (op cit) defines the role of the chief executive as follows:

- Defining the organisational framework.
- Ensuring the strategic analysis covers critical factors.

- Maintaining the balance between short and long term results.
- Displaying visibly his commitment to planning.
- Providing the entrepreneurial dynamic to overcome bureaucracy.
- Building this "dynamic" into the planning operation (motivation).

When considering these views in the context of the reasons given in section 8.5. 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

10.3. The Role of the Planning Department in Marketing Planning

This raises the important question of the role of the planning department, about which much has been written.

Wynne Jones sees the role of the planning department as being:

- 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 organisational divisions, (e.g. R & D and marketing).
- To evaluate plans against the chief executives' formulated strategy.
- To monitor the agreed plans.

This is confirmed by Steiner, G. (op cit) who suggested that the corporate planner's role should be separated into:

- (i) top management planning;
- (ii) management of the planning system, procedures, methods, etc.

These should be viewed as potentially being performed by different departments. The planner is seen as a coordinator who sees that the planning is done - not a formulator of goals and strategies. Corey, E.R. (71), suggests that the planner's responsibility has three basic dimensions. They are:

- (1) directive
- (2) supportive
- (3) administrative

In his 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 role than in a directive role.

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

- advises line management on application of planning principles;
- assembles background information to provide insight into the economy, industries, markets, investment alternatives, etc., which are relevant to each business he serves;
- 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 reasons given in section 8.5. for 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.

10.4. Evaluation and Review Procedures

It is obvious that any plan, if it is to be effective, has to be implemented by those responsible for it, and that this implies the existence of a company information system which can measure progress towards the achievement of objectives. The existence of an adequate information system will provide the loop which is so necessary if adjustments are to be made to the plan as the financial year progresses. Such adjustments may be cosmetic, or they may be fundamental, even to the extent of changing or amending objectives as a result of traumatic and unexpected events in the market place.

The conclusion that Schewe, C.D. (222) came to was that the development and implementation of marketing information systems (MIS) is well below the level of sophistication implied in the substantial literature on this subject.

Jaffe, E.D. (137), identified five major problems which seem to encapsulate most of what is wrong with the current practice in the field of marketing information systems. These are:

- Failure to distinguish between marketing research and intelligence.
- Failure to define marketing information needs.
- Failure to place responsibility for gathering information.
- Failure of management acceptance of the system.
- Failure with the system itself.

Kotler, P. (149), adds emphasis to these views as follows:

- There is too much marketing information of the wrong kind, and not enough of the right kind.
- Marketing information is so dispersed throughout the company that a great effort is usually necessary to locate simple facts.
- Important information is sometimes suppressed by other executives or subordinates, for personal reasons.
- Important information often arrives too late to be useful.
- Information often arrives in a form that leaves no idea of its accuracy, and there is no one to turn to for confirmation.

Albaum, G.S. (14), provides a succinct summary of the problem:

"Management has not learned to use effectively the marketing information it already has, and the flow of information within the organisation is not entirely free. Somewhere along the communication channel much information gets misplaced, lost, delayed or distorted. The result is that some information never reaches the decision-makers, who could put it to good use, reaches them too late to be useful, or arrives in a form that makes it useless."

The purpose of this brief review is to relate MIS to the process of marketing planning.

Brien, R.H. and Stafford, J.E. (38), gave a useful definition of MIS:

"A structured, interacting complex of persons, machines and procedures, designed to generate an orderly flow of pertinent information collected from both intra and extra firm sources for use as the bases for decision-making in specified responsibility areas of marketing management."

An MIS is a subsystem of a total management information system, and will itself consist of further subsystems, each serving a particular marketing function.

From this it will be immediately apparent what the difference is between marketing research and marketing intelligence. Marketing research as defined by the AMA is "the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services."

Boone, L.E and Kurtz, L. (46), describe marketing research as focusing on specific problems, and as having a definite beginning, middle and end. Thus, marketing research provides only a fraction of the data required by management to make effective decisions, and should be seen as one of the inputs to MIS.

The functions of MIS are as follows:-

- The collection of information from outside and from within the company.
- Verification and condensation.
- Analysis and storage.
- Retrieval and dissemination in a usable format to relevant marketing executives.

Thus, the ideal MIS should be capable of collecting, evaluating, storing and transmitting information which is accurate, relevant and timely.

The output of the system should ideally be INTELLIGENCE, which is evaluated information.

Kotler, P. (op cit), provides a useful model demonstrating the functions of MIS, as being a gathering, processing and utilisation. The first function could embrace routine information such as sales reports or major field studies, as well as the systematic scanning of journals, trade literature, and so on.

The purpose of the processing function is to ensure that information is either stored or disseminated in a usable form.

The utilisation function has three elements:-

- information in the form of periodic reports, special studies and general marketing intelligence;
- assistance with analysis and problem formulation;
- development of models for assisting executives with planning, implementation and control.

It is these three elements (planning, implementation and control) which comprise the utilisation function of the output of the system - INTELLIGENCE.

Although much of the literature is devoted to discussions of these three management functions, it is not especially helpful in considering the relationship of MIS to marketing planning. This is partly because they are inextricably interconnected and partly because in practice, intelligence is either for strategic or tactical purposes.

In order to develop an effective MIS, it is first necessary to be clear about what sorts of marketing decisions are planned to be made, by whom, and when, and secondly, a decision has to be made about what sort of information should be collected and converted into intelligence. Stasch, S.F. (220) and Jaffe, E.D. (op cit), confirm that these are the two crucial steps that have to be taken in order to build an effective MIS, i.e.

1. Breaking down the marketing function into individual activities and the decisions which are associated with them.
2. Designating the information needed to facilitate these decisions, together with the raw data necessary in order to produce the information and the procedures for

converting it into intelligence. Thus, several separate information subsystems may be developed for each marketing activity identified, each of which will be a part of an overall MIS.

The first of these should be comparatively simple, if the procedures outlined in section 9.0. of this thesis are adhered to.

In other words, marketing management should first set the detailed information specifications.

It has been suggested that information is used for two fundamental purposes - for strategic long term decisions, and for tactical short term decisions. A third level can be added in the form of marketing research information for one-off marketing problems. The only reason for such a distinction is that it provides a clue about the kind of information and the frequency appropriate to each.

In the case of strategic decisions, the major considerations are the long range implications of all factors which can affect the position of the firm. In the case of tactical decisions, whilst in many cases the same information base will be used, the frequency and format of the output will be different.

Jaffe, E.D. (op cit), describes a Marketing Information requirements model, the purpose of which is to provide a detailed check list for auditing purposes to ensure that in considering both marketing functions and information needs, nothing which can affect the way a company relates to its markets is omitted.

Such a check list, or audit, is best separated into two parts - EXTERNAL information and INTERNAL information.

External information is concerned with environmental and market variables, over which the company has no direct control. Internal information is concerned with operational variables, in the management of which the company has complete control.

The objective of the external information audit is to assess the extent to which environmental, competitive and market factors impinge on the marketing decision-making process. The starting point is to consider all possible angles by means of a listing process. This ties in very well with the marketing audit process described in section 9.2.

There should then follow a check list of functions and items relating to INTERNAL information needs. These should tie in with each of the principal overall marketing objectives and the more specific sub-objectives referred to in section 9.2.

These check lists should be used to facilitate completion of the information sheets described in Jaffe's model.

These check lists now need to be converted into a format which will be of operational relevance. Internal information requirements will essentially be based on disaggregated sales data, something which is potentially available to all companies.

As Amstutz, A.E. (I3), says:

"At the heart of every successful information system is a disaggregated data file - a file in which information is maintained in detailed sequence as it is generated. As new inputs are received, they are maintained along with existing data rather than replacing or being combined with existing information In the first stages of system development, it is simply impossible to anticipate the direction of later advancement. Aggregate data file may preclude highly profitable system modification. The disaggregated data file provides the flexibility which is prerequisite of intelligent system evolution. "

Managers now need to think logically about their information requirements in respect of internally generated sales data, because just as there is a hierarchy of objectives and strategies in a marketing plan, so there is a hierarchy of information and control data. For example, at the macro level within a company, information will have to be generated to show overall sales volume, whilst at the micro level, varying degrees of individual account detail will have to be generated according to the needs of the company. One way to facilitate this is to ensure that for every item of proposed information generation, there is a set of precise objectives. The following example was provided by McDonald, M.H.B. (I7I):

- to provide a weekly guide to sales performance indicating any likely budget shortfall;
- to review, each period, product performance in total and within each category of trade. To provide comparison against last year, and against sales forecast;
- to examine the contribution of each product to both sales and gross profit and to assess the effect of "mix" on the overall profit percentage of each market;
- to provide for marketing management information allowing them to identify strengths and weaknesses by product, by market and by geographical region;
- to provide sales operating statements for senior management;

- to provide information by geographical unit for the use of sales and distribution management in restructuring territories and redefining distribution boundaries;
- to enable sales management to review the trading situation of any customer in terms of profit;
- to encourage development of profitable accounts not only through greater sales but also increased delivery drop size and more relevant discounts;
- to enable sales management to monitor trading agreements;
- to enable salesmen to schedule their work according to a predetermined calling cycle;
- to ensure that, in the call, the salesman is equipped with accurate and up-to-date information on the customer's order pattern, overall sales performance, and mix of sales;
- to analyse for sales management the productivity of salesmen in terms of calling rate and product placement;
- to identify by type of outlet and product the penetration achieved and the potential in existing accounts.

These are the kind of objectives which result in the detailed output which a system will produce, such as brand performance. They should be totally consistent in terms of their relevance with the objectives which appear in the marketing plan.

Using the Jaffe model, all managers will need to determine their own special control data, so that, for example, if an advertising executive is striving to achieve an attitude change over a given period, then he will probably need to have an attitude survey conducted in order to ascertain whether this particular objective has been achieved. Or if an objective was to convey a particular piece of information to a specific target market, then he will need to establish whether this objective was achieved.

Clearly, therefore, there will be many other sources of marketing information for decision-making apart from that which is obtainable from delivery notes/invoices and from salesmen's reports. These will include the whole gamut of marketing intelligence sources, such as trade journals, industry reports, government reports, audit and panel data, special projects, competitive marketing activity reports, advertising performance measures, sales promotional performance measures, and so on.

The benefits of an integration of marketing information from all sources internal and external to the company, lie chiefly in the direction that is given to otherwise uncoordinated data. Such an integration does not necessarily imply the use of a computer, although the power and usefulness of an MIS can be substantially increased by this means.

The important fact which emerges from such a process is that any resulting MIS should provide management with the necessary information to enable it to monitor progress towards its predetermined objectives, thus providing the necessary loop in the planning cycle.

Adler, L. (4), describes the complete application of systems theory to MIS as follows:

"As the various subsystems of the overall system are linked so that the effect of modification in one element can be detected in other elements and the influences of competitive moves on each element are analysed numerically, then the system becomes truly sophisticated."

It has been suggested that the two prime uses for intelligence are for tactical purposes and for strategic purposes. In effect this means that regularly generated intelligence on the marketing operation and business environment are intended primarily to enable management to identify favourable/unfavourable trends as they occur and to take action accordingly. Depending on the level of system sophistication, this could include items such as an inventory control subsystem which reviews the stock position and places orders for replenishment. But whilst most of this information will also be useful for strategic purposes, some reports will be generated for specific short term problems and for planning long range strategies.

This could entail, inter alia, the collection, analysis and storage of special information, such as that generated by market research studies, so that relevant and timely information can be disseminated to decision-makers as required.

Straddling both short and long term planning needs, MIS can also be used "to develop and test sophisticated decision-rules and cause and effect hypotheses which should improve ability to assess effects of actions and permit greater learning from experience." Cox, D.F. and Good, R.E. (75). Here we are referring to the whole complex area of marketing models, ranging from elementary predictive types to sophisticated simulation models. The main point is that since managers base their decisions on at least some intuitive understanding about how their particular marketing system works, an ideal MIS should

facilitate the testing and verification or otherwise of these concepts.

Berenson, C. (28), lists the benefits that accrue to the company that can successfully develop this ideal MIS, as follows:

"An ideal MIS leads to improved decision-making through the timely availability of relevant information and the use of sophisticated analytical techniques/decision tools. Information scattered within the firm and from outside sources is systematically collected, analysed and supplied to the executives concerned. It provides for better utilisation of the material which is ordinarily collected in the course of a firm's business activities, e.g., sales by product, by customer, by area. Developing trends and potential opportunities may be spotted more readily and acted upon. It enhances the control of a firm's marketing operation, through more information about the success or otherwise of the marketing plan and the performance of the executives concerned. The time horizon of the firm is expanded beyond the day-to-day problem level as the quantity and quality of forecasting data available for planning is greatly improved. It permits a broader, more consistent managerial perspective, as one unit caters for the information needs of all the marketing executives and leads to a better integration of the marketing activities."

According to Schaffir, K.H. (221),

"a comprehensive marketing information system can only be assembled to the degree that management spells out its own approach to marketing, the type of plan which it intends to follow and the basic logic which it intends to use to guide it to its decision."

Furthermore, the "models" used by managers are often "highly intuitive, difficult to explicate, imperfectly validated, and continually evolving." Gibson, L.D. et al (97), so that the construction of an MIS, should be evolutionary in nature rather than attempting to reach a highly sophisticated and ideal state. However, trying to build a system which is user-orientated and which can be understood by users will in itself often ensure its gradual development to increasing levels of sophistication.

Whilst it is tempting to think in terms of building a totally integrated MIS from first principles, the literature suggests that it is better to think and plan "total", but to build "piecemeal". Adopting a building block approach, each block of which represents a subsystem for meeting a discrete information need, will eventually enable a totally integrated

and sophisticated system to be developed in accordance with the experience of the users.

The benefits of collecting and storing disaggregated data have already been discussed in terms of flexibility for system development, and the facility to provide output at any level of aggregation. The problem is that maintaining disaggregated data files is very expensive and management has to balance this extra cost against the possibility that future market developments may require system modifications which cannot be made because data has been aggregated.

Apart from this, it is obviously necessary to give very careful thought to the form in which data is to be stored for retrieval purposes, so there are at least some common denominators between internally and externally collected information.

Finally, the two extremes of system sophistication in terms of output and user interaction vary between the dissemination of simple prescribed reports and on-line or time-sharing retrieval/interrogation systems for use by managers.

Unfortunately, there is no formula for determining the optimum level of expenditure on MIS related to the benefits accruing from better and more timely information. There is little definite information in the literature on MIS cost/benefit aspects, although generally it can be concluded that it is in the area of data storage and processing that the major costs lie, whilst the main justification for additional costs lies in the system's ability to enable managers to make more effective, hence profitable marketing decisions, particularly in areas such as inventory control and distribution/channel management. The consensus of opinion comes down heavily in favour of an evolutionary approach to MIS which is in line with the management's developing capabilities and level of sophistication.

Whilst there are many other considerations in the design of MIS, the final aspect that will be considered is that of the place of MIS within the company.

Because the MIS is part of a company-wide information system, it could be argued that it should be located within a central corporate information office, so that the integration which is so desirable within the marketing function also takes place on a company-wide basis. Uhl, K.P. (259), argues that a central office offers:

- 1) opportunities for increased efficiency;
- 2) greater perspectives;
- 3) more effective use of the information.

Such an office, reporting to the Chief Executive, argues Uhl, "gives increased and dramatic sanction to the information function, its operation and information use."

However, the main issue appears not to be so much as where in an organisation the information function should be located as how best, given the constraints of the existing marketing organisational set-up (which will be a function of needs largely dictated by the market place) to facilitate both vertical and horizontal information flows both into and out of the information unit. Thus, whilst either a central company intelligence unit or a marketing department-based unit would suffice, the problem becomes that of institutionalising procedures, through systems, to facilitate information flows, and of training management in their use. The inputs would come from all levels of management through systematised procedures, as either items of information or requests for information. The information unit would sift and check the information, analyse it, and decide where within the organisation it might be useful and transmit the information to potential users or store it for future use.

Thus, the MIS may be managed by a group within the marketing department, or as part of an overall company system.

The model given in figure 18 is an attempt by the writer of this thesis to summarise and simplify much of what has been said here about sources of information, the processing of information and the use of information, by means of MIS.

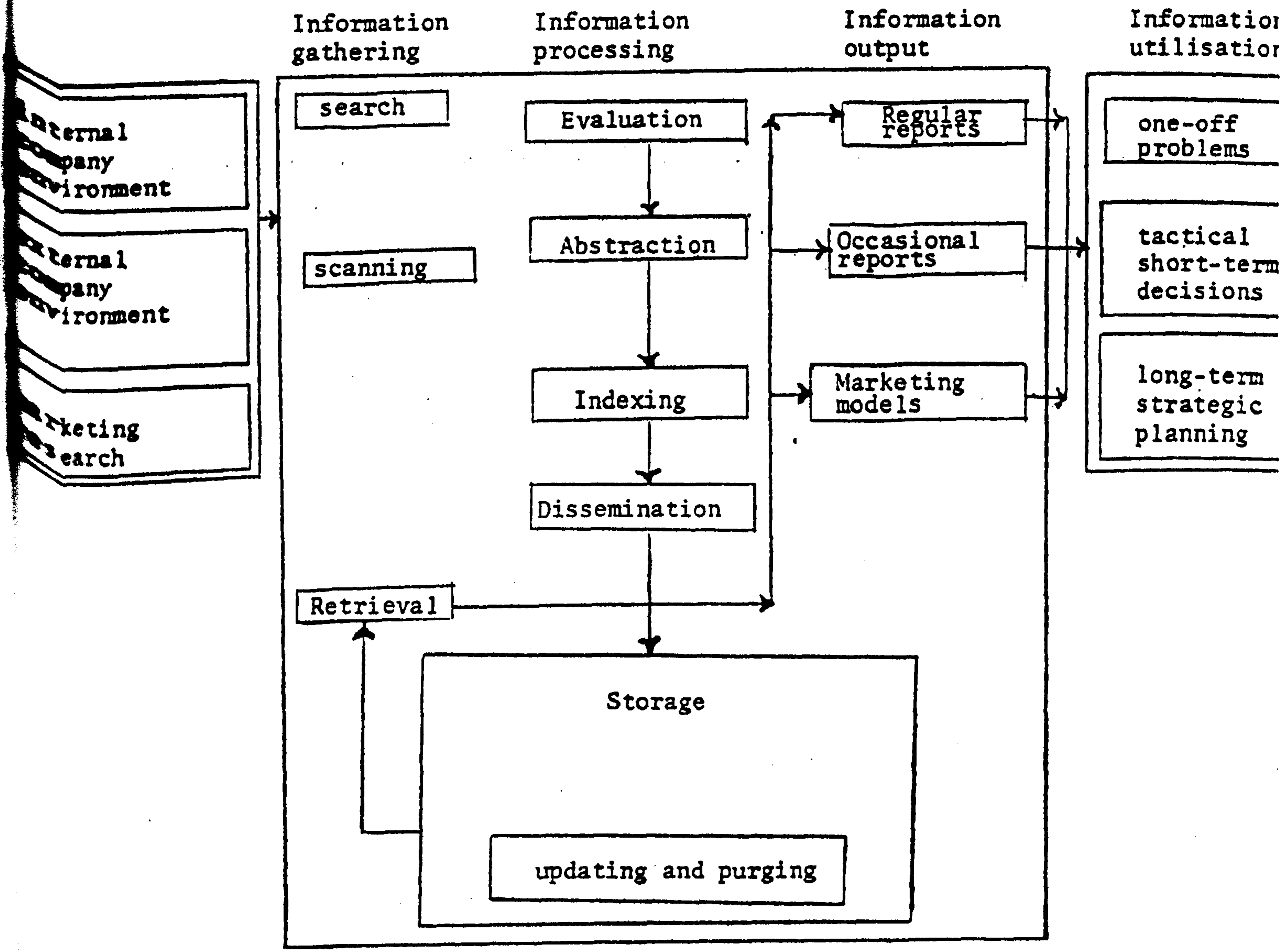
The attempt has been made to provide an operationally relevant guide to the construction of an MIS to overcome the two major problems suffered by marketing management:

- lack of information which they need;
- over-abundance of irrelevant data.

Such a system should enable a company to design a marketing information system which produces not masses of data, but filtered, condensed and evaluated data in the form of intelligence which is based on actual decisions that management have to take, and which are verbalised in the marketing plan.

In conclusion, the literature does give a very clear indication that the quality and effectiveness of any planning system is likely to be greatly influenced by the quality and effectiveness of a firm's evaluation and control procedures.

Figure 18



MARKETING INFORMATION SYSTEM

Adapted by M.H.B. McDonald

from : Kotler P., "A design for the Firm's Marketing Nerve Centre", in Smith, Brien and Stafford ; Readings in Marketing Information Systems, (Houghton Mifflin Company, Boston, 1968), p. 24.

10.5. The Planning Cycle

Reference has already been made in section 9.0. to the length of the planning cycle in International Minerals and Chemicals Corporation, as described by Horne, E.C. Here nine months was considered to be the optimum length of time in advance of a financial year necessary to enable plans to be prepared on the basis of reasonably accurate market data.

Pearson, E.A. (op cit), says that 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 it would appear from the literature that the planning cycle will begin formally somewhere between nine and six months from the beginning of the next financial year.

10.6. Bottom up/Top down Planning

On the question of whether marketing plans are developed from the general to the specific or from detailed plans upwards, most writers agree on the need to approach the problem in the manner described in this section. Dissenters from this viewpoint are few.

One writer who disagrees is Crissey, W.J.C. (op cit), who says that notwithstanding the difficulties and complexities of the matrix approach, it is far sounder to formulate plans segment by segment and then aggregate them, than to proceed as some companies do, from the total market place back to the various segments with an A PRIORI notion of the number of dollars available for advertising. He believes the sounder approach is to aggregate all contemplated advertising needs for all market place segments across all products, and then to find out how many dollars would be required to do the job. Crissey believes that compromises often arrive at capricious decisions regarding a total promotional budget instead of aggregating estimated costs. In summary, Crissey insists on the need to build the marketing plan from sub-plans rather than to begin planning on the basis of the total market place.

Hopkins, D.S. (op cit) states that "bottom up" plans are more common in the industrial field, where the field sales force is the cutting edge of the marketing effort and who are often in the best position to gauge the purchase requirements

of their customers in the coming year, thus forming the basis of forecasts, performance, goals and budgets.

Scholhammer, H. (op cit), discussing multinational marketing planning, describes both the "bottom up" and "top down" planning approaches. In "bottom up" planning, objectives are first established by the operating units, who have a clear understanding of specific environmental constraints and opportunities. These plans then filter upwards until the combined plans become the input for formulating the objectives and intended course of action for the corporation as a whole. Thus, the expertise of local management is utilised. The "top down" approach involves the determination of global objectives by headquarters, and contributory goals are then allocated to the various operating units, which then use them as the framework for the development of more detailed plans for the different functional areas.

Lindbloom, C.E. (1969), discusses the "root" and the "branch" approaches to objective setting. According to Lindbloom, most administrations do not approach the problem of objective setting via the "root" method because policy decisions are so complex that objectives cannot be pre-set. His view seems to be that attempts to rely on theories of how the total process works are insufficiently precise and that in fact the process moves through only small changes. Lindbloom's theory is complex and difficult to follow, the weight of his argument centering upon a principle of "limited comparisons", and a series of incremental changes by adjusting policies at the margin. In effect, what he is arguing is that any complex situation, (as indeed marketing is) is best controlled by proceeding on the basis of objectives that derive from those currently in practice, making marginal changes based on the analysis of the results of previous moves. It is difficult to disagree with this view.

The answer to this question has to be sought by reference to a much broader field of study, particularly that relating to the role of headquarters vis à vis subsidiaries in the process of marketing planning. This issue will be considered in the following section.

10.7. The Headquarters role in Marketing Planning

10.7.1. Introduction

In 1965, Pryor, M.H. (op cit), made a statement that was destined to start a debate amongst academics which is continuing even today.

He wrote:

"Marketing is conspicuous by its absence from the functions which can be planned at the corporate HQ level. It is in this phase of overseas business activity that the variations in social patterns and the subtlety of local conditions have the most pronounced effect on basic business strategy and tactics. For this reason responsibility for marketing planning must be carried out by those overseas executives who are most familiar with the local environment."

Pryor goes on to express the view that the lack of adequate information in many markets, particularly concerning customer motivations and attitudes, makes the planning of marketing strategy a highly subjective task which is best left to those more closely in touch with local consumer needs and trends. In order to facilitate understanding of locally-prepared marketing plans, Pryor believes that headquarters should merely develop standard definitions and formats of presentation, at the same time supplying local management with important information at the macro level, such as oil and chemical prices and trends in other world markets.

He sees the major advantage of this headquarters' coordinating role as enabling top management to isolate markets offering opportunities for product and marketing rationalisation and extension.

Keegan, W.J. (143), supports and develops this theme. He sees the headquarters' role in multinational marketing as to optimise the utilisation of company products, skills and resources on a global basis as opposed to national optimisation, which results in global suboptimisation.

Headquarters marketers bear the major responsibility for searching for similar characteristics and unifying influences that provide opportunities for standardising elements of the global marketing programme, such as product development, packaging and advertising and promotional programmes, as well as for exploiting good ideas and people on a global basis.

Thus, a company operating on the basis of such a headquarters role has four advantages over a company which allows its national managers complete freedom to exploit their own local environments. Firstly, programme transfers enable a company to exploit successful practises, such as tried and tested promotional ideas, on a wider basis. Secondly, system transfers, such as planning, budgeting and research systems, increase the efficiency of local operations and help top management to understand and react more accurately to the needs of local management. Thirdly, it enables special skills to be assigned across national boundaries. Fourthly, central management can ensure that no one national policy will adversely affect another, for example as in the case of a large customer who spans more than one market.

Keegan refers to this ideal as "interactive" marketing planning, and believes it to be superior to either centralised planning or to totally decentralised planning. He sees this interactive process as combining inputs from both the global and the local perspective, thus achieving a balance which approximates the objective of global optimisation as opposed to national sub-optimisation.

In theory headquarters staff would attempt to assess opportunities on the basis of world trends and then to break them down on a country by country basis, with an indication of sales and earnings expectations for each. Within the framework of such guidance from headquarters, subsidiaries would then search for programmes that will achieve the specified expectations. These national plans would then be agreed with headquarters and integrated into the worldwide plan. Thus, headquarters would be responsible for strategic planning and would decide what resources to allocate, as well as coordinating and rationalising product design, and the advertising, pricing and distribution activities of each subsidiary. The major advantage of this approach is that it recognises not only the major differences in the world's national markets, but the similarities and common denominators as well.

These theoretical advantages would manifest themselves in the following ways. Firstly, certain marketing information variables could be standardised in order to allow comparison of performances. Secondly, headquarters staff would be able to prevent a market study in one country as a result of a similar study in another, or suggest a new use for a product in one country based on experience in another, or pass on any kind of useful knowledge gained in comparable markets. Thirdly, a skilful manager with successful experience of problems in one country would be able to assist in formulating solutions to similar problems in another market. Fourthly, marketing programmes can be tested in various forms in different markets. Lastly, cost savings would result from developing intra-national promotional programmes and product adaptations. For example, it may be possible to standardise product and promotional programmes for certain similar areas rather than allowing fifty separate developments to take place. The above concept appears to offer the ideal solution to the problem of planning at headquarters. Keegan's paper goes some way to showing that headquarters can play an extremely valuable role in the planning process, and that it is possible to realise synergistic benefits in an integrated international company.

This view is supported by Cain, W.W. (op cit), Rathmell, J.M., (op cit), and by Miracle, G.E. and Albaum, G.S. (op cit). Cain quotes ITT as one example where the theory outlined above is successfully practised. Headquarters staff develop plans for 400 operating units in 60 countries by first setting basic

quantitative objectives and then reviewing the plans submitted by operating managers. Thus, central management does not make the plans, it merely reviews and coordinates them. This method is not without its problems, which arise principally because factors such as financial incentives, free competition, consistency of government policy, management skills, availability of market data, and so on, vary considerably from country to country.

Holton, R.H. (op cit), suggests that headquarters' concern for the level of decision-making stems from the possible repercussions any particular decision may have on the rest of the organisation. Thus, if headquarters believe that product, pricing, and advertising policies at the level of the foreign subsidiaries are significantly interactive with similar marketing decisions in other subsidiaries, control from headquarters is called for.

Keegan, W.J. (op cit), says that at the very least headquarters should be responsible for formulating company strategy. By this he means the identification of areas of operation, both in geographic and in product terms, marketing communications, pricing and the allocation of corporate resources to support marketing programmes. Cateora and Hess (op cit), also believe that headquarters should be responsible as a minimum for basic policy decisions, major fund allocations and executive selection.

They advocate greater home office control over the marketing planning function because communication and information-handling technology are now sufficiently developed to allow greater centralisation, and because full decentralisation has generally produced disappointing results. One further advantage is the availability of centralised data, staff support and the opportunity to discuss problems with senior management.

10.7.2. Location of the Responsibility for Strategic Planning

The only area of confusion in the views expressed by all these writers is in the area of the role of headquarters in strategic planning. Pryor says that the planning of marketing strategy is a highly subjective task which is best left to those more closely in touch with local conditions. Keegan on the other hand, says that at the very least headquarters should be responsible for company strategic planning, by which he means the identification of areas of operation, both in geographic and in product terms, marketing communications, pricing and the allocation of marketing resources to support marketing programmes. Holton takes the view that headquarters should control strategy only if the product, pricing and advertising policies of subsidiaries are significantly interactive.

Some studies have been carried out which show whether the theories developed by Pryor, Keegan, Cain, Rathmell, Miracle, Albaum and others are justified by what happens in leading multinational

firms. Some light should also be thrown on the question of strategic planning.

Aylmer, R.J. (19), describes his observation of the Western European Operations of nine U.S. based manufacturers of consumer durables during 1966 and 1967. An attempt was made to locate responsibility for four decisions in 86 separate marketing programmes of twenty six wholly owned subsidiaries. The decisions related to product design, principal advertising approach, retail price, and number of distribution outlets. 86 per cent of advertising decisions were made by local management, 74 per cent of pricing decisions, and 61 per cent of channel decisions. Thus, headquarters management rarely became involved in the decisions of marketing strategy. The final task of developing viable local programmes was left entirely to local management. Only product design decisions were imposed on local management in 55 per cent of the instances observed.

Aylmer found that the standardisation of pricing and promotional decisions by headquarters management was almost impossible because market positions were remotely similar across four countries in only three of 23 instances. Channel decisions were almost totally a function of local traditions and existing institutions.

He also found that the location of primary authority for marketing decisions was affected by the relative importance of the firm's international operations and the relative importance of the local affiliate's position within the firm. For example, the management of major affiliates shared authority with corporate management for key marketing decisions more often than did the management of less important affiliates. On reclassifying the data according to the percentage of total sales accounted for by international operations, Aylmer found a strong relationship between a high percentage of total sales and the frequency of higher level participation in local decision-making.

Referring specifically to two companies in the washing machine market, Aylmer describes the one with only 10 per cent worldwide sales as employing several promotional programmes, and several designs of product, the direct result of a decentralised decision-making approach. The other, with 50 per cent worldwide sales, employed promotional programmes that were more similar across countries and marketed only one line of washing machines, reflecting a policy of shared decisions. Eventually, the decentralised company was in retreat in many of its markets and was forced to close down plants.

Finally, Aylmer observed that within such internationally orientated companies, the decision-making role varied depending on the local market conditions, the degree of sophistication of local management,

and the percentage of total sales accounted for by the affiliate. Thus, major affiliates played a greater role in major marketing decisions than did minor affiliates, and the company was better able to reach mutually acceptable harmonised marketing decisions in all its major markets. Generally, those companies with a smaller percentage of international sales did not differentiate between affiliates, treating each in a similar "arms length" manner.

It would be dangerous to draw firm conclusions from Aylmer's study because his findings indicate that the problem of locating authority for marketing decisions is quite complex, being influenced both by the importance of international decisions and by each affiliate's position. Simple generalisations from these findings may not be applicable to different types of companies in different product areas. However, it would appear that the greater the importance of international sales, the greater is the tendency to strike a careful balance between the roles of local and headquarters management in marketing decision-making. In other words, Aylmer's study appears to support the theory of Pryor, Keegan, Cain et al referred to above.

On the question of strategic planning, the study seems to support Aylmer's view that this is best left for subsidiaries to develop. On the other hand, his study also goes on to show that strategies are developed jointly by headquarters and subsidiaries in those cases where international sales are a high proportion of total company sales.

A similar solution to that reached by the internationally orientated companies studied by Aylmer was reported by Behre, L.J. (27). Thirty per cent of Clark's sales were outside the home country in 1973, through 15 subsidiaries and 33 licensees manufacturing Clark products at 51 plants in 23 countries. This company showed a history of development over 25 years in accordance with the classical pattern. Initially, international sales were strictly a corporate responsibility, but as international sales grew, so subsidiaries and licensees became companies in their own right, properly equipped to take more of their own product line and promotional decisions. Clark recognised that subsidiaries were not just branches, but separate legal entities, subject to the laws and practices of their own countries, and as such developed a largely decentralised policy in regard to the development of marketing programmes, capable of implementation within diverse markets. Nevertheless, corporate headquarters adopted a coordinating role and developed uniform advertising programmes, patterned after the Clark corporate image, which were adaptable to the several construction machinery products throughout the world. The Clark corporate image programme both recognised the importance of individual product names, and also hammered home the advantages of the overall strength of the company. In

addition, this was further supported by collateral media, such as brochures, and the importance of Clark's international operations, printed in several languages and released worldwide. Finally, Clark succeeded in deeply involving distributors in Clark marketing programmes and this played a large part in increasing market penetration, opening new markets and introducing new product improvement worldwide.

Brown, M.M. (43), lists eight principles adopted by North American Rockwell in their worldwide operations. One is that marketing strategy must be developed on a local basis, since there is no such thing as worldwide marketing strategy, which must be adapted according to the different needs of different markets.

This certainly supports the view expressed by Aylmer, although there is no indication in Brown's article of the degree of North American Rockwell's involvement in international trading.

Another Brown principle is that because distance and the scarcity of public intelligence on industry in many markets makes rational marketing planning difficult, headquarters should develop its own information-gathering system everywhere it operates, in a uniform, concise and actionable manner.

The third Brown principle is that challenge and authority must be given to those people closest to the market place, but that local management and headquarters staff must put their strengths together as an effective marketing planning unit. This point is not developed by Brown, but since he has already stated that the development of marketing strategy should be localised, it must be assumed that he is referring merely to factors such as systems, information, specialised skills and the like.

Simmons, G.B. (241), says that the making of strategic decisions at local level is acceptable as long as internationalisation goes no further than direct investment. He also says that at the other extreme, local staff lose all control over strategic decisions and may operate tactically only within the confines of finely delineated procedures, with the global coordinator at headquarters manipulating his integrated system. Some compromise between these two extremes is clearly desirable for the truly internationally orientated company that desires a logical system in terms of the way people actually work and communicate.

10.7.3. Coordination between Headquarters and Division

It is clear that there are many gaps in the body of knowledge about what actually happens in international marketing planning and what should happen. It would appear that in many instances plans are called for from divisional heads by headquarters management and "coordinated". "Coordination" is a word frequently

used in the literature on international marketing, but the actual work which this coordination embraces is not clearly defined. A clear and precise view of what divisional heads should actually contribute is lacking. It is questionable whether asking divisional heads what they plan to do next year could actually be called planning as such. All this does is to give them the opportunity to do what they want to do. It would seem to be more in keeping with the concept of planning for headquarters to discipline divisional managers by agreeing with them clear goals and concrete objectives vital to the whole enterprise. To find out in what ways this happens, and the nature of these objectives, is one of the goals of this thesis.

Thompson, S. (op cit) discusses the 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 organisation, such confusion arising because the chief executive has not made it clear what kind of business he is managing. To explain this further, Thompson describes different concepts of enterprises.

First, he describes what he calls the federalised enterprise with a central office and various decentralised divisions, each with its own unique products, processes and markets which complement the others in the group. In an enterprise of this type, planning within the divisions applies to the exploration of markets and improved efficiency within the boundaries laid down by HQ. The problems and opportunities that this method throws up tends to make the HQ 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 organisation, the managers of affiliated companies are normally required to produce the level of profit set by HQ management within the constraints imposed on them and normally such companies institutionalise 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 Thompson makes about this kind of organisation seems to be that some method is found of planning and controlling the growth of the business in order to utilise effectively the evolving skills and growing reputation of the firm, while avoiding an uncontrolled dissipation of energy.

The second concept Thompson describes is the financial trust type of organisation, in which the primary concern of central management is the investment of shareholders' capital in various businesses. These investments are usually in minority interests and 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 probably requires different knowledge and skills, and addresses

itself to kinds of problems that are different from those in a federalised company.

Another concept of business described by Thompson is that of the holding company, where controlling interests are held in a variety of businesses, no single one of which may relate to the markets, products, or processes of the others. In such enterprises, very often management is skilled in dealing with the financial problems of the business but less competent in dealing with the more specialised plans of affiliated businesses. Thus HQ management make less contribution to the profit-producing end of the enterprise.

Finally, and less relevant to this study, Thompson describes the individual organisation which does not have a relationship to a central headquarters.

With the exception of the last one, Thompson's classifications appear to be somewhat arbitrary, and not particularly clear-cut in the sense that not many organisations will fit into any one of them neatly. It is more likely that most companies will exhibit characteristics of more than one of the Thompson categories. However, Thompson's study does raise the interesting question of whether the mere imposition of profit objectives on subsidiaries without any boundary or system control other than of a purely financial/budgeting kind is more or less effective than the more institutionalised methods which act within some concept of the business boundary.

The wider issue of whether the best concept of management is to delegate only profit targets to subordinates rather than to qualify them with some kind of institutionalised "guidance" on the manner in which these profits should be made is not too difficult a question. It seems to be universally accepted that at some stage in the business process it is necessary to identify market needs and to develop products or services to satisfy these needs. This has been described as the marketing concept. Clearly, if this concept is valid, it follows that at some stage in the management process, someone has to stop delegating only profit targets and consider how best to use and develop company assets in order to meet market needs that will eventually lead to sales and profits. Otherwise, a company would consist of a collection of individuals whose only connection with the company would be financial.

Since this is impracticable in anything other than unusual circumstances, it follows that at some level in an organisation, management has to become involved in the planning process. The question then becomes one of whether at HQ level it is better to set some boundaries to the business or merely to allow subsidiary companies to go their own way, providing they produce the required level of profit.

There can be no "right" answer to this question in the sense that it is possible to find examples of both financial success and financial failure among companies managing their business according to either one or other of these concepts. In such cases it is tempting to suggest that other management considerations played an important part in the success or failure.

On the other hand, if one believes that the marketing concept is in the long run essential to business success, it would seem that the federalised approach to HQ management is inherently less risky than the purely financial approach, since an institutionalised knowledge of the markets in which the group operates ought to provide warning signals well in advance of any weaknesses resulting from changing markets.

Under the purely financial system, presumably more unexpected, unpleasant financial surprises are potentially possible. For example, if a subsidiary company or division turns in poor profits because it is out of tune with its markets, although it is possible to apply the sanction of changing the management, even new management would not be able to rectify the situation quickly. In the meantime, the damage to group profits would have been done. In other words, operating inefficiency would seem to be more possible under the purely financial system than under the federalised system, all other things being equal.

However, even assuming this to be correct, in the federalised type of operation, the question of strategic planning remains unsolved. Logic would seem to dictate that there has to be two levels of strategic planning in the worldwide company. Firstly, overall company marketing strategy will be set by headquarters staff, setting out the company's position in terms of markets, products, pricing and the general creative approach. These may vary from region to region. At the second level, and within the overall constraints imposed by headquarters staff, local staff will require to devise operational strategies, which will include more detailed statements about the product to be offered, pricing and margins, the creative approach, type of media, type of displays, the distribution channels to be used and the relative importance of each, sales policy, sales training, warehousing, transportation, inventories and so on.

Formulating marketing strategy is the most critical and difficult part of the entire marketing process. Whilst it does not appear to be sensible to allow each subsidiary to develop its own possibly conflicting, (hence potentially damaging), strategies, it equally does not appear to be sensible to expect headquarters staff to develop detailed strategies for every one of a company's many unique markets. Consequently logic dictates that a worldwide, or at the very least, a regional strategy should be developed by headquarters staff, and that within this framework, locally developed strategies should be submitted back to headquarters for approval. Thus, the

coordinating role of headquarters should result in the synergy which is so clearly desirable and essential in a worldwide organisation.

Yet this represents the ideal situation in a truly multinational organisation. Perlmutter, V.H. (207), writes of the linear evolution through which the theoretical "average" company moves from the most primitive state in which occasional orders are channelled through export agents, to the most advanced form of transnational marketing requiring the optimum allocation of worldwide resources. The really vital factor in successful export trading, irrespective of the stage reached by any individual company, is its degree of marketing orientation.

An interesting field of study, known as EPRG studies (Ethnocentric, Polycentric, Regiocentric, Geocentric), opened up during the seventies. There will be a brief review of these studies to see to what extent they throw light on this difficult question of the headquarters role in marketing planning.

10.7.4. The EPRG Profile

In the initial discussion on international marketing, it was concluded that the two major tasks for marketing management in the field of international marketing are to design many different programmes for many different national markets and to coordinate and integrate them into an effective and cohesive company-wide activity, resulting in some form of synergy for the firm.

One way of describing the various stages through which a company passes before finding an adequate framework for solving international marketing problems is known as the EPRG profile. (Ethnocentric, Polycentric, Regiocentric, Geocentric). Many writers have attempted to draw a firm's profile in EPRG dimensions, for clearly the way in which a company thinks and organises itself for international marketing vitally effects the way in which it carries out its marketing planning.

As already stated, planning for international markets is complicated by problems of distance, language, management and by many other factors not common to domestic marketing. One of the accepted objectives of international planning is to realise synergistic benefits by means of intra-country coordination, but the problem is that a national manager naturally thinks in terms of optimising the profits of his own operation and develops detailed plans in accordance with this objective. If he were to attempt to mould his plans so that they fitted into a wider international framework on an

intra-country basis, he may have to compromise his own short term profits. The international marketer has to find a way of reaching a delicate balance between the flexibility which allows the lower level operating units to adjust rapidly and efficiently to changes in their environment, and centralised control which can mobilise its total organised strengths, and ensure that all lower level decisions are consonant with the overall goals of the company, specifically profit performance and growth.

The major objective of studies of the EPRG framework has been to describe an organisational form which can operate so that the power and efficiency of a company's resources and specialisations are available to, and have an impact on, the effectiveness of every operational unit, whilst allowing local staff to adapt and react to changes in the local setting. In examining this subject, the objective will be to assess the usefulness and practicality of such methods of categorisation.

Wind, Y. et al (279), describes ethnocentrism as home country orientation. Overseas operations are viewed as secondary to domestic operations and primarily as a means of disposing of surplus production. Marketing decisions for export markets are made by domestic marketing personnel, are managed most commonly by an export department, and there is usually little research or major product or policy modification. Also there is usually considerable reliance on export agents.

This theme is expounded by Perlmutter, V.H. (op cit) who describes ethnocentrism as an attitude of management reflecting a strong belief in home country superiority in all matters relating to business operations overseas.

Wind, Y. (op cit), describes polycentrism as host country orientation. Overseas subsidiaries operate independently of the others, each establishing its own marketing objectives and plans. Separate product lines are developed for each country, and local nationals manage the operation according to local needs and traditions. Perlmutter, V.H. (op cit), describes polycentrism as an attitude of management which assumes that the task of understanding different people, needs, laws, distribution methods, and so on, is best left to foreigners. As long as they earn a profit, the owning company prefers to stay in the background. Perlmutter describes the polycentric firm as a loosely connected group with quasi-independent subsidiaries as centres.

Wind describes regiocentrism as a regional orientation, and geocentrism as world orientation. The regiocentric and geocentric company views a region or the world as a potential market, ignoring national boundaries. The company develops policies

and organises its activities on a regional or a worldwide basis. Under geocentrism, a subsidiary is neither a satellite nor an independent nation-state, but a part of a whole whose focus is on worldwide objectives, with each part making its unique contribution according to its competence. Thus, geocentrism involves a collaborative effort between subsidiaries and headquarters to establish universal standards and permissible local variations, and to make key decisions on new products and plants. The geocentric firm identifies with local company needs, and the local company identifies with parent company needs.

In theoretical terms, the ethnocentric approach is commonly seen as giving way to a polycentric approach as the company recognises the importance of inherent differences in overseas markets. As the company progresses to the stage at which local personnel are allowed to use local techniques to deal with local market conditions, so problems begin to be caused in the area of coordination and control.

Thus, the company progresses to regiocentrism, and eventually to geocentrism. As in an engine, every part contributes uniquely yet combines effectively with all the other parts to the achievement of one overall purpose. It is this kind of organisational form that could be described as synergistic.

Wind describes two studies which explored the usefulness of the EPRG framework as a guideline for international marketing planning. The studies were with forty key executives of large U.S. companies selling repeat household items, and revealed a largely polycentric approach with most of the marketing mix variables. The ethnocentric approach was seen as being appropriate to small volume exports and, as enjoying the major advantage of entailing minimal risk and commitment to overseas markets. It was recognised, however, as also leading to lost opportunities, and as representing a lack of marketing orientation. Most respondents considered the polycentric approach as most desirable, since it was considered necessary to adapt to differing market conditions, and it was felt that the best way of doing this was through autonomous marketing organisations in each country developing and administering its own marketing strategies. However, they confessed that this approach led to difficulties such as duplication in the development of advertising programmes and competition between two nationals for a third country. Respondents also thought that these same fundamental differences between markets would make centrally developed strategies impracticable.

Finally, whilst they agreed that geocentrism represented the ideal method of reconciling these difficulties, it was nevertheless felt that national differences may severely hinder any practical implementation. In other words, geocentrism was considered to be infeasible.

The conclusions reached from this study can be summarised as follows:-

1. Ethnocentrism is generally associated with companies comparatively new to exporting and is seen as representing minimum risk and a low degree of marketing orientation.
2. Polycentrism is generally associated with a high degree of marketing orientation in that individual market needs are thoroughly investigated and catered for.
3. Regiocentrism and geocentrism are associated with emphasis on production and distribution savings and hence with a lower degree of marketing orientation than polycentrism.

The principal weakness in the EPRG framework is that, whilst being a useful way of categorising firms according to their general approach to overseas marketing, it does not appear to be a meaningful guide to developing market strategies.

Whilst the coordination of international strategies at regional and corporate levels through a regiocentric and geocentric approach is recognised as the ideal approach to international marketing, there is also recognition of the practical difficulties of implementation of the concept. Neither Perlmutter's nor Wind's work throws any light on how the EPRG framework can be used in an actionable way in developing effective international marketing plans, and it is therefore necessary to explore other methods of evolving a set of principles for this purpose.

In examining the process by which a company evolves from being entirely domestic market orientated to being international market orientated, it may be possible to draw out a more clearly-delineated framework than the EPRG profile is able to offer. This was attempted by Perlmutter (op cit).

Firstly, it is generally accepted that no industry ordinarily will produce largely for export so long as the domestic market readily absorbs its increasing output. This, then, is the most extreme form of lack of international marketing orientation.

The first stage of international trading usually begins with casual or accidental exporting. Often the confusing details are passed to an outside agency after an overseas enquiry has led to a whole series of policy decisions about the price, the product range, distribution, after sales service, and so on. This is essentially a passive stage of development, in that organisational problems are virtually non-existent and there is no involvement in or control over, foreign operations. So long as foreign business accounts for a relatively small

amount of total business, and so long as the domestic market can be seen as continuing to absorb output and to provide all the growth necessary to achieve corporate profit objectives, such an organisational "form" is perfectly satisfactory. In other words, international marketing orientation is irrelevant in this context.

The next stage develops as the company becomes more successful in overseas markets as a result of satisfying occasional enquiries. But this second stage will only take place if profit prospects exceed those available in the home market. The company now takes a more active role as an initiator of overseas business and makes a limited commitment to this task, and as exports grow, the outside agents become less desirable because they are not easily controlled and the volume of business now justifies the creation of a specialist department within the company to deal with tasks that are essentially technical, such as documentation, shipping, credits, and so on. An export manager may be appointed at this stage, although the products and pricing policy are likely to be essentially the same as those in the home market.

At this stage, there is a fixed level of production capacity devoted specifically to export trade. Foreign licensing, the international movement of technical knowledge, foreign distributorships, ~~subsidiaries and/or joint ventures~~ involving both marketing and production, are developments which represent a limited fixed investment as a result of the greater recognition of the importance of overseas trading. This growing trade and the level of involvement brings increasing complexity, risk and resource commitment, and the foreign department becomes involved in uncertainty about the nature of authority and responsibility, whilst line responsibility for aggressive exploitation of foreign opportunities may not be clearly identified. This often leads to the formation of a major international division. This greater commitment leads to product range and marketing policy reviews as export trade becomes a significant part of overall trade.

Growth in export trade eventually develops into a major dependence on overseas business, with substantial investment in resources. The product range and marketing policies become specialised to meet the needs of local quasi-independent companies with the whole operation being controlled by line managers with special skills on a par with those in domestic divisions.

It is often at this stage that a method of operation and mentality develops which diverges from that of the domestic operation, and a kind of dual personality emerges. The company now begins to recognise the disadvantage of decentralisation and the advantage of developing a global viewpoint at headquarters level. At this point the organisation starts to assume a form in which the world

is treated as the market place, and terms such as "we" (domestic), and "they" (foreign), disappear. Decisions are made in terms of the alternatives available throughout the world, and international responsibilities are re-integrated into the functional, product or regional organisation. Significantly, the home market may even become one of several regions.

The above abbreviated summary of the different stages of development through which a company passes appears merely to describe the organisational manifestation of the EPRG profile, and as such does not add much to the process of attempting to evolve a realistic framework for international marketing planning. These several organisational forms described above represent the evolution through which a hypothetical "typical" firm may move from occasional exporting to the more advanced forms of multinational marketing, where domestic bias is eliminated in favour of a geocentric orientation.

An ethnocentric approach to marketing would seem to be satisfactory as long as a skimming policy in occasional exports is all that is desired. A polycentric approach is also satisfactory, as long as such a decentralised approach does not result in decisions which are sufficiently interactive to cause problems in terms of coordination, control and global suboptimisation. Such problems, however, appear likely to develop as the importance of export sales grows, at which point the international company, in order to be successful, has to develop a geocentric approach with headquarters and local management combining their resources in the marketing planning process.

The literature on this subject, and the several studies referred to above, would seem to indicate that ideally, strategic and tactical decisions should be made at the lowest possible level where such decisions can be made without duplication of effort. If a strategic or tactical decision is likely to affect trading in another market, then it should probably be made at regional or headquarters level. Any decisions applying only to one national market should probably be made by national management.

10.7.5. Individual versus Standardised Marketing Strategies

It is possible, of course, that a company may be engaged in several different types of export trading at the same time. For example, a company may have a subsidiary in one country, a sales force in another, a licensee in another, and an export agent in yet another, so that headquarters organisation may include several variations of centralisation and decentralisation. The same company's approach is unlikely to be susceptible to categorisation according to the EPRG profile. Parts of the export operation may well be run on the basis of only minimal headquarters influence, whilst others may

well comply with the regiocentric or geocentric concept by virtue of the scale of operations and their importance to total company sales. Obviously, in a foreign trading operation not controlled by the international company, the degree to which headquarters can impose its marketing policies is likely to be extremely limited.

Enough has been written to show that international marketing is not a simple extension of domestic policies. Users are not homogeneous, industrial requirements differ, social structures differ, channels differ, and so on. The world consists of a number of highly diversified markets, each of which must be treated differently, and for each of which a specific individualised marketing mix must be developed. The circumstances have already been described in which overall strategies are developed either on a regional or on a global basis, and it has been suggested that the tactical arrangements of the elements of the marketing mix for each market is best left to those who are in closest touch with each of these markets. The objective of the international company must be to respond to expected opportunities and threats, using economies of scale in every business discipline, including marketing, wherever this is possible without weakening the company's market position. Such economies of scale tend to manifest themselves in international companies on the basis of regional or geographical groupings.

Liander, B. et al (1959), shows that such regional or geographical groupings may be outdated, since differences in markets have little to do with geography, and more to do with the social and political environment, level of economic development, purchasing habits, and so on. They suggest that similar levels of socio-economic development should be used to enable international marketing executives at headquarters to coordinate their planning, control and evaluation of foreign operations on the basis of groupings.

It is clear that standardisation in the discipline of marketing is far from being a clear-cut issue. At one extreme it would be impossible successfully to offer identical products through identical channels at identical prices, supported by identical promotional programmes, whilst at the other extreme, it would be impracticable to offer completely localised offerings containing no common elements whatever.

This section has shown that most international companies tend towards the localised end of the spectrum, and that more common elements of the marketing strategy are developed as foreign operations grow in importance, where opportunities for cost reduction and the wider application of good and well tried marketing ideas become more significant.

Buzzell, R.D. (49), includes a matrix setting out the obstacles to standardisation in international marketing strategies, and goes on to provide many examples, mainly from the consumer goods field, showing successful examples of standardisation of product, packaging and promotional policies on an international basis. Buzzell concludes that the rewards are great for those companies who can find the right balance between individualised marketing plans and standardised plans. Such rewards are likely to accrue to those companies who are aware of the variations from one market to another and cater for these differences in their marketing plans, at the same time recognising the cost savings which accrue from standardisation wherever this is possible. Such companies are more likely to be those who export their marketing expertise rather than their domestic products and policies.

Buzzell's matrix is set out on the following page. (Figure I9).

Exhibit 1. Obstacles to standardization in international marketing strategies

		Elements of marketing program			
Factors limiting standardization	Product design	Pricing	Distribution	Sales force	Advertising & promotional branding & packaging
Market characteristics Physical environment	Climate		Customer mobility	Dispersion of customers	Access to media
	Product use conditions		Consumer shopping patterns	Wage levels, availability of manpower	Climate
	Income levels Labor costs in relation to capital costs	Income levels		Attitudes toward selling	Needs for convenience rather than economy Purchase quantities
Cultural factors	"Custom and tradition" Attitudes toward foreign goods	Attitudes toward bargaining	Consumer shopping patterns		Language, literacy Symbolism
	Extent of product differentiation	Elasticity of demand	Availability of outlets Desirability of private brands	Need for missionary sales effort	Awareness, experience with products
	Quality levels	Local costs Prices of substitutes	Competitors' control of outlets	Competitors' sales forces	Competitive expenditures on messages
Marketing institutions Distributive system	Availability of outlets	Prevailing margins	Number and variety of outlets available	Number, size, dispersion of outlets	Extent of self-service
			Ability to "force" distribution	Effectiveness of advertising, need for substitutes	Media availability, costs, overlaps
Legal restrictions	Product standards	Tariffs & taxes	Restrictions on product lines	General employment restrictions	Specific restrictions on messages, costs
	Patent laws Tariffs & taxes	Antitrust laws Resale price maintenance	Resale price maintenance	Specific restrictions on selling	Trademark laws

II.0. CONCLUSIONS AND HYPOTHESES EMERGING FROM THE LITERATURE
REVIEW ABOUT THE PROCESS OF MARKETING PLANNING; SOME
FURTHER INSIGHTS

It is reasonable to conclude that it is not sufficient in a thesis of this kind merely to establish whether a company follows the planning process outlined in the previous sections. For example, it would be pointless to establish merely that a company has written marketing objectives, since the nature of these marketing objectives will be a key determinant of how it copes with the many sets of different circumstances which are likely to obtain for its several products.

In respect of marketing objectives, all of these different circumstances need to be considered from three points of view:

- (i) the need to set objectives for each product or product group individually, which reflect its position in the product life cycle;
- (ii) the need to pursue strategies in respect of the marketing mix which are also appropriate to the life cycle stage;
- (iii) the need to ensure that overall the company's criteria for volume and profitability are met, which will inevitably entail a difficult choice from a whole range of possible product/market objectives.

These options are summarised in figure 20.

Whilst it is not the purpose of this thesis to investigate the degree to which such concepts are understood and implemented by industrial goods companies in international markets, it will nevertheless be clear that there will have to be some attempt to understand the nature of a company's marketing objectives and how they were arrived at, in order to assess the relevance and effectiveness of the marketing planning process.

In respect of this, there is an interesting hypothesis which emerges from the review in Appendix 3 of product life cycles and portfolio management, which could have an important bearing on the data emerging from the empirical stage of the research.

This hypothesis has a distinct bearing on the writer's view that it would be dangerous and misleading to attempt to reduce the measurement of effectiveness of companies in this kind of research to the common denominator of profit.

Figure 21 is the writer's attempt to combine the two concepts of product life cycle and portfolio management. It describes two hypothetical companies entering a growing market at year

PRODUCT/MARKET STRATEGIES

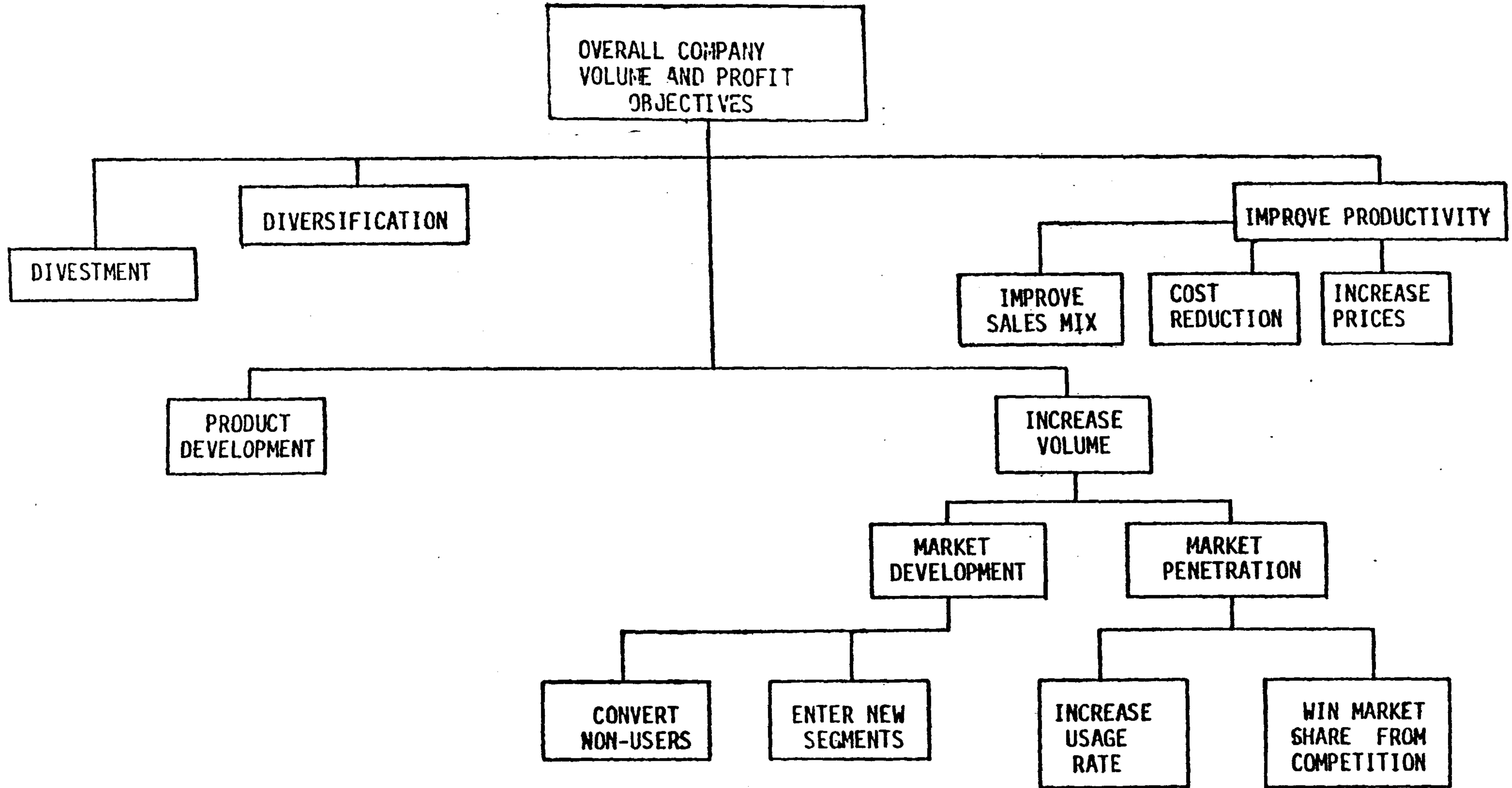
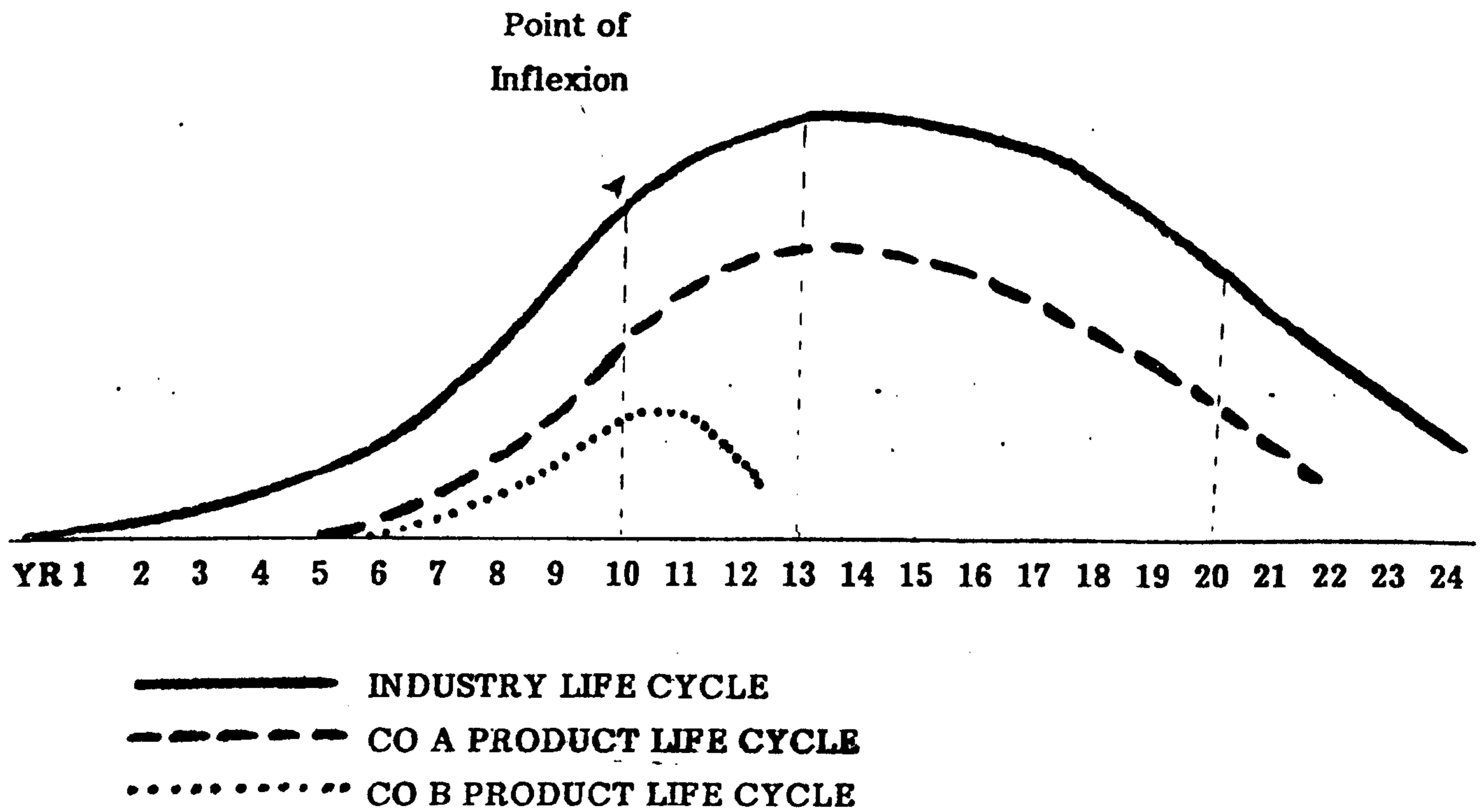


Figure 21

SHORT TERM PROFIT MAXIMISATION VERSUS MARKET SHARE
AND LONG TERM PROFIT MAXIMISATION



COMPANIES A AND B BOTH START OUT WITH WILDCATS IN YEARS 5 AND 6 IN A GROWING MARKET.

COMPANY A INVESTS IN BUILDING MARKET SHARE AND QUICKLY TURNS THE PRODUCT INTO A STAR. COMPANY B, MEANWHILE, MANAGES ITS PRODUCT FOR PROFIT OVER A FOUR YEAR PERIOD SO THAT, WHILST STILL GROWING, IT STEADILY LOSES MARKET SHARE (i.e. IT REMAINS A WILDCAT).

IN YEAR 10, WHEN THE MARKET BECOMES SATURATED, (WHEN TYPICALLY COMPETITIVE PRESSURES INTENSIFY) COMPANY B, WITH ITS LOW MARKET SHARE (HENCE, TYPICALLY, HIGHER COSTS AND LOWER MARGINS) CANNOT COMPETE AND QUICKLY DROPS OUT OF THE MARKET. COMPANY A, ON THE OTHER HAND, AGGRESSIVELY DEFENDS ITS MARKET SHARE AND GOES ON TO ENJOY A PERIOD OF APPROXIMATELY TEN YEARS WITH A PRODUCT WHICH HAS BECOME A CASH COW.

THUS, COMPANY B, BY PURSUING A POLICY OF SHORT TERM PROFIT MAXIMISATION, LOST AT LEAST TEN YEARS PROFIT POTENTIAL.

five of the segment life cycle. It can be seen from this that company B might be considered to be "successful" (if measured in terms of sales growth and profitability) at any point between years five and ten. Company A, on the other hand, if also measured in terms of profitability over the same period, might be considered to be less successful than company B, largely because it was investing to build market share over the same five year period. It is only after year ten that company B's sales begin to decline, resulting in their rapid demise in that particular market segment. Meanwhile, company A goes on to enjoy approximately ten years with a product that has developed into a cash cow.

Although this is only a hypothetical case, it does nevertheless provide some interesting insights which might go at least some small way towards explaining why so much of British industry has declined in real terms when measured against the other great trading nations of the world.

Firstly, it was established from the literature that few companies have formalised marketing planning systems, in spite of a universal belief by academics in its efficacy.

Next, it was hypothesised that if competitive and environmental conditions are only mildly hostile and unstable, formalised marketing planning is unnecessary.

Then it was hypothesised that, in comparable environmental and competitive conditions, companies with complete marketing planning systems will be more "successful" than those without, using a qualitative assessment or indicator of how they cope with their environments.

Taking these two hypotheses together, and considering them in the context of the implications of figure 2I, it seems reasonable to develop yet another hypothesis. This is, **THAT COMPANIES WITHOUT COMPLETE MARKETING PLANNING SYSTEMS WILL EXHIBIT A GREATER PROPENSITY TO SUFFER MORE SERIOUS COMMERCIAL AND ORGANISATIONAL CONSEQUENCES WHEN ENVIRONMENTAL AND COMPETITIVE CONDITIONS BECOME HOSTILE AND UNSTABLE, THAN COMPANIES WITH COMPLETE MARKETING PLANNING SYSTEMS.**

If this is the case, there should be some evidence that, once competitive and environmental conditions become hostile and unstable, companies turn to marketing planning to ameliorate the problems which they suffer as a consequence of these different trading conditions.

There is a growing body of evidence that points up the increasing difficulties which managers are having, firstly, of identifying suitable market opportunities and, secondly, of planning the key activities that have to take place in order to capitalise on them.

There is also a growing body of evidence to indicate that planning, which lies at the heart of a company's revenue-earning activities, and the techniques and procedures for identifying market opportunities, and planning in respect of them, are among the key activities that have become a major area of interest to marketing management during the last five years.

The two major areas of concern, which can be grouped together under the heading of 'marketing planning', are:

- Marketing planning for industrial products in international markets;
- Marketing information systems.

It will be immediately apparent that these two areas are inter-dependent, with marketing planning itself being the "gestalt" of all marketing effort and the means by which integration is achieved between all the elements of the marketing mix.

The 1979 series of papers in the Financial Times, entitled "Planning in an Age of Uncertainty", provided an impressive list of practical examples of the growing preoccupation of both small and large companies with the need for improved marketing planning and the attendant problems. Taylor, B. (245), wrote:

"Recent work with companies in tough times indicates that marketing planning is emerging as the key area for management attention."

It would appear, then, that there may be an element of truth in this last hypothesis, which will be carried forward to the empirical stage of the research.

Finally, it seems reasonable to develop one last hypothesis from this literature review. When one considers the literature on the headquarters role in marketing planning, it may be possible to combine the two different concepts described by Thompson and Wind.

It will be recalled that Thompson categorised companies according to whether they were organised on the basis of a federalised system, a financial trust system, or a holding company system, (section 10.7.3.).

The former consists of a central office and various decentralised divisions, each with its own unique products, processes and markets which complement the others in the group. Planning within the divisions applies to the exploration of markets within the boundaries laid down by HQ, according to 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 other major system described was that of the holding company, in which controlling interests are held in a variety of businesses, no single one of which may relate to the markets, products and processes of the others, and in which HQ are concerned only with financial control.

Thompson concluded that a federalised system is inherently less risky than that of a holding company.

Wind hypothesised that a company trading internationally passes through a number of evolutionary stages en route to becoming a multinational, these stages being ethnocentrism, polycentrism, regiocentrism and geocentrism (section 10.7.4.)

Wind concluded that, under regiocentrism and geocentrism, a subsidiary is neither a satellite nor an independent nation-state, but a part of a whole whose focus is on worldwide objectives. This involves a collaborative effort between HQ and subsidiaries to establish universal standards and permissible local variations, which leads to the most effective use of total corporate resources.

In contrast, ethnocentrism leads to lost opportunities in overseas markets, whilst polycentrism results in a dissipation of effort and much duplication within a loosely-connected group with quasi-independent subsidiaries.

Combining these two concepts, it is reasonable to assume that companies organised according to the federalised system will have a regio/geocentric approach to international marketing, whilst companies organised according to other systems will have either an ethnocentric or polycentric approach, according to the degree to which they are involved in international marketing.

It also seems reasonable to develop a further hypothesis to carry forward to the empirical stage of the research. This is, **THAT COMPANIES ORGANISED ACCORDING TO THE FEDERALISED SYSTEM WILL HAVE A COMPLETE MARKETING PLANNING SYSTEM AND THEREFORE A REGIO/GEOCENTRIC APPROACH TO INTERNATIONAL MARKETING. THE COROLLARY IS THAT COMPANIES ORGANISED ACCORDING TO OTHER SYSTEMS WILL NOT HAVE COMPLETE MARKETING PLANNING SYSTEMS, AND THEREFORE AN ETHNOCENTRIC OR POLYCENTRIC APPROACH TO INTERNATIONAL MARKETING. THE FORMER WILL BE MORE "SUCCESSFUL" THAN THE LATTER, "SUCCESS" BEING A QUALITATIVE ASSESSMENT OR INDICATOR OF HOW AN ORGANISATION COPES WITH ITS ENVIRONMENT.**

The following is a summary of the five hypotheses developed from the literature review:

- I. IF COMPETITIVE AND ENVIRONMENTAL CONDITIONS ARE ONLY MILDLY HOSTILE AND UNSTABLE, FORMALISED MARKETING PLANNING IS UNNECESSARY.

2. HOWEVER, COMPANIES WITH COMPLETE MARKETING PLANNING SYSTEMS WILL BE MORE "SUCCESSFUL" THAN THOSE WITHOUT, IN COMPARABLE ENVIRONMENTAL AND COMPETITIVE CIRCUMSTANCES. "SUCCESS" IS CONSIDERED TO BE A QUALITATIVE ASSESSMENT OR INDICATOR OF HOW AN ORGANISATION COPE WITH ITS ENVIRONMENT.
3. COMPANIES ORGANISED ACCORDING TO A "FEDERALISED SYSTEM" WILL HAVE A COMPLETE MARKETING PLANNING SYSTEM, AND THEREFORE A REGIO/GEOCENTRIC APPROACH TO INTERNATIONAL MARKETING. COMPANIES ORGANISED ACCORDING TO ANY OTHER SYSTEM WILL NOT HAVE COMPLETE MARKETING PLANNING SYSTEMS, AND THEREFORE AN ETHNOCENTRIC OR POLYCENTRIC APPROACH TO INTERNATIONAL MARKETING. THE FORMER WILL BE MORE "SUCCESSFUL" THAN THE LATTER. "SUCCESS" IS CONSIDERED TO BE A QUALITATIVE ASSESSMENT OR INDICATOR OF HOW AN ORGANISATION COPE WITH ITS ENVIRONMENT.
4. COMPANIES WITHOUT COMPLETE MARKETING PLANNING SYSTEMS WILL EXHIBIT A GREATER PROPENSITY TO SUFFER MORE SERIOUS COMMERCIAL AND ORGANISATIONAL CONSEQUENCES WHEN ENVIRONMENTAL AND COMPETITIVE CONDITIONS BECOME HOSTILE AND UNSTABLE, THAN COMPANIES WITH COMPLETE MARKETING PLANNING SYSTEMS.
5. THE INTRODUCTION OF FORMALISED MARKETING PLANNING HAS PROFOUND ORGANISATIONAL AND PSYCHOLOGICAL RAMIFICATIONS FOR A COMPANY, REQUIRING, AS IT DOES, A CHANGE IN THE WAY IT MANAGES ITS BUSINESS. UNLESS A COMPANY RECOGNISES THESE RAMIFICATIONS, AND PLANS TO SEEK WAYS OF COPING WITH THE PROBLEMS INHERENT THEREIN, FORMALISED MARKETING PLANNING WILL BE INEFFECTIVE, DUE TO RESISTANCE FROM WITHIN THE ORGANISATION.

P A R T 2

THE PRACTICE OF MARKETING PLANNING FOR
INDUSTRIAL GOODS IN INTERNATIONAL MARKETS
THE RESEARCH FINDINGS

12.0. INTRODUCTION

There is a conceptual approach to marketing planning that this thesis has identified and defined. It has described a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them

Conceptually, the process described in this thesis is very simple and comprises the following steps.

- gathering information on both the external environment and the company internally (the marketing audit);
- identifying major strengths, weaknesses, opportunities and threats (SWOT analysis);
- formulating basic assumptions;
- deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis, and the assumptions made;
- laying down strategies for achieving the objectives;
- formulating programmes for implementing the strategies, to include timing, responsibilities and costs;
- measuring progress towards achievement of the objectives, reviewing and amending the plan as necessary.

It would obviously be absurd to claim that such a process is unique to marketing planning, since in one form or another, this is the same kind of logical sequence that is gone through in most fields of human endeavour. Also, it would be difficult to deny that such a process is universally applied in the field of business enterprise.

For example, even small, informally managed companies will have information about external events and internal developments as a background to their decision-making process. They will also possess at least some ideas about what they can do well and what they do badly compared with their competitors, and they will also have some ideas about where the opportunities lie and what factors are threatening their future. In the same way, however intuitive the process, all managers make certain assumptions about the future and have some conception of what they want to achieve, together with some ideas, however hazy, about how to achieve these goals. All of this provides the basis on which they make decisions about the detailed actions that have to be taken in the day-to-day management of the business. Finally, they will inevitably receive some information and data resulting from their decisions, even if they are in the form of little more than sterling sales, and this will give them some idea of whether they are achieving what they intended.

The actual process, then, is universal, and it is not surprising to find that the same process applies in the field of marketing management. Formalised marketing planning by means of a planning system is, per se, little more than a structured approach to the process described above. It is a systematic way of identifying a range of options, for the company, of making them explicit in writing, of formulating marketing objectives which are consistent with the company's overall objectives and of scheduling and costing out the specific activities most likely to bring about the achievement of the objectives. It is the systematisation of this process which is at the heart of the theory of marketing planning.

This systematisation or programming aspect, is considered to be important because companies operate in a complex business environment, in which managers have to make decisions on the basis of some understanding about how all the external and internal factors with which they have to deal interact to affect their commercial performance. Whilst intuition and experience will always be important determinants of the way they formulate their ideas about markets, products and resources, what lies at the centre of marketing planning theory is the belief that the structured approach described in this thesis will sharpen the rationality of managers, help them to make more informed, hence better decisions, and to schedule their actions so as to reduce the magnitude of problems and add a greater dimension of realism to their goals.

Thus, the function of a formalised marketing planning system is to help a company to improve its performance.

A number of questions begin to arise, however, as a result of this theory, principal amongst which is that improved performance or "success", is impossible to correlate causally with marketing planning, for the reasons spelt out at length in section 3.0. of Part I of this thesis.

There is also the possibility that very little of significance would be proved by measuring the "extent" (defined in section 5.3. of Part I) to which companies have institutionalised procedures for the marketing planning process without a thorough investigation of the quality of the output of each of the several steps involved.

Additionally, there is always the possibility that a company with a complete but poorly implemented marketing planning system could fail to enjoy the claimed benefits of such a system. Likewise, there is also the possibility, particularly in a small, undiversified company, that a less formalised, more intuitive, approach to the marketing planning process could bring the claimed benefits of a more formalised approach.

The whole theory of marketing planning is also complicated by the varying size, complexity, character and diversity of the operations of British Industrial goods companies.

In other words, in spite of the evidence provided that there is some relationship between "success" and formalised marketing planning, the complex and multi-faceted organisational implications of such an approach should lead us to question fundamentally the universality and inherent "cosiness" of the theory.

It is for these and other reasons explained in Part I of this thesis, that the boundaries of investigation were wide-ranging and more qualitative than quantitative in nature.

The purpose of this section is to report on the findings of the 385 in-depth interviews that took place over a four year period.

A propos the field interviews, it would clearly be impracticable to report all the findings, and in any case the writer considers this to be unnecessary, as it became clear during the research programme that there was a frequently recurring number of commonalities about the several issues under discussion.

The approach taken, therefore, is to report only a sample of the interviews in detail, where it is felt that these are representative of most of the other discussions in this section.

Culling together the many strands of the research for the purpose of presentation of data, proved to be the most difficult phase of the research, since it was largely phenomenological, dynamic and multi-faceted, and consequently required an illuminative approach to evaluation.

For example, selection of case histories to present as representative of the total data collected proved to be a problem. It would be absurd to claim that any sample in research of this kind is either random or representative of British industry. The starting point was the nine cell matrix from which the original sample was chosen, which was broadly representative of the complete range of types of individual goods companies.

The final sample frame of companies that were interviewed was as follows:

Company size	Total	Category I (operating supplies, multipurpose equipment)	Category 2 (component parts, process materials, raw materials)	Category 3 (major or single purpose equipment)
Large	n = 64	28	26	10
Medium	n = 78	35	31	12
Small	n = 57	25	23	9

More detail was obtained from some than from others, but in all cases sufficient information was obtained concerning the main thrust of the investigation.

Cases were then chosen subjectively for presentation in this thesis on the basis of whether they seemed representative of the findings in general. At least one example from each cell of the nine cell matrix was included. Nonetheless, it is recognised that unless the total data were presented, the writer could not claim the cases written up to be representative of the total sample. Therefore, the cases are treated individually as self-standing examples of the field under investigation and headings are used to enable comparisons to be made between cases.

As each case is discussed, where an insight is gained as a result of an anecdote about a particular company, an attempt is made to transform it into a relevant category or property for the purpose of assessing the extent to which it proves or disproves the hypotheses developed from the literature review in Part I. Also, further hypotheses are developed from characteristic examples of the data and are developed into theory.

Another factor determining the choice of case for presentation was the degree to which new and interesting data emerges as a result of the investigation. The early cases are presented very fully, whereas later cases include only new data or interesting slants to existing problems.

Having established a universally accepted theory of marketing planning in Part I, the first major objective of the fieldwork was to establish the extent to which the theory of marketing planning is practised. Consequently, the type of marketing planning undertaken by companies is a major heading in each of

the case histories.

The second major objective of the fieldwork was to establish the extent to which companies are or are not more or less effective organisations as a result of the particular system used. This entailed a qualitative assessment or indication of how a company coped with its environmental problems and entailed a categorisation under the headings of problems and benefits.

The third objective was to establish the extent to which a theoretical framework of this kind can have universal validity irrespective of company, product or market circumstances. Therefore, an attempt was made to categorise the circumstances of each company in respect of headings such as company size, degree of diversification, and so on, to facilitate comparisons across cases.

Under the first major heading, Type of Marketing Planning Undertaken, a number of the issues which emerged from the literature review as being important, are dealt with, where relevant, under the following headings:

- how each of the seven steps in the planning process is dealt with;
- the planning horizon;
- the role of the chief executive;
- the role of the planning department;
- bottom up/top down planning;
- coordination between HQ and operating units;
- the EPRG profile;
- individual versus standardised marketing strategies;
- organisational issues.

Although the major thrust of the research was directed specifically at marketing planning, corporate planning was also included as an area for investigation, because in the early stages of the fieldwork, it was established that marketing and corporate planning in many companies were inextricably interconnected in management systems. However, more detailed attention was paid to an examination of marketing planning practices, since this is the major thrust of the thesis.

12.1. CASE HISTORIES.

COMPANIES NOT CONFORMING TO THE THEORETICAL FRAMEWORK

12.1.1. A major, diversified, multinational, fast moving, industrial goods company (Cell I)

(a) Background information about the company

This firm is one of the world's major energy resource companies, and like many of its competitors, has diversified into many

associated areas. The company operates from a British headquarters controlling 143 subsidiaries around the world; as such, it has a major dependence on overseas sales, the British operating division merely being one of a number of worldwide divisions.

Until the mid seventies oil crisis, the company had operated basically in growth markets and had succeeded in achieving a satisfactory profit before tax, return on investment and cash flow for dividends, although the International Marketing Manager explained that, over a number of years these had rarely been as good as those of their major competitors. The company had market share leadership with very few of its products and low market share with most.

(b) Type of marketing planning undertaken

(i) How each of the seven steps in the planning process is dealt with

This company had recently been forced to reconsider its marketing planning system because of a financial disaster in one of the group's major divisions, which the International Marketing Manager attributed to the inherent faults of the planning system itself.

This system was introduced in 1967 on the basis of a simple trading/operational plan format, and eventually developed into what was described as "a once-a-year ritual", with plans arriving at HQ from around the world, together with five year forecasts of sales and profits. According to the respondent, the trouble was that because the contents were not based on a thorough and systematic analysis of market opportunities, the five year plan amounted to little more than a statistical extrapolation of past trends. The result of this was that a widening gap began to appear on the planning horizon, so that at the end of any five year planning period, the actual profit reached was well below that envisaged five years previously.

All company plans were coordinated at headquarters in quantitative and cross-functional terms, such as number of employees, units of sale, items of plant, square feet of production area, and so on, together with the financial implications of these forecasts. The trouble was that since all the numbers derived from the sales forecasts, and since as has already been explained, the sales forecasts themselves tended to be little more than statistical extrapolations, the whole corporate planning exercise developed into little more than a time-consuming numbers game. The important strategic issues relating to markets and products were ignored, although this was not felt to be important at the time because the company was making satisfactory profits.

A typical industrial marketing plan was shown as containing the following:

- volume and market share - total market and the company's share based on data obtained from a trade association;
- volume by segmentation - by product type, volumes and values, and based on past experience;
- price - highest in the market;
- advertising - to use technical magazines;
- technical developments - product improvements needed as a result of health, safety and cost savings requirements;
- objectives - volume, value, net profit for one year;
- strategy - to employ only qualified staff; careful selection of customers;
- tactics - reclassify customers. Pay representatives on salary-only basis. Sell direct, so by-passing wholesalers. Target representatives by sales volume. Train representatives;
- products - extend and rationalise range.

The weaknesses of such a typical plan were identified by the international marketing manager as being:

- (i) No information is given on the nature, make-up or size of the industrial market in that country.
- (ii) There is no evaluation of the industrial market in total, by industry type, or customer group, i.e., no segmentation analysis.
- (iii) No assessment is made of opportunities and threats to existing business. Neither is there any assessment of differential strengths and weaknesses related to business opportunities and future problems.
- (iv) There is no identification of target markets.
- (v) There is no quantification of potential by key market.
- (vi) There is no clear objective stated in terms of market penetration by industry segment - only product objectives by volume, sales, value and net profit.
- (vii) There is no clear strategy or long term view.
- (viii) The plan is for one year only.

To summarise, the plans were seen as product-orientated sales programmes and their principal data base volume returns derived from past performance and not from market potential or customer needs. They produced too much data that was difficult to evaluate, did not highlight and quantify opportunities, emphasise key issues, clearly show the company's position in the total market, nor produce definite objectives and strategies. Consequently, this kind of plan was only of limited use as a marketing tool for the unit concerned, and of little material use to headquarters for long term planning purposes. In spite of this, however, the system had appeared to serve the company well enough during its high growth years.

Thus, taking the seven step process as identified in Part I of this thesis, and using the company's own evaluation of the degree to which these steps were carried out, the following profile emerges. This is a qualitative assessment, which shows that although this company appears to be generally conforming to the theory of marketing planning, it would be absurd to conclude that there was anything but a forecasting and budgeting system.

Step	Marketing planning task	Not done at all	where done, assessment of how well done		
			poor	average	good
I	Gathering information on both the external environment and the company internally (the marketing audit)		✓		
2	Identifying major strengths, weaknesses, opportunities and threats (SWOT analysis)	✓			
3	Formulating basic assumptions	✓			
4	Deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis and the assumptions made		✓		
5	Laying down strategies for achieving the objectives		✓		
6	Formulating programmes for implementing the strategies, to include timing, responsibilities and costs			✓	
7	Measuring progress towards achievement of the objectives and amending the plan as necessary			✓	

(ii) Planning horizon

Plans consisted of one year detailed programmes and five year forecasts and budgets.

(iii) Role of the Chief Executive

The chief executive played little part in the planning process, concerning himself only with the financial or budgetary outcome of the planning process, intervening with divisional heads only when financial results deviated from plan.

(iv) Role of the planning department

The planning department comprised two parts. Firstly, there was the corporate planning department staffed by accountants and economists, whose main role was concerned with acquisitions and advising the group board on capital investments. Secondly, there was a small marketing planning department consisting of the international marketing manager and the international marketing intelligence manager, both of whom had previously spent virtually no time on marketing planning, most of their time being spent on special projects/investigations in different parts of the world.

Certainly there had to date been little evidence that any of the functions identified in Part I of this thesis were being performed.

(v) Bottom up/Top down planning

In the major industrial division investigated, planning was essentially bottom up, with regional line directors approving and/or amending forecasts and budgets at the beginning of each planning cycle.

It was interesting to observe that the usage of the major product range was universally homogeneous and that as a consequence of this the product and market knowledge of HQ staff was excellent, which may have accounted for the lack of concern over the conduct of the company's marketing planning process. In other words, the marketing knowledge of the staff appeared to be almost as good as that of subsidiary staff, with the result that everyone seemed to be reasonably at ease with the mass of figures contained in the annual round of planning.

(vi) Coordination between HQ staff and operating units

"Coordination" essentially amounted to little more than aggregating and cross-tabulating all the numbers sent in from the operating units. There appeared to be virtually no feedback of usable

information from the operating units. Apart from the special projects referred to above, units were virtually left to their own devices, with the real power fully decentralised to their chief executives, who were in turn responsible to regional directors at HQ. Technical product advice was available at HQ and was heavily utilised by operating units.

(vii) The EPRG profile/Individual versus standardised marketing strategies

This company was very polycentric in its approach to international marketing in respect of most of the elements of the marketing mix. One major exception was the existing product range itself, which, because of its universal homogeneity in usage, was standard around the world, particularly because of international specifications. What was not standard was the emphasis paid by operating units to individual products or groups of products. Also standard was international branding for the major products.

Otherwise, operating units managed the marketing aspect of their business as they wished, with no machinery for the cross-fertilisation of market information or marketing methods.

(c) Problems

As already indicated, the need for change was finally brought into sharper focus by a financial disaster in one of the group's major divisions, which the international marketing manager himself attributed largely to the inherent faults in the planning system itself. The respondent had previously been chief executive of one of the operating units and had been brought to HQ and appointed to this job specifically to sort out the marketing planning system. He was, therefore, particularly well versed in all aspects of the old system.

He described the old planning system as a "once-a-year ritual". Headquarters in the U.K. called for a detailed operating plan from subsidiary companies throughout the world, together with five year forecasts of sales and profits.

In addition to the major financial disaster referred to above, it was the energy crisis, environmental pressures, lower consumption, and results which constantly fell short of long term expectations, which combined to lead the company into the realisation that it had got its planning practices wrong. Another major deficiency in the system was that a large number of independent plans were coming into U.K. headquarters from the regions around the world without being properly used by head

office to control the business. For example, where a certain level of market penetration had been reached, a subsidiary company was embarking on new product and market development, and although this was approved by headquarters, there was no sense of purpose worldwide concerning the areas in which the company should be developing. So it was the problem of managing the company's long term future and of directing worldwide efforts to areas best suited to the company's skills and competence that forced the company to review its planning procedures.

"What we were lacking was an overall strategy from the centre. I have no doubt at all that had we taken a firmer control a number of years ago when trade was buoyant, profits would have been much higher, and as a group we would have been in a much stronger position now."

This was an interesting commentary on the difficulty referred to earlier of attempting to relate marketing planning practices to some universally acceptable criteria of commercial success. As so often happens in commercial situations, complacency with existing management standards and practices tends to be shaken only when adverse trading conditions reveal weaknesses in the system. As the respondent said:

"It is easy to be satisfied with volume increases of, say fifteen per cent, in good times, but it is only when things start to go wrong in the market and you improve your efficiency that you realise that you could have been doing a lot better all along.

The major purpose of any planning system should be to help us to find out where we are now within our present business boundaries, so that we can think more logically and economically about the directions in which we should be developing. The whole point is that it is MARKETS, and the products and skills we need to develop to satisfy them, that should determine the nature of our planning."

The mention of boundaries for the business was an interesting concept, and the respondent was asked to expound on this theme. He saw the relationship between markets and company resources as a highly complex one, with the management having the duty to decide the exact nature of the relationship.

"We can put our resources behind a number of different businesses and within those businesses there are many different personalities we could adopt, so unless we have some kind of system for defining or at least controlling these boundaries from headquarters we are in grave danger of fragmenting our resources, as indeed we are currently doing. We need a new system which allows us to decide in headquarters when it is appropriate to change our boundaries, which might be, for example, when our

analysis of the situation worldwide shows us that the rate of profit achievable from any one of our business areas is unsatisfactory or if our base isn't broad enough, so making us vulnerable on any one front. So any development under a new system can be internally consistent with our image and resources."

The respondent then went on to explain in some detail the problems which they experienced in trying to devise a marketing planning system which would overcome the weaknesses of the old system. These problems are now described in some detail because they provide some interesting new insights into the complexities of marketing planning.

When the inherent weakness of the current system was exposed by adverse trading results and the downturn in the world economy, it was the group's chief executive who insisted that a more effective planning system had to be developed. However, one of the major problems facing the international marketing manager, who had been given responsibility for developing and introducing a new system, was that the group's corporate plans were developed along the same extrapolative lines and using the same procedures as the existing marketing planning system.

However, the international marketing manager and the chief executive felt that it would be far more sensible to tackle the marketing planning system first, since this was seen as being the key to the company's future. Explained the respondent:

"We proceeded by trial and error and we called a number of meetings between key personnel. We also looked at books on planning, but found nothing that could help us."

A marketing planning manual was, however, produced and this contained a complete and detailed set of procedures and was sent to all operating units around the world. However, this did not result in improved marketing plans or help significantly to overcome the problems referred to by the international marketing manager above. This was in spite of a separate document explaining the reason for the new system.

An extract from this brief and professionally presented document, entitled, "International Marketing Planning for the Future" reads:

"One might well ask that, as we are successful, why is there any need to change our existing marketing planning system. After all, each year we produce a wealth of marketing data as part of our documentation. In fact, in 1977, marketing units produced no less than 42 marketing plans which occupied a shelf two metres long!

However, although the plans were useful for revising past performance and evaluating short term objectives and tactics, the plans did little to show what marketing opportunities might be open to us in the medium and long term. In essence, the plans were little more than sales plans setting out how we were going to sell our existing product range to our existing markets.

The fault lies not with the way the plans are prepared, but with the planning system itself Our present planning methods inhibit us from planning internationally, strategically, and from a market base. The new system will help us to do just that."

There follows a brief summary of what the new planning system entailed, and it will be seen that it follows closely the theoretical framework described in Part I.

The marketing planning cycle of the company began in January in preparation for the financial year which ran from January to December, and began with the issue of overall marketing strategies, common to all group companies, as the starting point in the planning cycle. This appeared to be possible in the case of this company because the company was marketing one type of product only in a limited number of industrial sectors and there was a fairly common market and trading pattern in most of the countries in which the company traded, the applications of the product range being universal.

Thus, overall strategies were written down for each major industrial application, the strategies including statements about target markets, market share, market distribution, product range, branding, pricing and promotion. For example, specific definitions of target markets were given.

The overall strategies were issued in January and February, and in March a marketing evaluation and analysis was to take place in the subsidiary companies according to a format described in detail in the planning manual. This was a highly institutionalised version of a marketing audit, the purpose of which was twofold. Firstly, its purpose was to ensure that information and data coming into headquarters was universally consistent. Secondly, it was intended to encourage managers to think their plans through logically in terms of market-based opportunities, rather than just playing the numbers game, as they had been doing previously. This marketing audit, called a Marketing Evaluation and Analysis, was split into three parts.

The first part was an appraisal of the economics and political environment relative to each market, with subsidiaries asked to comment on the influence which certain specific factors had on the company's trading. A detailed and comprehensive

list was provided, which included, where relevant, capital assistance schemes, credit facilities, foreign investments, government growth rates, and so on.

The second part called for details of market structure and size (called Market Segmentation by the company). In order to establish a universal basis for evaluating the structure of a particular market and its worldwide potential, highly specific definitions and product classifications were provided, along with forms for estimates of key industry and product groups, market shares, and so on.

The third part was described as a Marketing Position Audit, with instructions for it to be carried out as a SWOT analysis (strengths, weaknesses, opportunities, threats). This was intended to be a narrative commentary, or a rationalisation, of the company's present position in its several markets, with special reference to where the key points of leverage were, and where the key weaknesses were in relation to competitor activities and developments in the market. A very detailed check list was provided, with instructions that only key issues should be commented upon. The detailed check list included: customer benefits, with detailed sub-headings such as availability, delivery, representation, prices, discounts, and so on: opportunities and threats, in relation to environmental factors: the market, again with detailed sub-headings: competitive activity, with detailed sub-headings.

Having completed the marketing evaluation and analysis in the three parts described above, and having completed the quantification forms provided, the next step in the marketing planning process was to be the setting of objectives, which had to be both verbalised and quantified according to a standard format. These were expressed in volumes, market shares, and gross profit contribution, for a five year period, the rationale being that these objectives would be far more likely to be realistic following the detailed review carried out in the earlier stages of the marketing planning process.

The same uniformity of procedure was followed for the setting of strategies, which had to be compatible with the worldwide strategies referred to above. What this meant, for example, was that a pricing policy could not be adopted which was not consistent with the company's worldwide strategy in relation to prices. Again, a check list was provided, which included target markets, market shares, branding, pricing, sales promotion, distribution, product range and development, and costs. Also, as part of the planning procedures, chief executives were also expected to state strategies for the other principal business areas under their control, such as manufacturing, finance, personnel, purchasing, and so on. Control and review procedures, together with the key assumptions

which were critical to the achievement of the objectives, also had to be clearly stated.

The final step in this company's marketing planning process, was the writing of tactical plans to cover the following financial year. These were to follow the same format as that for the five year strategic planning process described above, with the addition of a section stating briefly the specific actions to be taken by the marketing subsidiary, together with head office involvement. These action plans were to be completed for each major product line in each major market, and were to be summarised in the form of a consolidated budget.

In addition to these standardised procedures for marketing planning, there was a separate set of instructions specifically for new product development, the objective of which was to ensure that head office kept abreast of worldwide opportunities, and to ensure that control over the company's development proceeded in an orderly and planned manner.

Separate sections were provided in the planning manual for packaging, advertising, sales promotion, public relations, patents and trade marks. These set out objectives and strategies and laid down detailed procedures which had to be followed by all subsidiaries, together with forms for the information which was required by headquarters before approval could be given to operational budgets.

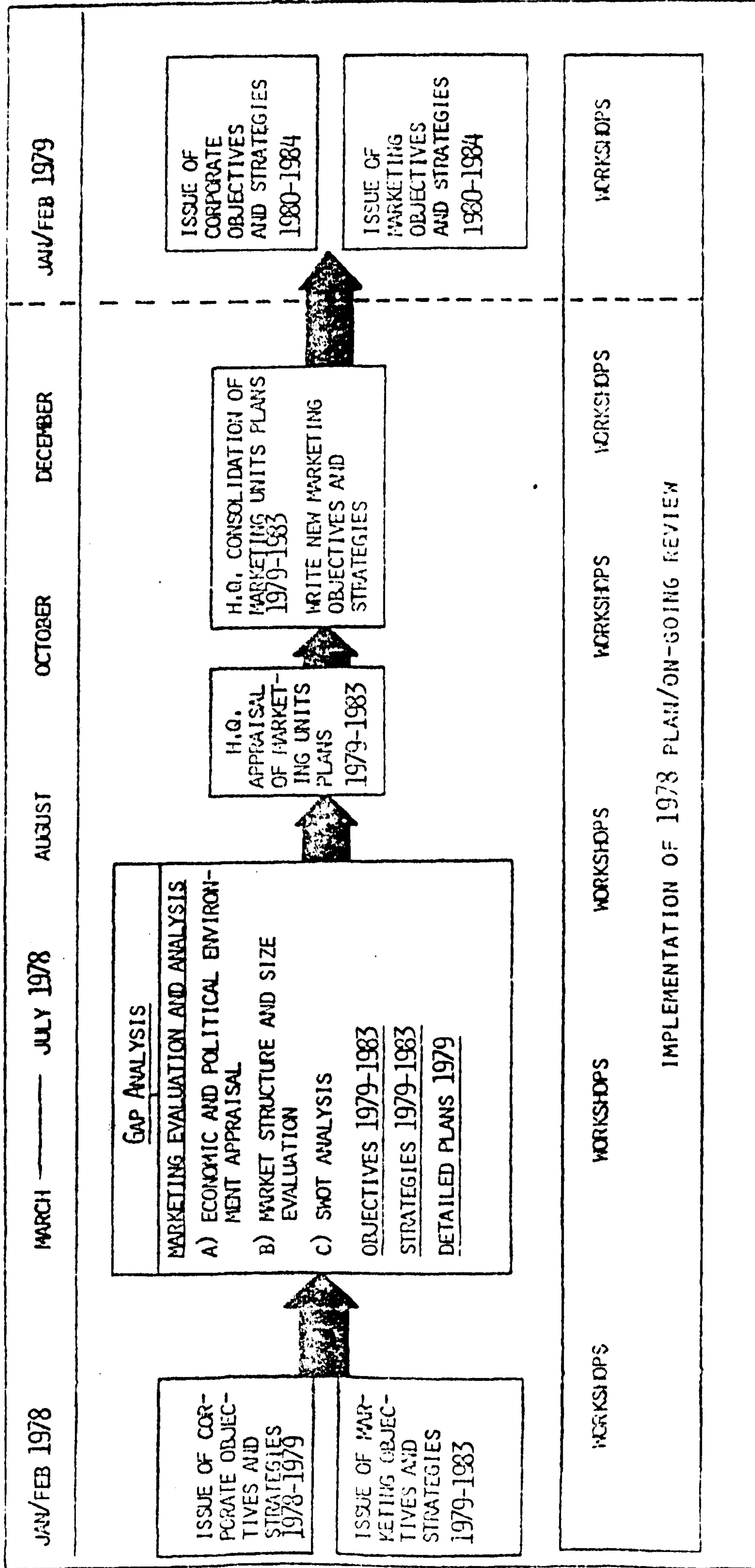
To summarise, this company's new marketing planning procedures exhibited all the characteristics of the theoretical framework described in Part I of this thesis, the specific steps being as follows:

- Step 1 Marketing evaluation and analysis.
 - (i) economic and political environment appraisal,
 - (ii) market structure and size evaluation,
 - (iii) SWOT analysis.
- Step 2 Setting objectives for a five year period, together with assumptions.
- Step 3 Setting strategies for a five year period.
- Step 4 Writing tactical plans for one year ahead.
- Step 5 Control and review.

These steps and the way in which they related to corporate planning are summarised in figure 22.

Surprisingly, initial results from the new planning system produced very little that was different from that produced by the old budgeting system that was controlled by the Group Finance Department. This caused considerable concern at

Figure 22



MARKETING PLANNING TIMETABLE FOR A MAJOR MULTINATIONAL
FAST-MOVING INDUSTRIAL GOODS COMPANY

headquarters, and the writer was given the opportunity of exploring why this much-needed improvement did not occur, and a week long workshop was convened for the Industrial Marketing Managers of subsidiaries in France, Germany, Italy, Belgium, Holland, Austria, Switzerland and the U.K.

The most important findings to emerge from this workshop were as follows:

- (a) The marketing managers did not themselves possess the basic marketing knowledge and skills to enable them to perform the marketing function adequately.
- (b) They had virtually no knowledge of the process of marketing planning or the reasons for the several steps described in the manual.
- (c) The weaknesses of what they were currently doing were explained.
- (d) They had failed to break their markets into segments which were relevant to the capabilities (particularly the technological capabilities) of their company. They were taught how to do this and were able to reach a number of far-reaching decisions of great importance strategically to the company as a whole.
- (e) This had a major impact on their understanding of marketing objectives, which previously had consisted merely of unit and value sales forecasts. They were now better able to understand that what they were selling was not just the functional capabilities of their products, but a whole mixture of benefits, such as the image of the company and service levels, which they themselves could change by altering the emphasis given to different elements of the marketing mix. They were thus better able to see where the best opportunities lay (in terms of their company's capabilities) and what had to be done to take advantage of them. For example, previously they had been selling one of their product lines to heterogeneous markets in direct price competition with many other firms. The result of this was constant price wars, squeezed margins, and a generally demoralised sales force. Following the workshop, they redefined their product in terms of certain applicational benefits which it had over competitive products, defined very specific groups of customers who would be most likely to want these particular benefits, and set precise objectives for this part of the business, in terms of products and markets.
- (f) They were now also better able to define suitable strategies for achieving these objectives. For example they now knew what they had to say and who they had to address in their

advertising. They were also better able to help the sales force by telling them where the opportunities lay, and providing them with better sales material. Additionally, the obtaining of higher prices and better margins was now seen to be possible.

- (g) One major problem concerned market information relating specifically to total market size and to the size of market segments. A frequent comment was that this kind of information, asked for by headquarters by means of proformae in the marketing planning manual, was just not available.

Not only were they taught how to obtain this information, but the workshop was followed by a special market research exercise in Holland, conducted by the international marketing research manager, the principal purpose of which was to develop a methodology and an understanding that could be utilised and shared by the other European companies. Thus, it was the approach to data gathering that was important in this instance, not the actual data itself.

- (h) It became clear during the workshop that the chief executives of subsidiary companies were also seen as a major barrier to more meaningful marketing plans by their failure to understand the role of marketing in the business and through their concentration on short term financial results. It was agreed that the best way to cope with this barrier in the short term was to produce better plans to demonstrate what could be achieved by a more professional approach.

This latter problem was later addressed by means of a series of short seminars for the chief executives, at which the importance of strategic thinking in the area of marketing was stressed. This was preceded by a series of field visits by the international marketing manager to explain and "sell" them the benefits of the new planning system.

The writer subsequently had an opportunity to spend some time in Holland with the marketing manager of another major British resource company that was in direct competition with the company referred to above. From this interview, it was clear that the company had a complete marketing planning system and that HQ were firmly in control of their complex worldwide operation. This company had not suffered any financial setbacks, in spite of the energy crisis and generally comparable trading conditions.

(d) Hypotheses

On this evidence above, it would be absurd to attempt to claim a causal relationship between "success" and marketing planning systems. However, the former company appeared generally to

have more environmental and organisational problems and less control of key issues than the latter company. It seems reasonable to conclude that this case history is generally supportive of the hypotheses listed overleaf.

The two most interesting conclusions to emerge from this case history investigation are firstly, that a planning system which produced only forecasts and detailed financial budgets for a five year planning period did not enable the company to make a realistic assessment of the future environment. This prevented the company from being able to prepare for these changes either at group or unit level. This was largely because a system which is orientated towards numbers allows managers at all levels to "fudge" the important issues, leaving marketing strategy implicit in the numbers. Estimates of unit sales and market share worked out to three decimal places may well impress the company's accountants, but they are of little relevance to the real world. However, it was only when competitive and environmental conditions become hostile and unstable that the company felt the need to re-appraise its marketing planning system.

Also, understanding the real meaning and significance of marketing objectives helps managers to begin to collect relevant and actionable information, and to think through the implications of choosing one or more positions in that market. Finding the right words to describe the logic of the proposed marketing objectives and making marketing strategy explicit is one of the most difficult tasks a marketing manager has to perform. Without this analysis, hiding behind pages of numbers and leaving marketing strategy implicit, is the easiest of tasks.

Secondly, it is clear that a system requires the cooperation of managers. Sending out a planning manual, and particularly a rather formidable looking one such as this company's, without considering the need to educate and train managers at all levels in its use, is unlikely to achieve much.

It is interesting to note that the company has since produced a neat pocket version of the planning manual, thus helping to overcome what proved to be a major psychological barrier.

The second round of marketing plans has apparently gone a considerable way towards helping both units and headquarters to sharpen their rationality about what needs to be done to achieve the desired level of profitability on an on-going basis. There is certainly the appearance of an air of new-found confidence in the group, which has now completely recovered from the financial pressures of the past four years.

The international marketing manager saw the whole project as being an iterative process which is still taking place. He

HYPOTHESIS	case material supportive	case material not supportive	insufficient evidence
<p>1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.</p>	✓		
<p>2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.</p>	✓		
<p>3. Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.</p>	✓		
<p>4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.</p>	✓		
<p>5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.</p>	✓		

summarised the benefits sought from the new system as being the greater degree of control which headquarters could exercise over sales and profits by getting better and more timely information, which enabled strengths, weaknesses, opportunities and threats to be recognised, plans to be made for priorities in the allocation of scarce resources, and waste and duplication to be considerably reduced. It should also provide a coherent data base to enable such strategic decisions to be made about the marketing of the group's products worldwide.

(e) New insights and hypotheses

Nevertheless, when considering the information gained from this company, the writer cannot help feeling a certain unease about the almost neat way in which events appear to be explainable in terms of the hypotheses developed.

In a thesis of this nature, one must constantly be alert to the danger of trying to make the problem fit the answer, and certainly this case history, and subsequent ones, began to sow the seeds of further insights and hypotheses that are not apparent from the literature.

Firstly, it seems reasonable to speculate that an institutionalised forecasting and budgeting system, on its own, geared as it is to achieving short term profit targets, can lead to entropy of marketing creativity and productivity, particularly in situations where sales growth is not too difficult to obtain (i.e., high growth markets). In this case history it was clear to the writer that the principal marketing managers in the company were little more than "number crunchers" and trouble-shooters. They knew virtually nothing about either the fundamental concepts or the techniques of marketing, which may have resulted from a total lack of need to do anything other than to plan to sell sufficient volume at a sufficient margin to enable the unit to achieve its budget.

Not one of them had a clear understanding of the rationale, either of their own or of the total business, nor of whether or how the several layers contributed to some rational, overall purpose. Yet they had all previously been "successful", when measured against their bureaucratic profit yardstick.

However, when the market environment turned hostile, apart from cutting costs, the company was incapable of dealing with the changed circumstances. It would almost seem as if an institutionalised budgeting system on its own leads to inertia and eventually to decay, being as it is a closed loop system.

The concept of the closed loop system is well documented and in planning is generally seen as being essential. The following is fairly typical of this belief:

"It will be appreciated that a well structured approach will produce an integrated, closed loop system. This ensures that there is a regular feedback of results to enable the parameters to be reassessed and modified where appropriate. Most current marketing systems are 'open-ended', i.e., there is no structured assessment of performance, and no systematic reappraisal of marketing strategies and expenditures. This can lead not only to waste and inefficiency, but can also sow the seeds of destruction. The sums involved make a 'closed loop' marketing system essential for survival in present economic conditions." (Hinsley, G. (op cit)).

Perhaps it should be questioned, however, whether a closed loop system can also lead to inertia, inefficiency, and eventually to self destruction. Perhaps, also, the same reasoning applies to a closed loop complete marketing planning system? In other words, any closed loop system is vulnerable to entropy and decay from over-bureaucratisation, unless certain safeguards are built into the system to open the loop, particularly in respect of the entrepreneurial creativity and dynamism so essential to successful marketing.

In this particular case, the introduction of a complete closed loop marketing planning system had virtually no effect on marketing performance, and it quickly became apparent to its creators that some means, or device, had to be found of opening up the loop. This was eventually brought about by a system of "workshops", attended by the principal participants in planning, and this has now become a regular feature of the planning cycle. This way, the company ensures that planning is not a one dimensional activity. The new multidimensional approach ensures that those who do not really understand how to use the central marketing concepts to achieve agreed objectives are quickly exposed. The system thus encourages creative marketing, and a greater cross fertilisation of information and ideas.

Secondly, it seems reasonable to assume that in this particular case, the absence of a complete marketing planning system led to a lack of marketing productivity, and that this eventually led to a financial decline once the rate of market growth started to decline.

Thirdly, that a planning system that is basically run by the financial department will inevitably lead to even less marketing productivity through a lack of integration and synergy at the corporate level. In other words, it will lead to a polycentric approach to marketing, which is inherently less efficient than a regio or geocentric approach.

Fourthly, this case history shows that although the long term planning of the company was based essentially on the five year forecasts coming in from the operating units, there was an almost complete separation of short term and long term planning.

The economists and accountants at headquarters developed their own long term plans in almost total isolation from the units, and it is not surprising that at unit level there was a total preoccupation with short term plans and short term results.

It seems reasonable, then, to question whether strategic marketing planning, however operationally convenient and intellectually appealing, should be the responsibility of corporate planners, rather than of line managers. It is, of course, obvious that coordination has to take place at some general management level, but the danger of separating out responsibility for operational and strategic planning is an unnatural separation of the reality of the short term thrust of a business at the operational level from the long term objectives of the enterprise as a whole. It seems illogical to assume a dichotomy between long term and operational planning, when they are clearly part of the same system.

There may be some confusion here between strategic marketing planning and strategic corporate planning. In this particular case, marketing was seen very much as a specialist functional job concerned mainly with the operational management of the elements of the marketing mix. It was also seen that the planning system did not demand anything other than their short term management for profit. Consequently, there was no strategic marketing thinking or planning at the functional level, and it is not surprising, therefore, that there was little strategic marketing thinking or planning at the general management level.

It would seem reasonable to assume that strategic marketing has to take place at two levels. Firstly at the functional marketing level, (where there is one), and, secondly at general management level, where multidisciplinary trade-offs have to be made.

In this case, there was no strategic marketing thinking taking place at either level.

The following tentative hypotheses emerge from this first case history:

1. ANY CLOSED LOOP MARKETING PLANNING SYSTEM, (BUT ESPECIALLY ONE THAT IS ESSENTIALLY A FORECASTING AND BUDGETING SYSTEM), WILL LEAD TO ENTROPY OF MARKETING CREATIVITY AND PRODUCTIVITY. THEREFORE THERE HAS TO BE SOME MECHANISM FOR PREVENTING INERTIA FROM SETTING IN THROUGH THE OVER-BUREAUCRATICISATION OF THE SYSTEM.
2. FINANCIALLY-ORIENTATED MARKETING PLANNING SYSTEMS WILL LEAD TO POOR MARKETING PRODUCTIVITY IN THE LONG TERM, A PROBLEM THAT WILL BE MADE WORSE BY DIFFICULTIES IN MARKETING INTEGRATION AT THE CORPORATE LEVEL.

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 MAY RESULT IN THE FIRM BEING LESS EFFECTIVE IN THE LONG TERM.

12.1.2. A large, diversified, multinational, industrial company with products covering the complete spectrum of industrial goods (Cell 2)

(a) Background information about the company

This decentralised company had recently unsuccessfully tried to introduce marketing planning in all subsidiaries. The approach used was to interview a number of key executives who were involved in the development of the first plan and the associated system, the areas of particular interest being why the transition to planned marketing had been undertaken.

This company originated in the 19th century in Europe as a typical trading company relying on individual initiative and an intimate personal knowledge of the business. This history led to attitudes towards business that can still be seen in the way the company is run today.

The company relocated its centre of operations to the U.K. in 1937 and rapidly exploited its expertise in the manufacture of products supplied to the cigarette industry, buying a number of associated companies, until by 1980 its net assets were around £100 million. Profits had, however, begun to fall steadily in real terms during the seventies, hence the interest in marketing planning.

The company, in line with its entrepreneurial philosophy has traditionally allowed considerable autonomy of action at the local level. The composition of a typical board is managing director, sales director and works director. The subsidiaries are grouped into divisions for the purpose of representation at group level, the main divisions being paper, plastics, packaging and products associated with the cigarette industry.

(b) Type of marketing planning undertaken

- (i) How each of the seven steps in the planning process is dealt with

The company controls approximately 37 overseas and 12 U.K. subsidiaries, for which financial targets are set, the basis

on which these are set being largely instinctive and unstructured.

The phenomenal growth of the cigarette industry worldwide began to flatten out in the seventies, and this was reflected in price competition around the world and reduced margins, which gradually began to have an adverse effect on the company's fortunes.

During the search for a solution to these problems, strategic planning was suggested as an avenue by consultants who were at the time conducting a feasibility study for the company.

In 1970/71 a process of rationalising and standardising the systems in the various subsidiaries got under way with the introduction of computing facilities into most of the companies, which enabled more data to be handled. This fitted in well with the introduction of an annual budgeting system in 1971/72 which was gradually extended to include variance analysis, thus reflecting the feeling for greater control.

By 1977 the decision to extend the budgeting period to three years was taken together with a decision to back these budgets with formal operational plans. By 1980, this latter decision had not been implemented. Viewed in this light, the move to formal planning is a natural corollary to developing and integrating information and control systems in the company, something that also had not happened by 1980.

Taking the seven step theoretical marketing planning process, it can be seen that this company quite definitely used only a forecasting and budgeting system. Forecasts and budgets were all that were available during the period of the initial interview. (See table on following page).

(ii) Planning horizon

One year and three year forecasts only were submitted. There were no detailed plans. These forecasts became targets.

(iii) Role of the Chief Executive and the planning department, bottom up/top down planning, and coordination between HQ staff and operating units

The parent company quite definitely views itself as a banker/financier to the subsidiaries and consequently has a small central staff.

Within the targets that are arbitrarily set by the group chief executive, a policy of non interference is followed, each subsidiary being expected to sink or swim by its own efforts. This freedom is jealously guarded, and even when there are

Step	Marketing planning task	Not done at all	where done assessment of how well done		
			poor	average	good
1	Gathering information on both the external environment and the company internally (the marketing audit)	✓			
2	Identifying major strengths, weaknesses, opportunities and threats (SWOT analysis)	✓			
3	Formulating basic assumptions	✓			
4	Deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis and the assumptions made		✓		
5	Laying down strategies for achieving the objectives	✓			
6	Formulating programmes for implementing the strategies, to include timing, responsibilities and costs		✓		
7	Measuring progress towards achievement of the objectives and amending the plan as necessary		✓		

adverse trading results, there is a reluctance on both sides to encroach on each managing director's right to solve his own problems. Few formal controls exist between the parent and subsidiaries.

Since the company is not highly structured or systematised, the management style is personalised and relies for its success on a highly informal information system.

All the products in the group are sold to intermediaries, and it is the intermediary who has traditionally been concerned with marketing aspects; consequently, the company has a very poor understanding of marketing.

(iv) The EPRG profile/Individual versus standardised marketing strategies

This company is totally polycentric in respect of all the elements of the marketing mix. There was most definitely very little marketing synergy other than through the highly personalised and informal information system.

(c) Problems

Thus, the development of the company has been organic and opportunistic, rather than being part of a strategic growth plan and has been in fields related to the existing business and of a size which could be handled by a single subsidiary.

However, conflicts soon began to emerge between the newer centralising forces of planning and common systems, and the entrepreneurial philosophy of decentralised operations.

Headquarters' problems were highlighted when an analysis of the Profit and Loss Accounts and Balance Sheets, carried out by a newly appointed corporate planner, indicated that the company was in a serious decline in real terms.

Next, a broad brush estimate was made of the company's competitive position in the markets. Most companies appeared to be in either a weak position and/or in low growth markets, and there appeared to be no prospects of generating significant profits in the future. Overseas companies showed up badly, as did some of the more recent expansions and diversifications.

Because of adverse trading conditions, the availability of capital was becoming limited, yet headquarters were at the same time receiving major capital proposals from the subsidiaries. The group, therefore, found that it had to have some policy, or strategy, to determine what businesses it wanted to be in and what risk/return profile it should adopt. Thus, strategic planning, using marketing as a focal point, appeared to provide the answers so badly needed, and was not an isolated event, but the inevitable consequence of the developing forces and pressures in the company.

The subsidiaries were approached with a direct request to produce a strategic plan. There was no planning system, no propaganda, and no agreement as to its purpose or context. Very short time scales were allowed.

The corporate planner recruited to take charge of planning, turned out to be too senior a manager. What was required were "coal face" resources, whereas the company had a planner

who was a man apart, seeking to use structured systematic techniques in an environment of people who had been notably successful in using instinct and "feel".

Thus, the whole process was being dealt with at arms length with no-one being prepared to commit themselves or to get down to the "nitty gritty" of planning.

Little or no economic or market data existed at any level in the company except in the opinions and experience of the senior management. Thus, it was inaccessible for management purposes, with the result that any attempt to view the total company as a portfolio investment was frustrated by lack of data. Only opinions and qualitative arguments were available. This left the centre of the company in an information vacuum.

Subsidiaries were in a similar situation. Most of their information was locked in managers' heads. In the majority of cases there was virtually no market information.

To summarise, the problems encountered were as follows:

- lack of understanding and management skills in planning;
- lack of a structure and system within which to work;
- underestimation of the effort involved;
- too little time allocated;
- lack of information on the markets and possible opportunities;
- too few people available to do the ground work;
- enormous differences in the abilities of each subsidiary;
- no guidance from the centre;
- no acceptance criteria for subsidiary plans;
- direct conflict with the company's traditional style;
- planning conceived as a bureaucratic waste of time;
- no positive commitment to strategic planning - only an uneasy truce;
- no benefits perceived.

The resulting plans were, not surprisingly, of very little use in helping to solve the group's considerable problems.

Furthermore, since no corporate plan existed, there was no way of assessing the relevance to the future of the subsidiary plans or the information in them.

Also, since the strategic decision-making structure was not resolved, there was no verification/approving authority. What this amounted to was a lack of strong leadership and clear direction from the centre, and was largely the result of a lack of clarity as to what their precise role should be under these more difficult circumstances. The new planning efforts were by their very nature centralising forces, which conflicted

directly with the traditional philosophy of decentralisation, but no visible decision was made as to what level of centralised activity would be appropriate.

The result was confusion over roles and who should fill them. For example, how many strategic levels should there be, and at which level should strategy be determined and by whom? What role should headquarters play in resolving conflicts of interests between subsidiaries?, and so on. Most important of all, however, was the failure of the new approach to produce an overall picture of the group as a portfolio of investments against which the significance of each operation could be assessed to determine the best distribution of resources.

At the same time, the major subsidiary, realising that its future profit prospects looked bleak, and with no help or guidance from the centre, decided that since it had no structured way of analysing the information available to it in order to arrive at a rational decision about which way to go, took steps to find out more about marketing planning. To this end, the writer spent three full days at a workshop with the whole board of directors and senior managers.

This was followed by a one week workshop for the directors and senior managers of seven other subsidiaries engaged in machinery and associated product manufacturing.

The most important fact to emerge from these workshops was the difficulty of planning at the subsidiary level in the total absence of any guidance from the centre about the specific roles which were expected. Also, it was necessary to build an overall picture from the bottom up, but this was being frustrated by an almost total lack of information and experience at operational levels.

Nevertheless, following the workshops, work began in earnest at the "coal face" level, and a number of benefits began to become apparent. These were:

- planning gave subsidiaries an opportunity to become involved in determining the company's strategic decisions;
- it provided an opportunity to question fundamental beliefs and modes of behaviour;
- it enabled the subsidiary to learn to communicate better both up and down the hierarchical chain;
- it provided a discipline for evaluating difficult problems;
- it provided a structure to enable deeper analysis to take place;
- it began to provide a sense of realism and commitment to the inevitable changes that emerged as being necessary;
- it led to changes in organisation structure and manpower development to provide the driving force and control

- mechanisms for achieving the emerging objectives;
- it was a liberating influence on thinking. Sacred cows were allowed to be put out to grass.

One example is sufficient to indicate what is meant by this list of emerging benefits.

The chief executive of one of the major subsidiaries had set an objective for doubling sales of an important product in Venezuela. The basis on which this, and indeed all other quantitative sales objectives of this particular subsidiary were set, was openly claimed to be intuition and "feel", based on "a lifetime of entrepreneurial experience." Such objectives caused alarm and despondency among subordinates, where it was felt they were unrealistic and unrealisable.

This particular example was taken as a case in point, with the sales manager following the classic marketing planning model described in Part I of this thesis. That is to say, he carried out a systematic audit of operations in Venezuela, summarised them in the form of a SWOT analysis, set quantitative objectives that were based on this analysis, and determined the strategies that were necessary to achieve the objectives. Much of the information to enable this to be done was actually available either within the company or in published data; it was just that previously no-one had felt the need to pull the information together systematically.

The most important indisputable fact to emerge from this study was that it was possible to increase sales by only thirty per cent, and then only providing certain fundamental changes in policy were made. The conclusion reached was (in summary form):

"We have raised fundamental issues which could influence the overall picture of our sales to Latin America. Whilst we have limited ourselves to Venezuela, we have readily shown how difficult it would be to increase our turnover substantially on the existing basis of operation. We can undertake a similar exercise for all our Latin American markets. It is up to management to decide whether to stick to the overall objective we have been set in increasing direct sales, or whether, as we have shown, to achieve substantial longer term benefits by establishing local production. It has been shown that the return for the company will decline if we attempt to increase turnover of direct exports by price manipulation, whereas we can expect to go forward if we establish ourselves locally. Further analysis of our markets in Latin America will confirm whether Venezuela would or would not be the best location for such a base."

Thus, it can be seen that there was an emerging sense of realism and confidence at subsidiary level as a result of the developing approaches to marketing planning according to the classic model.

The major problem remained, however, since there was no corporate institutionalised system for rationally and systematically considering such important marketing issues, neither was there a suitable headquarters organisation for dealing with the emerging plans.

The result of all this at the time of the research involvement with the company was an alarming level of recrimination and despondency as the company's share value dropped lower and lower on the stock market.

The company has since sold many of its overseas assets and subsidiaries in a dramatic attempt to cope with its short term problems, although it is not known to what extent the underlying planning problem has been overcome.

(d) Hypotheses

There is nothing in this case history which is not generally supportive of the five hypotheses listed overleaf.

(e) New insights and hypotheses

Based on the concept that the headquarters has three essential and interrelated roles, as Banker, Director and Manager, it is possible to draw some conclusions from this brief study of this diversified multinational company.

This thesis is not concerned with the Banker role, which is essentially financial and concerned with risks, returns, potential growth and stock market indicators, such as earnings per share, price earnings, ratio dividend yield, and so on.

It is, however, concerned with the Director and Manager role of headquarters. As Director, headquarters must maintain an information bank on all long term opportunities and possible dangers such as major shifts in the market, in the activities of competitors, or in economic and technological trends. This will entail a continuous process of searching and monitoring of the business and economic environment. Most of this will take place in the subsidiaries and suitable institutionalised procedures and organisational arrangements will have to be made to ensure that the information and data presented in plans can be consolidated into some overall model of the group for the purpose of assessing overall strategy.

	case material supportive	case material not supportive	insufficient evidence
<p style="text-align: center;">HYPOTHESIS</p> <p>1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.</p>	✓		
<p>2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.</p>	✓ (see later case histories)		
<p>3. Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.</p>	✓ (see later case histories)		
<p>4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.</p>	✓ (see later case histories)		
<p>5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.</p>	✓		

The role of Manager is closely related to this, for there also needs to exist control and monitoring mechanisms to ensure that all plans and budget proposals submitted are internally consistent, fulfil the objectives of the group, and are based on valid data. This data has to be organised in such a way that valid comparison can be made between the capital proposals arising out of the plans.

Main conclusions can be summarised as follows:

- the move towards planned marketing arose out of a combination of market pressures and the consequent internal pressures within the company;
- the decline in real profitability will continue for a number of years until the company is able to establish a firmer strategic basis. It is now firmly believed within the company, that it was only the absence of any formalised procedures for monitoring changes in the business and economic environment that prevented the company from taking appropriate action earlier;
- the transition to planned marketing is not only a change in the mechanics of operating the company, but also requires a change in corporate philosophy and behaviour.

This case, however, seems to contradict the hypothesis which emerged from the first case concerning entropy of marketing creativity and productivity caused by closed loop budgeting systems. In this instance the budgeting system was sufficiently open to allow managers throughout the organisation almost total entrepreneurial freedom, yet in spite of this, there was little evidence of marketing creativity, whilst the problems were more severe than in the first case.

One interesting point to emerge was that there were very few executives in any of the subsidiaries with a marketing title, any specialised marketing activities being carried out by the sales department or by whoever was designated as being responsible for sales. Mostly, marketing responsibility ended when the goods reached a distributor, so little was known about end use markets. What marketing was done, therefore, was very much sales volume orientated in the classical sense.

In this case it would seem reasonable to conclude that, with or without a closed loop forecasting system, unless there is some institutionalised process which forces managers to consider fundamental marketing issues relating to products and markets, the end result will be the same. That is to say, the focus of management will be on short term volume and profit targets, which is adequate in times of high growth, but not in adverse economic conditions.

Eventually this approach led to the setting of ludicrously unobtainable sales objectives in many areas of the business,

which in turn led to management frustration and inevitably to internecine disputes and recriminations, especially where production had been geared to unrealistic sales levels.

Not surprisingly, there was also an almost total lack of marketing awareness and specialised knowledge in the company, so that when the traditional methods of low pricing were no longer viable, the company had no alternative strategy to turn to, nor even the means of devising one.

There was also an almost total lack of integration and strategic thinking at the corporate level, with evidence yet again that the polycentric approach to marketing leads to ineffective marketing and a loss of opportunities, which only come to light in adverse environmental conditions. Yet again, plans of a sort were developed at unit level in total isolation from the centre, and it is not surprising, therefore, that attention was focused almost entirely on short term trading results, with little attention being paid to preparing for changing market conditions and emerging opportunities.

There is sufficient evidence in this case history to conclude that the process of short term marketing planning, long term strategic marketing planning (which started both at general management and operational level within certain units) and long term corporate planning, are inseparable. Detailed and strategic marketing planning cannot produce the desired return on effort in an organisational vacuum.

The product life cycle teaches us that change is inevitable, and that organisations have to evolve gradually to meet these changing circumstances. If a company merely projects the business as is into the future each year, (a process which seems to be encouraged by forecasting and budgeting systems used in isolation), the inevitable consequence will be a mismatch between resources and market needs.

On the other hand, a company that sets unrealistic objectives which are beyond the capabilities of its resources, will be equally ineffective.

Indeed, business success, it would seem, will only come to those companies that can find some process whereby they can harness and develop the leadership and entrepreneurial skills of its management within its range of possible capabilities to match emerging market needs. In a sense, such a process seeks to find the right balance between stale, repetitive, imitative strategies and wild ideas, which, however exciting and practicable are outside the resource capabilities of the firm. Alexander Pope, the 18th century poet, succinctly expressed the consequences of the two extremes in his "Essay on Man".

"Fixed like a plant on his peculiar spot.
To draw nutrition, propagate and rot.
Or meteor like, flame lawless through the void,
Destroying others, by himself destroyed."

There is much in this particular case history which is supportive of the further three hypotheses developed at the conclusion of the first case.

Both cases, however, provide some evidence that the real benefit of marketing planning derives from the discipline of the process itself, rather than from the existence of a plan. It is a means of bringing together the minds of managers, of being realistic about the difficult internal and external issues facing the firm, and of reaching agreement on a set of commercial goals and the principal means of achieving them, that is the major benefit of marketing planning.

It is self evident that any marketing thrust will have important consequences for other functions within a firm, and marketing policy cannot therefore be determined by marketing executives alone. This implies that the analysis and strategic planning which take place at the functional level of marketing (where this exists) has to be amended where necessary by general management and then incorporated into some overall business plan. It is unlikely that such integration can be carried out by functional marketing management. This implies that there has to exist at the several general management levels in a firm, the means of linking strategic marketing proposals to the other functional resources. Otherwise, strategic marketing planning will take place in a vacuum.

Two further hypotheses, then, will be added to the three already developed.

4. 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.
5. THE MAIN BENEFIT OF MARKETING PLANNING DERIVES FROM THE PROCESS ITSELF, RATHER THAN FROM THE EXISTENCE OF A PLAN.

12.1.3. A large, undiversified, capital goods manufacturer (Cell 3)

(a) Background information about the company

The recently-appointed managing director gave a lengthy interview, during which he indicated his grave concern about the underlying profitability of his company. The firm manufactures major installation plant in the industrial Midlands, and is well known

in this particular market. Overseas sales account for around twenty five per cent of total business, and are obtained entirely by agents, all manufacturing being done in the U.K.

On the question of profitability, the managing director said:

"During the current recession, our volume has fallen, but our profits have been quite good. The problem is, that's a terminal process, and it's got us into all sorts of trouble because our solution to the crisis was to cut down on manning levels instead of looking for growth markets whilst protecting our really vital long term interests. The result of all this is that our turnover and profits in real terms have been stagnant for many years. I've been brought in to rectify this situation, but the problems facing me are enormous."

Immediately, then, it is possible to discern some evidence to support the hypothesis that paying attention to short term profitability at the expense of issues such as market share can eventually lead to longer term profitability problems.

(b) Type of marketing planning undertaken

(i) How each of the seven steps in the planning process is dealt with

The managing director himself took great care to impress on the writer that their planning system was essentially a forecasting and budgeting system.

"We have no corporate policy because we have no product policy, no pricing policy, and no marketing policy. We do, however, forecast three years ahead. I provide the numbers for the Chairman, but they don't mean anything, because they're not based on anything meaningful. If they're not high enough, I just change them."

Taking the seven step theoretical marketing planning process, it can be seen that this major capital goods company used only a forecasting and budgeting system. (See table overleaf).

(ii) Planning horizon

Three year sales forecasts were made.

(iii) Role of the Chief Executive and the planning department, bottom up/top down planning, and coordination between HQ and divisions

In this company, forecasts and budgets for the three year planning period were called for by the chief executive from divisional

Step	Marketing planning task	Not done at all	where done assessment of how well done		
			poor	average	good
1	Gathering information on both the external environment and the company internally (the marketing audit)	/			
2	Identifying major strengths, weaknesses, opportunities and threats (SWOT analysis)	/			
3	Formulating basic assumptions	/			
4	Deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis and the assumptions made		/		
5	Laying down strategies for achieving the objectives	/			
6	Formulating programmes for implementing the strategies, to include timing, responsibilities and costs		/		
7	Measuring progress towards achievement of the objectives and amending the plan as necessary		/		

managers. These were then analysed to indicate their financial consequences, and the chairman and chief executive then amended them if the forecast results were not satisfactory. These amendments were then communicated to divisional managers, for whom they eventually became targets. The point is that it was the amended profitability figures from the top down that caused the unit sales forecasts and items of budgeted expenditure to be amended.

Whilst it would be wrong to assume that this process took place in total isolation from the realities of the market, it was clear that market considerations were not extensively taken into account when setting the profit targets for the planning period. The consequences of this will be discussed below.

There was no corporate or marketing planning department, such

analyses as were done being completed by the corporate financial department. Not surprisingly, apart from these figures, there were no written corporate or marketing plans.

In a sense, planning could be considered to be a two way process in that initial forecasts were emanating from divisional managers. There was, however, little evidence of any negotiation based on market-centred issues such as market share or market growth. Divisional managers were expected to achieve a certain level of profitability, even at the expense of cutting back production levels.

(iv) The EPRG profile

This company was quite definitely ethnocentric in its approach to exports. The managing director explained as follows:

"We manage our marketing abroad even more badly than our U.K. effort, and although our problems are essentially the same, of course there are added complications here. We operate through agents and I have no doubt that due to our own total lack of planning, we lose many profitable opportunities. What essentially happens is that agents generate meaningful leads for us, which are then followed up by means of specialist engineers from headquarters. But agents are more or less left to their own devices, which must be bad policy when you consider how important communications are in the home market. What I eventually intend to do is to carry out our own market research in a specific market, identifying who the likely customers are and deciding how best to communicate with them. Then I plan to approach agents with a marketing plan which will guarantee income for them. That way they are more likely to adhere to sales targets, call rates, advertising policy, promotional policy, and so on. It's really all a question of helping your agent to make a profit and at the same time controlling your marketing effort abroad so as to make the most out of your opportunities."

The capital equipment involved was homogeneous internationally, but this and price were the only elements of the marketing mix controlled from headquarters. Everything else was left entirely to the discretion of agents. For example, headquarters had virtually no information about overseas countries in terms of market size, trends, market shares, and so on.

(c) Problems

The managing director spent some time explaining what he considered to be the important dimensions in the industrial buying process, in so far as they affected the marketing practices of a company manufacturing major installation plant. His reason for doing this was to give added emphasis to his views about what he considered to be the inadequacies of the marketing

practices of capital goods companies in general.

His view was that technological factors, per se, accounted only for about twenty five per cent of the eventual purchase decision. Although in theory there is a common specification, in practice this is not so, because the detailed mechanics of several parts of an installation will vary depending upon the particular methods of a manufacturing company. However, even accepting this, his view was that technological features alone were only relatively important, with price being even less important within a given band. Given a certain amount of equalisation between competitors on the dimensions of price and function, this left a major responsibility in the field of communications, which he felt had a vital influence on the perceived reputation of a firm, which he considered to be the major determinant of choice of supplier.

These views do not appear to conflict with the findings of the section on industrial buying. What is important, however, in relation to this thesis, is what this managing director then went on to say about marketing communications and its relationship with marketing planning.

"I would be very surprised if many people in my industry agreed on the usefulness or validity of corporate and marketing plans. Our industry's biggest problem is that we are engineering orientated rather than being market orientated, and I'm not just saying that because it seems like the right thing to say."

These comments called for considerable explanation in relation to the process under discussion, because as they stood they threw no light on the question of the role of marketing planning as a means of overcoming the problems as stated by the managing director. His subsequent comments represented a useful summary of the kind of problems experienced by many of the other respondents not using marketing planning in their enterprises.

"I have said we have no corporate plan, because we have no product policy and therefore no marketing policy. Let me explain why. People running engineering companies engage in a form of engineering meritocracy, which amounts to little more than kidology. There's a sort of status about being in it. Making very good engineering products is all management is concerned about. The ability to manage effectively is therefore severely restricted by the engineering discipline itself. What many of them fail to realise is that we live in an uncertain and rapidly-changing world. To survive in any market today you have to concentrate your resources in certain limited chosen areas rather than just saying, 'We are engineers to the world.'

At the moment we are like a cork floating on the sea, largely because we've never felt the need to plan anything.

My job is to direct our effort and, like all managers, I've got limited resources. But without a strategy in relation to some carefully chosen market sectors, how can I make my decisions about what to do?

For example, powder furnace technology is an interesting area, but do we really want to be in that market? To answer that question I need to know whether the market is significant in size, whether it is likely to have long term growth, and whether we can reasonably expect to get a significant market share. If I get any of these wrong, we're in trouble, like much of the engineering world, where too many companies have a small part of some market.

So, to ensure the long term profitability of this enterprise, I've got to have some strategy about markets and about products, and we haven't got this at the moment, nor have we ever had."

The managing director, then, in wanting to manage his limited resources base and direct it into the most productive areas, had come up against the major problem of how to achieve this goal without any explicit strategy in relation to markets and products. It became clear, however, that there were many difficulties in the way of a solution to this problem and further questioning revealed the nature of some of these difficulties.

"Apart from our engineering orientation, there are some difficulties which I have discovered, which may account for why there is no marketing planning in our type of company. The difficulty of measuring marketing effectiveness is one. Ours is a cyclical market and because within it we get big lumps of orders, it is difficult to measure performance. For example, one big order will bring in the cash for three years. In the meantime, the rest of our business may be going to pieces. I've also found some difficulties arising from our pricing policy. Prices are set on the basis of a straight mark-up on production costs, but this assumes a simple relationship between direct costs and the amount of resources we employ. For example, we can have a job with high material costs that uses little of our resources, and vice versa, and most of our resources are fixed costs as opposed to variable, so we end up with the worst possible product mix, lose the very big jobs and win the small jobs."

To rectify this the managing director was exploring different ways of allocating costs so as to enable him to re-examine his pricing policy.

Another problem which he identified stemmed directly from the lack of any centralised marketing function within the organisation. His view was that his £100,000 advertising budget was largely wasted because it was split between the various divisions and spent without any apparent rationale. He quoted

as an example the fact that one divisional manager put advertisements in a wire industry trade magazine, "because we're in the business." The managing director considered the budget to be largely wasted because there was no attempt to work out what to say, who to say it to, and how to say it most effectively.

"Divisional managers just stick ads in magazines. We lack any kind of central strategy."

Lack of any meaningful market research was also a problem which he identified, particularly in relation to market structure and market segmentation studies. When asked about the industrial buying process, he said that most of the published work in this area was too generalised and theoretical. He saw buying as a specific process, peculiar to individual companies. He quoted as an example GKN's buying process as being different from other companies.

"Generally, we have a pretty good idea about the buying processes in specific companies. The trouble is, we don't do anything about it. In other words, we don't bother to think about the best way to organise our marketing mix. We just sell on technical features, which is all wrong. What we should be doing, is selling the benefits of our plant, and this is very much a communications and PR job. What tends to happen in our industry is that sales engineers fuss around a battered drawing on the customer's desk and say things like, 'Our quench tank holds three times as much oil as x,' to which the customer's reply is, 'Yes, but that means we've got to dig a hole three times as big.' The correct approach should be to give a professional presentation designed to help the client retain the information you're giving him. The product should be sold as a total package in terms of benefits to the customer, such as: 'The additional oil capacity of our tanks will mean a reduction in your waste content of x per cent, which on your turnover will amount to an annual saving of around £y. Our burner technology will mean an additional saving of £z a year in gas usage,' and so on."

These were the problems, then, as identified and recounted by the managing director of a large capital goods company in the absence of any formalised marketing planning function within his organisation. One of the major tasks which he had set himself, was to introduce a central marketing planning function to help him formulate policies for markets and products. He described marketing as a long term activity as opposed to selling. "which has to happen today. In our business, sales have to be divisionalised, so it makes sense to separate the marketing function as a centralised activity for the purpose of developing strategies so as to get the best out of our resources. I want to develop plans for markets and products so that our long term corporate plans are not just the meaningless

numbers that they are at the moment and I see lots of problems in the way, mainly arising from the ignorance and prejudice of people who have been brought up as engineers."

(d) Hypotheses

One of the purposes of this research is to discover the extent to which formalised marketing planning is practised by British industrial goods companies. Another is to see to what extent those companies using formalised marketing planning systems are or are not more effective organisations, effectiveness considered as a qualitative assessment of how a company copes with its environment.

Already there are beginning to emerge certain commonalities about the nature of the problems experienced by firms employing only sales forecasting and budgeting systems. Also, nothing has yet emerged which does not appear to be generally supportive of the five main hypotheses developed from the literature review.

(e) New insights and hypotheses

There is some similarity between this case and the first case in the sense that there was virtually no understanding or appreciation of marketing concepts or of the techniques of marketing, other than through the recently-appointed managing director. Yet there had previously been no perceived need for marketing or marketing planning, since in less turbulent growth periods, profits had been relatively easily attainable virtually by dint of having the available technology and manufacturing skills.

This approach eventually proved to be unsatisfactory given more difficult trading conditions, and led to a gradual decline in competitiveness and real profitability. This failure to harness the company's undoubted engineering skills, led gradually to a realisation of lost opportunities for profit, and growing frustration amongst senior management in the absence of any institutionalised means of giving consideration to the underlying causes of the company's decline.

Tough management corrective action in the form of cost cutting exercises and retrenchment, without due consideration of market issues, such as market share and market growth rates, appear eventually to bring decline in real terms.

The traditional excuses for declining profitability, such as inflation, foreign exchange rates, high interest rates, high labour costs, and so on, no longer hold up against impartial comparative analysis with foreign competitors.

HYPOTHESIS	case material supportive	case material not supportive	insufficient evidence
1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.	✓		
2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.			✓
3. Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.			✓
4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.			✓
5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.			✓

For example, the explosion in oil prices and related raw materials affected all industrialised nations, yet countries such as Japan, who use substantial amounts of energy and raw materials, continue to improve their profitability and share of world trade. In 1973/74, there was a rapid drop in profitability and rising commodity costs, yet the fall in commodity costs of the past three years does not appear to have had any beneficial effect on profitability. Likewise, in the early sixties, Japan had an inflation rate of ten per cent compared with Britain's four per cent, yet they had higher overall profitability and growth.

Whilst one must avoid the temptation of being simplistic about such complex issues, it does nevertheless seem reasonable to conclude that Britain's lack of marketing orientation may have been a major contributory factor in Britain's long term declining industrial competitiveness in world markets, rather than other factors such as raw materials costs, and so on.

This case, like the two before it, seem to be generally supportive of this view. All three indicate that budgeting systems, on their own, lead to inertia on the marketing front, and a lack of marketing productivity.

It would also seem that this applies irrespective of the degree of diversification. (The first two companies were diversified, the third was not).

It will be interesting to see whether the size of the company makes any difference to the tentative hypotheses developed from the first three case histories, each one of which involved large companies.

The next cases, then, concern two small manufacturers, one of which was operating in a market closely related to that of the company described above.

12.1.4. A small, undiversified components company (Cell 2)

(a) Background information about the company

This small company manufactures iron foundings in the industrial North. Its market share is small and its markets generally have been static during the past five years. About twenty per cent of its output is sold overseas, all of it through agents. The company had not made a profit for the past three years, and had recruited a marketing manager almost a year ago. He was also line responsible for sales and reported direct to the managing director.

(b) Type of marketing planning undertaken

(i) How each of the seven steps in the planning process is dealt with

The company used a somewhat unusual planning system, which consisted of an on-going market research report, which was split into various market sectors, giving details of tonnage and growth trends. From this monthly status report, the company decided what tonnage it wanted in each market sector and specifically which market sectors it wanted to tackle over the next six months. The result of this monthly review was a list of companies that should be approached, which was then built into a sales plan, which also included a detailed promotional plan, including media, mail shots, and so on. In the following period, advertising response and sales results were reviewed.

The sales and marketing manager described this as a sort of rolling six month plan, which obviously helped considerably with the forecasting and budgeting process that took place every year starting in October in readiness for the financial year which ran from January to December. It is clear that this company's system was considerably better than those systems so far discussed, which consisted only of sales forecasts without formalised and structured market analysis, but it was also deficient in at least one very important respect.

Firstly, management was adjusting to short term trends in the market place, in itself a necessary concomitant of any planning system, but this process was taking place in the absence of any agreed overall strategy in relation to the major market and product dimensions along which the company should be developing. With no agreed central strategy, the result, according to the marketing manager, was an almost totally reactive attitude by all levels of management at a tactical rather than at a strategic level, and this affected the way they behaved in relation to potentially major sectors of the business, such as export markets.

Thus, the system was deficient in that it lent itself only to tactical decision-making, although it could easily have been enlarged and amended so as to enable top management to make the strategic decisions related to long term growth. The problems attendant upon this constantly shifting emphasis are described below.

(ii) Planning horizons

There was a detailed six month plan and a budget for one year only.

(iii) Role of the Chief Executive and the planning department
bottom up/top down planning and coordination between HQ
staff and operating units

The marketing manager appeared to be extremely demotivated and demoralised after his first year with the company. He explained:

"We have no real corporate plan. We plan for one year ahead only, although there is a kind of intuitive plan for the next three years. The trouble is, only the chief executive really knows what this plan is. He plays a purely reactive role in planning, which means that people are always at loggerheads because no-one knows what's expected of them. Consequently, we all spend too much time concentrating on minor issues while the real market challenges go begging."

The company had been forced by the recession to consider marketing planning because sales had fallen in real terms by almost fifty per cent. He had introduced the current system described above, but there were a number of serious faults which were described by the marketing manager as centering around a lack of cooperation and participation by the chief executive.

According to the marketing manager, traditionally the foundry industry had been dependent upon a few customers, and marketing as a discipline was not considered to be relevant.

"The trouble was that in bad times, the foundries just died, so we were forced to consider formulating an urgent and long overdue strategy in relation to our markets and products so that we could secure the long term profitable future of the foundry."

A major problem for the company, however, was that the chief executive played only a reactive role in the marketing manager's attempts to formulate a strategy, together with associated plans.

Explained the marketing manager:

"We're only part way there because nothing has been formalised from the top. Which means that none of us really know what's expected of us. For example, the managing director and the general manager are constantly at loggerheads as to where the emphasis should be placed. I'm trying to make people see what's happening, but it's difficult to change a company's attitude from the middle of the pile. Essentially, it's a question of how we should be cutting the cake. We only have so much capacity and there are lots of opportunities. The

real problem is deciding what we should be doing at all. Perhaps we should be making and selling permanent castings worldwide, or perhaps only in the U.K. Perhaps we should be making components for a number of industries. Perhaps we should just be selling capacity for iron castings. It's no good the chief executive just giving me a target of £100,000 profit. Doing what? The new planning system has improved our knowledge about the market and sharpened our awareness, but at the end of the day it's up to the chief executive to decide what he wants the company to do."

(iv) The EPRG profile

In relation to export markets, apart from the initial gathering of market information by headquarters from the BOTB in order to make a decision as to whether a particular foreign market should be entered, agents, once appointed, were left entirely to their own devices. Only pricing had to be controlled from headquarters, as is usual where the customer deals direct with an organisation in the U.K. Regular customer visit reports were received from agents, but no decisions were made in headquarters as a result of receiving them.

It was not surprising to discover that marketing abroad received no special treatment, especially since the whole area of marketing was seen as being problematical. Agents were visited once a year by the marketing manager, who confessed that he had little idea how to control the marketing mix when operating through a third party. Although export markets were thought to be important in relation to the company's strategy for expansion, not a lot of thought had been given to initiating procedures for gaining tighter control over what agents abroad did. This seemed to be understandable when seen against the operational problems described above. However, the company's failure to devise a planning system for giving it greater control over its overseas marketing was seen as being a cause of lost opportunities.

To summarise, taking the seven step marketing planning process, it is clear that this company's system was much more than a sales forecasting and budgeting system, yet it stopped well short of being a complete marketing system, since it was so badly implemented by management.

This is yet another indication that a marketing planning system will not, by itself, bring any benefits to a company without the qualitative dimension that can only come from intelligent management participation.

Step	Marketing planning task	Not done at all	where done assessment of how well done		
			poor	average	good
1	Gathering information on both the external environment and the company internally (the marketing audit)				✓
2	Identifying major strengths, weaknesses, opportunities and threats (SWOT analysis)		✓		
3	Formulating basic assumptions	✓			
4	Deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis and the assumptions made				
5	Laying down strategies for achieving the objectives				
6	Formulating programmes for implementing the strategies, to include timing, responsibilities and costs				
7	Measuring progress towards achievement of the objectives and amending the plan as necessary				

(c) Hypotheses

See overleaf.

(d) New insights and hypotheses

It would appear from this brief case history that most of the components existed that constitute a complete marketing planning system. Yet the system was clearly not working. In this instance, it was not because marketing skills did not exist at operational level, as in the first case, for they clearly did in the marketing manager, who was also the principal commercial officer of the company. In this instance the reason was a lack of participation by the chief executive. His active participation was probably needed to bring about a system improvement. Specifically, this could have been done at an agreed point in the planning cycle, by summarising market trends over a longer period, projecting

	case material supportive	case material not supportive	insufficient evidence
<p style="text-align: center;">HYPOTHESIS</p> <p>1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.</p>	✓		
<p>2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.</p>	✓ see later case history		
<p>3. Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.</p>			✓
<p>4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.</p>	✓ see later case history		
<p>5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.</p>	✓		

them further into the future, identifying the company's own good points and bad points in relation to whatever market opportunities and threats were identified, reaching agreement at the highest levels of management on a long term policy in relation to markets and products, and deciding the broad methods by which this policy could be achieved. This added dimension of long term perspective may have had a vital influence on the decisions made as part of the company's existing short term planning system.

In a sense this is connected with the hypothesis which emerged from the second case history, that market planning undertaken at functional level, in the absence of any means of integration with other functional areas of the business at general management level, will be largely ineffective.

In a small company, just as much as in a large company, this integration and strategic dimension must be added by the chief executive officer. In a large, diversified company, there will possibly be several levels of general management, often aided by a corporate planning function. In a small company, the same function will probably need to be performed by the chief executive, and unless he does, marketing planning at functional level is likely to be ineffective, as in this particular case.

This leads to a further hypothesis, as follows: UNLESS THE CHIEF EXECUTIVE UNDERSTANDS AND TAKES AN ACTIVE ROLE IN MARKETING PLANNING, IT WILL NOT BE A COMPLETE SYSTEM AND WILL, THEREFORE, BE INEFFECTIVE.

12.1.5. A small, undiversified capital goods company (Cell 3)

This case history will be reported only briefly because it exhibits many similar characteristics to that of the large, undiversified capital goods company described above.

(a) Background information about the company

This company is based in Lancashire and sells approximately forty per cent of its furnaces abroad, mostly in two countries, relying exclusively on agents.

Profits had been falling in real terms for a number of years, with only marginal improvements in turnover. The company had no idea about total market size in Britain or in any country, nor any understanding of market segmentation.

(b) Type of marketing planning undertaken

During the interview with the chief executive, the writer

was informed that measuring market size in total and by segment was impossible in that particular market. The writer followed up with a second interview, and during the period in between appointments spent half a day on desk research, which very easily gave shape and meaning to the market under investigation.

At the second interview, the chief executive repeated his line of reasoning followed in the first interview, which was that all that was possible or necessary was a one year sales forecast and profit plan. He said it was impossible to write long term corporate plans for capital goods, and that in any case these would have to be specific to each country in which the company operates.

It was at the second interview that the chief executive was handed the fairly full market and segment data and information relating to his specific capital products. He appeared pleasantly surprised and saw this as extremely valuable and necessary information for his company if he were to make progress. He then acknowledged that with corporate plans based on sound market data such as this, he would be better able to consider how to make rapid and considerable advances in terms of sales and profitability, both in home and export markets. Also, that some kind of simple institutionalised procedures would be necessary to do this on an on-going basis.

Overseas sales were seen as a major problem, principally concerned with the difficulty of finding good agents, but once found these were virtually left to their own devices to generate enquiries. No attempt was made to gather market information or to use it as part of any formalised system to help them decide where their best potential lay and how best to take advantage of it. Not even sales forecasts were made for overseas agents.

So far, the company appears to be similar to the others, in the sense that here was another case in which a lack of marketing planning and static or declining sales and profits were both present. But the comparison ends here, which is why this case history is included. For it gradually began to emerge that the chief executive was also chairman and principal shareholder and that he enjoyed his company almost as a hobby, rather than as a career.

One of the many things he said concerned his anxiety at high levels of personal taxation.

"I know what you say is true, but frankly, I don't really want the company to do any better. Already I put in too many hours. We've never had any strikes. But there's no point in trying to improve things with the present tax rates. With the dividends I draw as chairman and principal shareholder, and on the salary I pay myself, I can see no point in increasing my worries and

my risks for such a small return. When the incentive for doing better improves, I'll consider instituting planning systems that will enable me to take advantage of our many market opportunities."

It is difficult to evaluate this comment, especially against a background of declining corporate profitability. During a seven year period, turnover in constant money terms had fallen by almost fifty per cent, whilst the actual volume and percentage of sales going abroad had also fallen substantially.

It was quite clear that the chairman acknowledged that even with some elementary marketing planning his company could be much more effective, but he was clearly content to keep the company ticking over profitably on its existing basis. It also emerged that his main interest in overseas sales was his own personal interest in travelling abroad.

The company was extremely skilled at the particular branch of furnace technology that their products were based on, and it was apparent that this company could probably survive in this segment for some time to come, since the segment itself was growing well and orders were not too difficult to obtain.

It could be argued that this company was actually achieving its objectives without a complete marketing planning system, even though its commercial performance was poor. When judged by normal commercial criteria, however, it seems reasonable to assume that the company's performance was unsatisfactory and that this is in some way related to a complete lack of marketing planning in any sense of the term.

It is also tempting to speculate what will happen if the growth rate in their particular market segment starts to decline, an eventuality which life cycle theory indicates is highly probable.

Thus, this case history, although somewhat unusual, is nevertheless generally supportive of the hypotheses developed so far.

12.1.6. A large, nationalised, high technology company (Mostly Cell 3)

(a) Background information about the company

This company is included because it exhibits some interesting characteristics which differentiate it from others in the sample frame.

Principal amongst these is the fact that it is a nationalised company which has been in a monopoly trading situation in many

countries around the world for many years and a near-monopoly situation in many others.

Like many large, well-established, international companies, the majority of its income is derived from overseas. The firm operates through a number of autonomous subsidiary units, each with its own management structure. The general managers of these units report to a director at headquarters in the U.K., but these HQ directors are few in number and are more like financial controllers, their span of control being far too wide to enable them to become involved in day-to-day activities. Each has responsibility for a major region of the world.

The company is profitable and successful, although the development of indigenous technology around the world during the past decade has lessened their monopolistic strength, with the result that the company has now diversified into more competitive commercial/ industrial areas.

(b) Type of marketing planning undertaken

(i) How each of the seven steps in the planning process is dealt with

Seven senior commercial/marketing managers were interviewed over a period of six months, three of whom were from operating units. The first most striking feature of this company was the contrast between what outside government controllers thought happened and what actually happened in respect of marketing planning. An extract from an all party parliamentary committee report on the company described the marketing planning procedures in terms which sounded as if an extract from a text book had been used; certainly, it appeared that each of the seven steps in the theoretical framework were carried out very thoroughly.

However, when this extract was shown to each of the respondents, they made it very clear that there was no such system in operation, nor had there ever been. One senior headquarters marketing executive observed:

"Our five year corporate plan is nothing more than five year forecasts and budgets. We have no planning department and we have no planning function. Even forecasts tend merely to be extrapolations of trends. All our managers spend too much time fighting fires which are certainly the result of our activities being based solely on figures. We are so obsessed with the short term that no-one ever thinks long term. Because we have no real corporate objectives, divisional managers can't develop any marketing strategies, because they have no clear idea of what they're supposed to be doing and where they're supposed to be going."

"We have no strategic guidelines at all. When you're operating in diverse fields throughout the world in competitive markets, this is essential if we are to get the best from our resources. For example, we have no formal procedure for entering new markets. Anyone can do it.

We have no formalised situation analysis, or review of performance. We have assumptions, but there are no written disciplines, which means that very often they are only implicit. I've already said that sales forecasts are only statistical extrapolations of trends.

We've got no pricing strategies, no promotional strategies and so on. We're supposed to have a monthly planning meeting, but we haven't had one for three months and we don't know when the next one is. This is a great shame, because it is not taken as seriously as it should be."

Step	Marketing planning task	Not done at all	where done assessment of how well done		
			poor	average	good
1	Gathering information on both the external environment and the company internally (the marketing audit)	✓			
2	Identifying major strengths, weaknesses, opportunities and threats (SWOT analysis)	✓			
3	Formulating basic assumptions		✓		
4	Deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis and the assumptions made	✓			
5	Laying down strategies for achieving the objectives	✓			
6	Formulating programmes for implementing the strategies, to include timing, responsibilities and costs		✓		
7	Measuring progress towards achievement of the objectives and amending the plan as necessary		✓		

Taking the seven steps in the marketing planning process, yet again it appears that here is a major company which does not conform to the theory, relying like most on a sales forecasting and budgeting system.

(ii) Role of the Chief Executive and the planning department, bottom up/top down planning, coordination between HQ and operating units, and the EPRG profile

The chief executive, who was interviewed briefly, appeared to be more in a political role of liaison between the company and the government rather than the chief operational manager. There was no central planning department, and line directors acted as financial controllers of their regions. Forecasts and budgets came from the operating units, and were rarely amended by HQ directors. The firm most definitely operated as a polycentric unit.

The implications of the above are discussed below under the heading "Problems".

(c) Problems

Here was a financially successful company that had no complete marketing planning system. It would be easy to conclude that in such circumstances a complete marketing planning system is unnecessary, which would clearly be supportive of the first hypothesis. Yet this company has operated for over fifty years in markets which have grown phenomenally and in which it has been protected by favoured treatment from governments around the world.

Since there appear to have been no adverse profitability consequences resulting from the use of only a sales forecasting and budgeting system and a highly decentralised structure, it was extremely interesting to hear the views of a broad cross section of senior managers in the organisation on what they considered to be the key operating issues.

All were very frank about the operational problems suffered by the company as a result of a lack of a marketing planning system to enable its worldwide operations to be effectively coordinated.

"It's very difficult to develop meaningful strategies at divisional level when you're operating in a vacuum. Apart from this, we're always having resource problems because we don't know how we see ourselves developing and in which field. At the moment we don't control what we do; we're controlled by our markets."

When asked why he felt so strongly about the need for some kind of formalised marketing planning system, he referred to what he called the four P's of marketing, starting with Product.

"All operating units are profit responsible, but there is no-one at headquarters coordinating the resource base necessary to service sales. Consequently, the product has been grossly oversold in certain areas. This leads us to ask whether we are really deploying our corporate resources to best use. At present, each group pushes its own projects up to the chief executive independent of the others.

Price is also a major problem worldwide. Intergroup pricing problems are a nightmare. For example, if a field unit wants to bid for a job, it has two options. They can either bid for the job locally or work on zero profit by giving margins to headquarters. All this is complicated by existing long standing agreements with other major arms of the company, often causing great embarrassment.

Distribution can also be a major problem, for the same reason. Lack of a central planning function fails to avoid most of this duplication of effort. There is no function which points out whether an operating unit is standing on someone else's toes, and because the operation is so big, it is virtually impossible to find out until a major problem occurs."

Apparently the existence of a central public relations department ensured a uniform approach worldwide to material presentation and this was seen as being one of the company's most successfully managed functions.

It seemed surprising that such a large group had not appreciated the need earlier for a more formalised approach to marketing planning. This was explained as emerging very slowly from a realisation that in order to safeguard the company's longer term profitability, new markets had to be sought. It was this venture into new markets that apparently exposed the need for some kind of marketing planning system, since the new markets were highly competitive, as opposed to the quasi-monopolistic situation that the company had enjoyed for so long in its traditional markets, a situation that was slowly being eroded.

In its new business ventures, the company was making what was described as a significant loss. The policy was one of market extension in order to lessen its dependence on its traditional business, and it was firmly believed by one senior executive interviewed that profits would by now be being earned had there been a marketing planning system to help the company to decide what products and markets should be concentrated on, so as to get the best possible utilization out of the group's extensive resources. The divisional manager being interviewed

saw the problem simply as being one of a better matching of group skills with market needs, particularly in the area of new product development.

The view was expressed that in spite of the company's enormous integrity in its traditional markets, every time an operational problem occurred resulting from, for example, overselling, the company was surrendering part of its future integrity.

To summarise, this company was experiencing similar problems to those of the other companies referred to above, specifically in respect of a lack of focus for management decision-making in the important area of strategic marketing. It also appeared to be suffering from the lack of sympathy towards and understanding of, the need for marketing planning so common in companies traditionally orientated towards technology as opposed to markets.

Interestingly, there were two other major firms operating in related markets which were included in the sample frame. One had a sales forecasting system similar to the one described above, whilst the other had the most complete marketing planning system out of the 199 companies in the sample frame. This latter company is a "blue chip" company, and is considered to be one of the most successful in the world. Both these cases will be described later.

(d) Hypotheses

This case history seems generally supportive of the hypotheses developed from the literature review.

(e) New insights and hypotheses

When evaluated against the criteria of profitability alone, this case history appears not to be supportive of the belief in the value of marketing planning.

It is for this reason that the case is included, for one must constantly guard against the temptation to dismiss evidence that seems to fly in the face of a theory.

As any researcher knows, research cannot be used to prove negatives, or in this instance what might have been had a different approach to marketing planning been used.

Nonetheless as will be seen from two later case histories of companies operating in related markets, at least one of them appears to fare better when a qualitative comparison is made between the way they cope with their environments. It will be seen that there is a certain contiguity of problems for the two

	case material supportive	case material not supportive	insufficient evidence
<p style="text-align: center;">HYPOTHESIS</p> <p>1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.</p>	✓		
<p>2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.</p>	✓ see later case histories		
<p>3. Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.</p>	✓ see later case histories		
<p>4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.</p>	✓ see later case histories		
<p>5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.</p>			✓

companies with only sales forecasting and budgeting systems, whilst the company with a complete marketing planning system appears to have none of these problems.

These problems are concerned mainly with the kind of duplication and waste described in this case history, which in turn leads to widespread management frustration and constant internecine disputes, all of which surely detract from a firm's external competitiveness.

Such duplication and waste (as described by managers themselves), also surely detracts from potential profitability, and whilst this cannot be measured, it seems reasonable to conclude that lack of a complete marketing planning system makes a company less profitable in the long term.

This leads to the development of the hypothesis that: LACK OF A COMPLETE MARKETING PLANNING SYSTEM WILL LEAD TO DUPLICATION AND INEFFICIENT USE OF RESOURCES, a hypothesis which seems to be supported by the evidence emerging from the case histories so far reported.

Also, it may well be that the parliamentary report which included a description of a complete marketing planning system was based on what should happen in the company. The fact that it does not may well be related to the chief executive's almost total non involvement with the system.

(f) Conclusions

Bringing together the further hypotheses developed from the case histories so far reported, it can be seen that a certain pattern seems to be emerging:

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-BUREAUCRATISATION OF THE SYSTEM.
2. FINANCIALLY ORIENTATED MARKETING PLANNING SYSTEMS WILL LEAD TO POOR MARKETING PRODUCTIVITY IN THE LONG TERM, A PROBLEM WHICH WILL BE MADE WORSE BY DIFFICULTIES IN MARKETING INTEGRATION AT THE CORPORATE LEVEL.
3. THE LACK OF A COMPLETE MARKETING PLANNING SYSTEM WILL LEAD TO DUPLICATION AND INEFFICIENT USE OF RESOURCES.
4. 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.

5. 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 MAY RESULT IN THE FIRM BEING LESS EFFECTIVE IN THE LONG TERM.
6. UNLESS THE CHIEF EXECUTIVE UNDERSTANDS AND TAKES AN ACTIVE ROLE IN MARKETING PLANNING, IT WILL NOT BE A COMPLETE SYSTEM, AND WILL, THEREFORE, BE INEFFECTIVE.
7. THE MAJOR BENEFIT OF MARKETING PLANNING DERIVES FROM THE PROCESS ITSELF, RATHER THAN FROM THE EXISTENCE OF A PLAN.

They begin to point to the inadequacy of the extant body of knowledge on marketing planning, which is clearly a multi-faceted and multidimensional process and much more complex than is recognised in the literature, relating as it does to other functional areas, organisational issues and management styles.

It is clear, for example, that the term "complete marketing planning system" does not mean only the existence of the institutionalised means of carrying out the seven step marketing planning process. Such a system will not be "complete", unless a number of conditions are satisfied, the main ones being:-

- (i) The chief executive has to understand the system and take an active part in it.
- (ii) There has to exist the means of integration with other functional areas of the business at general management level.
- (iii) In a closed loop system, some mechanism has to exist to prevent marketing inertia from over-bureaucratisation.
- (iv) Operational and strategic marketing planning have to be a part of the same system.

It is one of the main purposes of this thesis to explore such issues and to make whatever amendments are necessary to the theoretical framework so that it can accommodate them where appropriate.

12.1.7. A small, multipurpose machinery company (Cell I)

This small Northern based company exhibited few differences from many similar types of company in the sample frame and will

therefore be reported only briefly.

(a) Summary of background information, marketing planning practices, etc

This company had a broad range of products and sold thirty per cent of its turnover abroad through exclusive distributors.

Profits had been static for the past two years, not because of declining markets, but because the company was, according to the sales director, taking on too much work of too varied a kind.

Their planning system was very much a sales forecasting and budgeting system, the figures being negotiated between the sales director and the managing director.

This case is included because, unlike many companies in the sample frame, it was faced with ample opportunities, but did not appear to have the means of selecting and taking advantage of those which best suited its skills.

The sales director himself, as the chief marketing manager, was under pressure to resolve the problem of deciding the strategic direction of the company, but lacked the means of doing so. He was seeking some way of deciding how to concentrate on fewer defined market segments. Interestingly, he had turned to marketing planning for a solution, but found the literature on the subject too generalised and confusing.

In respect of overseas sales, which accounted for thirty per cent of turnover, exclusive distributors were appointed, who were then left more or less to their own devices. Prices abroad were considered to be the major problem, and the sales director quoted the U.S.A. as an example, where the distributor was in court for overcharging when in fact the product could have been sold at half the price. He felt exactly the same about overseas sales as he felt about sales in the U.K., where his product range was too broad and where many profitable opportunities were lost because the company was not planning its policy in relation to products and markets.

(b) Hypotheses and conclusions

In this case, it would seem that the need for some form of institutionalised marketing planning system manifested itself through growing diversity. The company owned a versatile manufacturing plant that could easily lend itself to many kinds of processes, and this, coupled with the geographical dispersion of its products, eventually led to a situation in which the company was spreading itself too broadly and suffering declining profitability as a consequence.

The company was, nevertheless, still profitable, so this is not unsupportive of the first hypothesis emerging from the literature. It also adds weight to the view which is emerging, that even in small companies in high growth situations, lack of a complete marketing planning system will lead to lost opportunities for profit. In other words, this case seems to be generally supportive of the view that any company without a complete marketing planning system will be less "successful" than one with such a system, (taking the term "complete marketing planning system" as satisfying the conditions set out at the end of the last section).

The next case history also seems supportive of this view.

12.1.8. A medium sized, multipurpose equipment company (Cell I)

(a) Summary of background information, marketing planning practices, etc

The marketing director of this medium sized, multipurpose equipment company expressed similar views to those of the managing director of the large capital goods company (case history I2.1.3.), although the operating circumstances were very different.

This company sold thirty per cent of its turnover abroad, mostly through agents and distributors, although there were also a few wholly owned marketing companies which, although responsible to the managing director, had previously been allowed complete freedom to carry out marketing in whatever way suited them best.

The marketing director described his planning system in the following way:-

"We plan for one year ahead, but it isn't really a corporate or marketing plan, in the sense that it isn't based on any form of market analysis. Our corporate plan is very much a "top down" plan, and involves rather a lot of meaningless horse trading before the figures are finally agreed. It is very much numbers orientated because we just haven't bothered to get the market information we need."

This company was just beginning to embark on a formalised marketing planning procedure for its home and overseas divisions, and was in the process of improving its information base as a prelude to this. When asked why formalised procedures were felt to be necessary, the marketing director explained that the first two years of the new managing director's appointment had been spent on rationalisation and in becoming generally

more efficient operationally. He described the company as being reasonably successful, but not very profitable, and, said that the managing director, following the rationalisation, had realised that the only way to grow was through market penetration.

"In other words, in terms of rationalisation, there has to be a limit. Our philosophy now is one of concentration, of doing a few things well. To do that we have to have a plan in order to know where we want to go and how to get there. The trouble is, every day I am confronted by what seem to be marvellous opportunities, and I need a plan to avoid distraction.

One major problem I have, however, is that in an industrial goods company I am a relative loner in thinking this way. We have just completed a plan for Germany after eighteen months trying. People just didn't know how and I made myself unpopular by forcing people to think things through in marketing terms, and by establishing a procedure to force them to think logically."

The marketing director had established a format and set of procedures for marketing planning which were close to the theoretical framework, as follows:

- I. Executive summary.
2. Marketing and product review
 - (i) Analysis of market situation
 - a) Market environment
 - total market size
 - sectors
 - industry economics
 - competitors, etc.
 - b) Competition position and trends
 - c) Sales/profit/cost performance of company products
 - d) Commentary on market performance of company products
3. Review of company strengths and weaknesses compared with competitors.
 - (i) Completeness of range
 - (ii) Distribution
 - (iii) Actual performance
 - (iv) Advertising/promotion, etc.

4. Main conclusions: Key problems and opportunities.
5. Statement of marketing objectives (these have to be measurable).
6. Major elements of strategy
 - (i) Product profile
 - (ii) Market sectors, distribution channels
 - (iii) Service
 - (iv) Pricing
 - (v) Image, sales presentation
 - (vi) Advertising/sales promotion
 - (vii) Any other specific strategies
7. Implications of proposed strategies
 - (i) Resources required
 - (ii) Risk implications
8. Summary of plans.
9. Detailed step-by-step action programmes.

Each of these headings was annotated with examples, such as pricing.

"For example, to maintain a minimum gross margin of X%; to maintain price parity with the market leader, etc."

The marketing director also said about his system:

"I must say that stages 2 to 4 form the basis of setting realistic objectives, strategies and plans. We still don't have any written overall marketing objectives and strategies."

To overcome these problems, he had recently amended the system, and it seemed to be showing signs of working effectively.

The approach of the marketing director was to re-introduce his system in stages, beginning with personal "presentations" at the planning meetings by key personnel according to the specific structure of operating instructions as described above.

The intention was to control the business through the existing budgetary control system, reviewing results monthly at management meetings, with detailed explanations in marketing terms of any deviations from plan.

•

Further to this, a new products committee was established which met every three months.

At each of these meetings, key personnel responsible for the major areas of operation were asked to give presentations according to the set of procedures described above.

"We are beginning to use this system to get a dialogue going between key operating personnel, including the managing director. Because we're not too big, this is possible, whereas I doubt if it would in a much larger company. My view is that we can manage ourselves very effectively by dialogue, structured the way I want it, because of our comparatively small size."

The marketing director then went on to talk at some length about control of marketing from the centre. As in many cases, there was a dual problem in the form of wholly owned subsidiaries and distributors. He laid very great emphasis on the dissimilarity of all their markets in respect of the detailed implementation of marketing plans and was adamant that this had to be controlled by personnel closest to the market. Because of this great dissimilarity of markets, he felt very strongly that marketing objectives and strategies would have to be set by subsidiaries themselves if they were to be meaningful. However, he said that the company image certainly should be controlled by headquarters and that marketing information in some universally consistent form should come into the centre in order that headquarters management could control the product and market strategy of the company as a whole.

He then went on to give an example of one of their highly specialised products in the marine market.

"The key to success is having a worldwide distribution system, but we weren't sure how big the market was, or how well we were doing. So I developed a method of market measurement from the logs of ship movements throughout the world. Armed with this information, we were able to go to our distributors and discuss realistic targets related to market share, minimum stock levels, and so on. We're also trying to help our subsidiaries and distributors throughout the world by disseminating information about market trends, successful promotions, and so on."

In practice, the way these views on centralised planning manifested themselves was that rather than disseminating overall objectives and strategies from headquarters, a number of written constraints were issued, especially in respect of product market development.

This same director had previously said that one of his major problems was that every day he was confronted by marvellous

opportunities and that he needed a plan in order to avoid distraction and dissipation of efforts. He also made it clear that the previous system of asking subsidiary managers what they wanted to do was a very questionable way of trying to plan a business, and that he was having difficulty with his new system, the purpose of which was to discipline managers by agreeing clear goals and concrete objectives vital to the enterprise as a whole. He was in fact achieving this discipline by means of structured presentations and dialogues with key personnel, backed up by some written constraints, a *modus operandi* which he believed was only possible because of the limited size of the operation.

To summarise, this organisation, by means of its new planning system, was beginning to direct the enterprise from the centre, and was relying on a combination of structured reports, operating constraints, and the intuitive understanding of headquarters directors about the company's philosophy in relation to products and markets, the key to which was the collection and dissemination of information.

(b) Problems

It was not only the completion of the plan for Germany, however, that had made the marketing director and his new system unpopular. As he said:

"This is the framework I have established, but I must say we are doing it very badly, mostly because of lack of market information, management experience, and resistance to the system. For example, the Australian managing director just said: 'No' to it and wouldn't have anything to do with it."

Particularly in respect of overseas marketing, apart from personnel issues, he saw the lack of market information as a major problem.

"Here I'm not just talking about facts and figures, although these are important. I'm talking about understanding what a market really wants, so as to know how to attack it. In other words, a "feel" for the market. So distance is a problem, not just from the point of view of market understanding, but also in terms of approvals, specifications and the whole area of product adaptation. Even if you're only selling a boiler, it's unlikely that many of your standard technical features will be suitable for many markets, and when you're designing technical products in the U.K. and quoting, it's often only at the operational stage, that you discover some fundamental flaws in design, and this is nearly always the result of a lack of understanding in depth of a particular foreign market.

Finally, if you use an agent, there is a conflict of interests. He is interested in throughput rather than margin, and this

often leads to unnecessarily low quotations. If you rely on a distributor, you don't get the "feel" for the market anyway.

The only way we can overcome these problems is by introducing proper systems to enable us to get actionable information into the centre. The procedures I've initiated should help us with our dialogue with distributors, so that we can get a marketing plan to which they agree. They will also help me to disseminate relevant information about other worldwide activities."

Nevertheless, at the time of the interview it cannot be said that the company had a complete marketing planning system.

Step	Marketing planning task	Not done at all	where done assessment of how well done		
			poor	average	good
1	Gathering information on both the external environment and the company internally (the marketing audit)		✓		
2	Identifying major strengths, weaknesses, opportunities and threats (SWOT analysis)	✓			
3	Formulating basic assumptions	✓			
4	Deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis and the assumptions made	✓			
5	Laying down strategies for achieving the objectives	✓			
6	Formulating programmes for implementing the strategies, to include timing, responsibilities and costs	✓			
7	Measuring progress towards achievement of the objectives and amending the plan as necessary	✓			

(c) Hypotheses

This case is generally supportive of the hypotheses developed from the literature review.

	HYPOTHESIS	case material supportive	case material not supportive	insufficient evidence
1.	If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.	✓		
2.	Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.	✓ see later case history		
3.	Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.	✓ see later case history		
4.	Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.			
5.	The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.	✓		

(d) New insights and hypotheses

A number of interesting insights emerge from this case history, the first of which is that here is another example of a company faced with the difficulty of deciding which opportunities to take advantage of in a period of growth in the absence of a complete marketing planning system. In other words, the issue of lost opportunities for profit arises, and is generally supportive of the view that over a period of time, companies with complete marketing planning systems will be more "successful" than those without.

But this case also adds weight to the seven further hypotheses summarised at the end of the last case history, particularly numbers one and six.

It is clear that the chief executive, who had largely held himself aloof from the company's new system, had been largely responsible for its failure, rather than any failure in the system itself. His very recent involvement in the dialogues referred to above began to transform the system into a workable tool.

Furthermore, it is also clear that the new method of implementation experimented with began to endow the system with a dynamic that was previously lacking. In other words, here was a mechanism for opening the loop in an erstwhile closed loop system.

12.1.9. A medium sized capital goods manufacturer (Mostly Cell 3)

(a) Background information about the company

This company had enjoyed market share leadership in a certain segment of the capital medical equipment market. In 1974 its share was 60 per cent. 80 per cent of its sales were in the U.K.

During the period 1974 to 1978, this market enjoyed a period of relatively high growth and whilst the company's profits improved each year through price manipulation and cost cutting exercises, their market share dropped gradually until it was only 20 per cent. In 1979, with the downturn in the market as a result of government policies, results took a dramatic turn for the worse, and a net loss on their business occurred, accompanied by a change in top management.

This brief case history is included only because it is a somewhat dramatic example of a particularly important aspect of marketing planning.

(b) Type of marketing planning undertaken, marketing planning practices, etc.

This company had the most tightly structured and rigid system of sales forecasting and budgeting control of all the companies interviewed. The budget was akin to a bible in this firm, with a series of monthly meetings between all key personnel to explain any deviations from plan. There were no formalised audits, SWOT analyses, assumptions, written marketing objectives and strategies, or programmes, other than those implicit in the figures which appeared in the budgets. The whole process started from the bottom, with sales forecasts coming from the field sales force. These were amended if necessary by the chief executive, along with all the associated cost centres. Once agreed, these budgets were inviolable. Long range plans existed for three years ahead, but these were of a purely financial nature.

This firm, then, most definitely did not conform to the theoretical framework, yet at the same time it produced satisfactory profits when measured over a five year period. Its policies, however, seem to indicate that concentration on short term profitability at the expense of market share in a high growth market will eventually have serious adverse effects when this growth rate declines.

According to the marketing manager who was interviewed, the company is now striving to introduce a complete marketing planning system and apparently has little prospect of a profits recovery for at least two years. Meanwhile, its major competitor seems to be still trading profitably in spite of the market decline.

There was also some evidence that key personnel had been experiencing a period of demotivation for a number of years, and that some had resigned over central policy issues, particularly those relating to marketing.

(c) Hypotheses

This brief case history seems to be generally supportive of most of the hypotheses so far developed.

(d) New insights and hypotheses

No new insights or hypotheses emerge from this case history, although it does add weight to hypotheses four and seven.

HYPOTHESIS	case material supportive	case material not supportive	insufficient evidence
<p>1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.</p>	✓		
<p>2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.</p>	✓		
<p>3. Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.</p>	✓		✓
<p>4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.</p>	✓		
<p>5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.</p>			✓

HYPOTHESES	case material supportive	case material not supportive	insufficient evidence
<p>6. 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-bureaucratisation of the system.</p>	✓		
<p>7. Financially orientated marketing planning systems will lead to poor marketing productivity in the long term, a problem which will be made worse by difficulties in marketing integration at the corporate level.</p>	✓		
<p>8. The lack of a complete marketing planning system will lead to duplication and inefficient use of resources.</p>			✓
<p>9. 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.</p>			✓
<p>10. 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 pre-occupation with short term results at operational level, which may result in the firm being less effective in the long term.</p>			✓
<p>11. Unless the chief executive understands and takes an active role in marketing planning, it will not be a complete system, and will, therefore be ineffective.</p>	✓		
<p>12. The major benefit of marketing planning derives from the <u>process</u> itself, rather than from the existence of a plan.</p>	✓		

The following two brief case histories are included because they point up two issues of major relevance to this thesis.

12.1.10. A large multinational telecommunications hardware manufacturer (Mostly Cell 2)

(a) Background information about the company

This company, with a turnover of around £50 million a year, sold approximately thirty five per cent of its production to about seventy five countries around the world. It is a well known company, with a popular, "blue chip" reputation.

For a number of years, in spite of a steady market growth rate of between five and ten per cent, profitability in real terms has been slipping, whilst export market shares and volumes have also been falling steadily year by year, "largely because of a lack of effective product management."
(Marketing director).

The company had reached its previous position of strength largely on the basis of good technology and opportunistic selling around the world, a method that had worked reasonably well until competition began to increase during the past decade.

(b) Type of marketing planning undertaken

Other than a four year profit projection based on the projections of sales staff around the world, there was no formalised marketing planning. Sales forecasts were continuously up-dated by an amalgam of computer-derived trend projections and out-of-trend indicators from sales managers. Budgets were produced "by a combination of trend extrapolations."

This company's system was very much a sales forecasting and budgeting system.

Most of the directors and senior managers were engineers with no marketing training or background.

(c) Problems

In 1979 the company realised that it could no longer proceed on the basis only of its forecasting/budgeting system. Apart from falling market shares, the principal manifestation of the way the company had managed its affairs during the past decade, was problems in the area of product management.

In the absence of any strategic guidance on marketing objectives, the company had followed a largely polycentric approach to its

markets (host country orientation). This resulted not only in product line proliferation, but also in hundreds of individual variations in product design for the different countries around the world. The result was a nightmarish production planning task in the U.K., with a loss of economies of scale in production, and vast amounts of capital tied up in large inventories around the world. Also, promotional and selling efforts around the world were being badly dissipated. But, without some means of evaluation, there was no way that headquarters could determine which were the most profitable product and market areas on which to concentrate. Hence the realisation of the need to move to a formalised system of marketing planning.

The marketing director said:

"In the past we have inevitably gone into our budgeting phase with inadequate information as to the current situation broken down into market segments, regions and countries, and have arrived at our budget by applying general percentage figures on top of historical information, recognising only readily-identifiable past large orders. What we need now is a good background information about the historical situation, a clear understanding of our strategy by market segment, region and country, and with a clear understanding and commitment from distributors and national organisations as to what needs to be achieved in the budget period. We are seeking ways of increasing the effectiveness of product management. Product management is currently an inwards-looking function concerned with the provision of products from conception to delivery. Product management (in the sense of product line profit/turnover responsibility) will shortly evolve, organisational changes being almost certainly necessary first. We are initiating moves towards formalising marketing planning."

(d) Conclusions

The challenge is enormous, and it is estimated by the writer that it will take years to change the attitudes, skills and behaviour of managers who have traditionally been production/technology and sales orientated.

It was surprising to discover that this widely known company, with such a popularly high reputation has, through a heavy dependence on technology and an almost complete lack of marketing awareness, managed itself into its current difficulties.

This case history is generally supportive of the hypotheses.

I2.I.II. A major multinational shipping company with worldwide diversified industrial products (Mostly Cell 2)

(a) Background information about the company

This very brief summary of a series of interviews with the headquarters company marketing director and subsequent interviews with the general managers of subsidiary companies, is included only to point up one major recurring issue of relevance to this thesis.

(b) Type of marketing planning undertaken

Headquarters acted in a Banker role only in respect of subsidiaries, there being very few staff at the centre. The marketing director had no line function and it became clear during the interview that he had been recently recruited and was biding time until an opportunity occurred to take over as general manager of one of the operating divisions. There was a corporate planner, but he was very much in a financial role only, monitoring budgets. There were no systems of any kind for marketing planning.

(c) Problems

This company was also in decline, and in retreat in many of its markets around the world, and in many respects exhibited similar characteristics to those described in detail in relation to the large, diversified multinational in case history I2.1.2.

During the interviews, it became apparent that in respect of information on which to base policies, very little had been done by the way of keeping records; consequently, as with the company described in section I2.1.2., there was an information vacuum at group headquarters, who were thus deprived of any basis on which to make strategic decisions. Other than sacking people, they were consequently at a loss as to what to do when things began to go wrong.

However, it soon became clear that there was a lot of very valuable, but largely unused information in the subsidiary companies. In the majority of cases, the subsidiaries had not bothered to commit to writing what knowledge they did have of their markets. Also, as soon as they realised there would be benefits from expanding their market knowledge, they began to identify vital information gaps.

It was at this point that the enormity of the inefficiency resulting from their failure to act coherently as a group began to dawn on them, for it was quickly realised that much of the information required by each of the subsidiaries was already available in one form or another in other subsidiaries within the group. It was a pure accident that executives discovered

this fact as a result of the series of interviews reported here.

It was also realised at these meetings that, at the very least, a headquarters based information system would facilitate the sharing of many excellent marketing ideas and practices that existed randomly within subsidiary companies.

Finally, the financial managers who were managing the group from the centre, began to realise not only the enormous potential benefits that could be reaped through a better utilisation of the skills and resources of the subsidiaries, but also that some formalised marketing planning procedures were necessary, together with some organisational and system changes, in order both to reap these benefits and provide a framework for making strategic corporate decisions.

This case history is also generally supportive of the hypotheses.

12.2. COMPANIES CONFORMING TO THE THEORETICAL FRAMEWORK

In contrast to the case histories described above, a number of companies were interviewed which appeared to conform to the theoretical framework described in Part I. Examples of these were selected for inclusion on the basis firstly of the degree to which they seemed broadly representative of the population, and secondly of the degree to which they are able to provide new insights into the subject of marketing planning.

12.2.1. A major, diversified, multinational pharmaceutical company (chemicals division) (Mostly Cell 2)

(a) Background information about the company

The divisional marketing planning manager of the chemicals division of one of the world's largest pharmaceutical companies was interviewed over a period spanning three days, during which period the writer was permitted to examine in detail twenty five separate marketing plans relating to major products and markets.

This company has patents on a number of its products, sells around ninety per cent of its products overseas through subsidiary manufacturing and marketing companies, and is considered to be at least as profitable as its major competitors.

Although the company is already quite diversified, its major profitability around the world comes from two patented drugs that have a number of years estimated growth still to come within the patent life cycle.

This case is included in this section of the thesis which contains examples of case histories of companies with complete marketing planning systems because, even though there are some major problems concerning the way marketing planning was carried out in this company, it does nevertheless appear to conform to the theory.

It is included because it is seen by the writer as contributing a number of central ideas to the development of a theory about the nature of marketing planning.

The writer was invited to the headquarters of one of the corporation's major overseas operating companies. The senior management of this company is almost entirely expatriate and it enjoys a considerable degree of autonomy in the conduct of its affairs.

The following people were interviewed in depth during a three day period:

- the chief executive
- the marketing director
- the production director
- the chief executive of a subsidiary company
- the divisional marketing planning manager (chemicals division)
- four marketing managers of other divisions

Most of the data, however, was obtained from the divisional marketing planning manager and the chief executive of a subsidiary company.

Government legislation against the pharmaceutical industry, and a very strict anti trust law had placed the company under considerable pressure to diversify away from pharmaceuticals. Furthermore, this had forced the chief executive to state what he wanted the company to be earning in ten years' time, and subsequent projections revealed a twenty million pound gap between the most likely situation and the desired situation.

The first point which begins to emerge from this case history, then, is that although in this instance competitive conditions are not a problem (because of the company's patent advantage), environmental conditions have become extremely hostile in at least one major subsidiary. In these circumstances, it is interesting to observe the effect on this situation of the company's highly formalised marketing planning system.

(b) Type of marketing planning undertaken

(i) How each of the seven steps in the marketing planning process is dealt with

This company was in complete contrast to the other case histories reported above, in that there was a detailed and sophisticated marketing planning system which conformed almost exactly to the theoretical framework described in Part I.

This system produced a series of excellent product plans, and although in each of its major product fields the company was in excellent control of its policies and dominated most of the segments in which it operated, it failed to add clarity to the division's overall strategy.

This really came to a head when the gap analysis referred to above revealed a twenty million pound projected deficiency between the most likely situation and the desired situation. It was only then that the group began to realise that it had no overall strategies for the company as a whole; neither did it have any overall strategies for individual divisions. The marketing planning system had singularly failed to help management to clarify any overall strategy for the company. The investigation was directed at discovering why this should be so.

Firstly, at a given point in the company's planning cycle, product managers completed an audit of all external and internal factors that had influenced their area of responsibility during the previous trading period. This was a scrupulously detailed situation review, which used information collected by themselves and the division's marketing research manager.

The next step was to provide a summary of key strengths, weaknesses, opportunities and threats. Unfortunately, what appeared in the marketing plans was a somewhat lengthy and confusing mixture of both audit information and the SWOT analysis. This robbed this essential part of the plan of focus and clarity.

Unfortunately, the end result of this audit was a series of loosely connected but separate product plans, and it was impossible to interpret from the combined marketing plan what the overall direction of the company was.

It would have been a comparatively simple step, given some fundamental improvements in the individual product plans, to determine an overall policy for the division in terms of products and markets, and where the major resource allocations should be made.

Such analyses, together with similar analyses from other divisions within the group, would have enabled management to

sharpen their rationality about what needed to be done now and in the future to secure the group's long term future.

Given such analyses, together with the subsequent decisions about resource allocation, the group would have been unlikely to find itself in a situation in which there was a substantial gap between long term financial goals and projected results from a straight extrapolation of the current business.

In order to achieve this, a number of fundamental omissions in the present system would need to be rectified, the first of which related to overall marketing objectives and strategies.

It would, for example, have been comparatively easy for product managers to construct simple product life cycles for each major product. Taking these and using them with the previous audit data and information would have helped them to draw some conclusions about the future length and shape of the sales curve, together with the associated strategy implications for product management, pricing, promotion and distribution.

It would also have been comparatively easy for them to use some framework such as that proposed by the Boston Consulting Group, in order to see more clearly how each product related to the others for which they were responsible. By plotting their products on a matrix showing their respective relative market shares against market growth factors, they would have been better able to determine overall objectives and strategies, in words, for their group of products. Also, by projecting relative product positions and sizes into the future on the same matrix, it would have been easier to establish what needed to be done now in order to secure both short term and long term profits.

An added benefit would be that if such a framework were to be used at the succeeding hierarchical levels, senior management would also have been able to see more clearly what the really key strategic issues were.

The point is that, in this large, multiproduct company, many highly detailed product plans were produced, but these did not produce the desired results. Too much confusing detail robbed the individual parts and the overall plan of the focus and clarity so vital in determining strategy.

This is where devices such as the Boston matrix can be so useful as aids to strategic thinking at all levels in an organisation, although obviously this is a matter of personal preference, and by no means essential, providing the appropriate analysis and subsequent synthesis is actually done. In this instance, the resultant marketing plans were so detailed and voluminous that the writer found it impossible to discern any strategic

relationship between any of them. Neither was the marketing planning manager able to clarify what the company overall strategy was.

(ii) Planning horizon, role of the chief executive, bottom up/top down planning and coordination between HQ and division

It was also clear that the marketing planning timetable was something of a ritual which was squeezed into a very short time period. This approach had the effect of relegating planning to a position of secondary importance to managers.

According to the literature review in Part I of this thesis, the benefits of marketing planning accrue to those companies that use it as an ongoing management tool rather than seeing it as an irksome interruption to day-to-day business management.

Long term marketing planning in this company was managed as a totally separate activity from short term marketing planning, with the result that the long term plan, which in this case was for ten years, tended to be a straight line extrapolation of past trends, and bore virtually no relationship to the much more detailed short term plan. The result was a planning system of extremes. On the one hand, highly detailed individual product plans were being produced, with no way of seeing how they all hung together. On the other hand, ten year forecasts of revenue and costs were being produced which no-one really believed in.

Finally, there were many product managers within the company, working under divisional line managers who were also profit centres. Unfortunately, whilst there was a lot of marketing activity taking place, there was no organisational arrangement at board level for coordinating all these separate activities in such a way that an overall view could be obtained. Strategic planning, therefore, became virtually impossible.

In conclusion, here was an example of overplanning within an inappropriate organisational environment, which failed to give direction, cohesion and thrust to the business by focusing on appropriate overall objectives and strategies.

However, it must be concluded that the company did conform in all respects to the theoretical framework.

(iii) The EPRG profile

It is difficult to classify this company according to the EPRG profile, although it appeared to be essentially polycentric in nature. Its leading drugs were, of course, common throughout the world, and promotion was for obvious reasons fairly tightly controlled from the U.K. Everything else, however, was

Step	Marketing planning task	Not done at all	where done assessment of how well done		
			poor	average	good
1	Gathering information on both the external environment and the company internally (the marketing audit)				/
2	Identifying major strengths, weaknesses, opportunities and threats (SWOT analysis)				/
3	Formulating basic assumptions				.
4	Deciding on the marketing objectives of the business, based on the information gathered, the SWOT analysis and the assumptions made				/
5	Laying down strategies for achieving the objectives				.
6	Formulating programmes for implementing the strategies, to include timing, responsibilities and costs				
7	Measuring progress towards achievement of the objectives and amending the plan as necessary				

decentralised, with subsidiary chief executives allowed to diversify into any product market areas of their choice.

It is likely that this approach causes much duplication of effort and loss of synergy, particularly in areas such as market research. Indeed, the marketing planning manager had recently returned from a visit to U.K. headquarters, and was surprised to discover how little appeared to be known at the centre about what marketing research was undertaken, how marketing planning was carried out, and so on.

(c) Problems

The problems relating to the lack of any overall strategy for the company as a whole as well as for the separate divisions, has already been referred to above.

This in turn caused a number of operating problems, one of which will be described in some detail.

The managing director had recently acquired a consumer goods company (soft drinks), on the basis of what the interview with him revealed as being very poorly thought-out criteria. One reason given was that this consumer goods company's sales force, in calling on multiples, would also sell the parent company's range of non-ethical pharmaceuticals, something that, for obvious reasons, turned out to be impracticable.

A second reason given was that there was some synergy in product terms, and that this company could be used to introduce new health products into the consumer market. The third reason given was that it would provide a healthy cash flow for the parent company against the background of discriminatory government legislation against the pharmaceuticals industry.

The writer was given permission to spend a day with the chief executive and senior managers of this newly-acquired company. Below is an extract of the opinion asked for by the group chief executive, as a result of this interview, an opinion with which he subsequently agreed and about which he wrote:

"The wisdom of what you said often recurs and is having an effect upon our decisions in many other areas of the business."

Here is the pertinent extract from the writer's summary of the interview:-

"Firstly, we agreed that there has been in the past a total pre-occupation with short term sales and a somewhat sketchy understanding of the company's position in the market, both overall and in its several sub-markets. The loyalty and enthusiasm which we identified as being one of your major strengths is, as a consequence, being squandered as your people rush around in all directions trying to cobble together volume sales without any sense of corporate purpose. There clearly is no overall strategy for the business, and until this fundamental issue is addressed, your middle managers and their subordinates will not be able to change their behaviour. This was the principal issue which we addressed during our discussions by means of a marketing audit and portfolio analysis. Whilst lack of adequate data and information prevented us from defining a more simplified view of the business, nevertheless we did make some very startling discoveries.

The most alarming was the realisation that the company has virtually no cash cows of any significance. This is nothing whatever to do with reducing costs, raising prices, and bringing the operational side of the business under much tighter control. Therefore, whilst it should be possible to bring the operation at least into a break-even situation, it is totally unrealistic

to expect large positive cash flows.

The consequences of this are far-reaching, not only for the company itself, but also for the parent company. The most important consequence is that it is unrealistic even to consider establishing new products such as mineral waters, juices, the new franchised range, and so on without making a substantial investment in building market share. But in the absence of any cash cows, where is this investment to come from over the next four to five years, if not from the parent company?

Let's consider just one issue. The penetration of the packaged mixer market with the new franchised brand name is a questionable goal, to say the least. If, as you suspect, the post-mix market has virtually taken over from the packaged mixer in on licences, and if the take-home mixer market is static or declining, what is the point in struggling against an established brand leader? Obviously, more market information is needed before you can make a sensible judgement.

Nor does it appear to make any sense to butt up direct against Coca Cola and Pepsi, with their obvious cost advantages and established market position, by trying to establish a significant market share for Cue Cola.

The establishment of mineral waters should prove easier, but only if an investment is made in their promotion and distribution; likewise for juices.

Some synergy in distribution and merchandising should be possible between soft drinks and certain parent company lines, but even here you must be realistic and consider the extent to which it is reasonable to expect multiples salesmen to be effective across such a large and diverse range.

As I see it, you must be very careful to get the priorities right. The first priority is clearly to get the company on an even keel by introducing a number of basic management control procedures. Next, you need to set some policy priorities for each of the major product groups, based on a two to three year horizon. This means getting hold of some hard market data and then deciding where to make the investment. Since you've got no substantial cash cows, you certainly cannot invest in all your promising opportunities. Furthermore, I believe it would be unwise to confuse what are already difficult issues by rushing into the distribution of other products until you have a much clearer understanding of your pressing priorities."

(d) Hypotheses

Overleaf is the writer's assessment of the extent to which this particular case history is supportive of the twelve hypotheses.

	case material supportive	case material not supportive	insufficient evidence
<p style="text-align: center;">HYPOTHESIS</p> <p>1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.</p>	✓		
<p>2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.</p>			✓
<p>3. Companies organised according to the "federalised system" will have a complete marketing planning system and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.</p>	✓		
<p>4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.</p>			✓
<p>5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.</p>			✓

HYPOTHESES	case material supportive	case material not supportive	insufficient evidence
<p>6. 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-bureaucratisation of the system.</p>	<p>✓ see comments below</p>		
<p>7. Financially orientated marketing planning systems will lead to poor marketing productivity in the long term, a problem which will be made worse by difficulties in marketing integration at the corporate level.</p>			<p>✓</p>
<p>8. The lack of a complete marketing planning system will lead to duplication and inefficient use of resources.</p>	<p>see comments below ✓</p>		
<p>9. 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.</p>	<p>✓</p>		
<p>10. 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 pre-occupation with short term results at operational level, which may result in the firm being less effective in the long term.</p>	<p>✓</p>		
<p>11. Unless the chief executive understands and takes an active role in marketing planning, it will not be a complete system, and will, therefore be ineffective.</p>		<p>✓</p>	
<p>12. The major benefit of marketing planning derives from the <u>process</u> itself, rather than from the existence of a plan.</p>	<p>✓</p>		

(e) New insights and hypotheses

This is an extremely difficult case to assess and has been included specifically because it seems to provide some interesting illuminative insights into the theory of marketing planning.

The dilemma is that by whatever criteria this company's marketing planning system is evaluated, it is clear that it has a complete system, in the sense that there are formalised procedures for each of the seven steps in the planning process and that sophisticated and detailed written marketing plans are actually produced.

In a quantitative survey, this could well be aggregated with other data for the purpose of statistical analysis, the possible danger being that the really meaningful lessons to be learned might become lost in a busy programme of statistical massaging.

What are these important lessons?

Firstly, it is clear that the group as a whole does not have any standardised marketing planning procedures, each subsidiary developing its own system. All that is required by central headquarters in the U.K. are the relevant sales forecasts by product and concomittant budgetary data covering a ten year period. Thereafter, apart from certain aspects of research and development, production, personnel planning and financial planning, subsidiaries are allowed to operate independent of the centre.

The group as a whole, then, has what can only be described as mainly a forecasting and budgeting system in relation to marketing. Its current financial success is unlikely to lead to any change in this system in the near future. One wonders, however, how much more successful the group could actually be if it organised itself to derive more synergy from its worldwide operations. Evidence for such concern can be found in this case history concerning one of its major subsidiaries.

In the major subsidiary examined in detail, it is clear that adverse environmental conditions have exposed the inadequacies of their own formalised marketing planning system, something which appears to be largely explainable in terms of the hypotheses developed from the empirical stage of the research in this thesis.

For example, in the divisions, it was obvious that there was excellent marketing knowledge of a mechanistic, analytical kind. What seemed to be lacking was any sense of creative marketing. The whole system was a closed loop system, made even worse by dint of being telescoped into a very short time scale, so that the production of marketing plans developed into something of a ritual. In other words, a lot of paper was produced, to very

little effect. This is what the writer refers to as "entropy of marketing and creativity." Inertia had clearly set in within this firm, possibly the result of the highly mechanistic nature of the system itself.

Secondly, the case history adds weight to hypothesis number nine, that marketing planning undertaken at the functional level of marketing, without the means of integration at general management level, will be largely ineffective. This ineffectiveness manifested itself in the almost total lack of an overall strategy for the business as a whole or for the individual divisions.

Finally, in the light of the evidence provided by this case, the writer can only conclude that although in a quantitative sense the company appeared to have a complete marketing planning system, when judged qualitatively, it did not have a complete marketing planning system, in the sense that the system itself was ineffective in some major respects. Nevertheless, this company was categorised as having a complete marketing planning system.

The conclusion, then, is that measuring the extent to which any company carries out the seven steps in the marketing planning process is likely to be a pointless exercise. Knowing the extent to which procedures are formalised, or even carried out, is unlikely to reveal much of value about the "success" or otherwise of a company, "success" being a qualitative assessment of the way it copes with its environment. Even more pointless would be any attempt to relate such procedures causally to financial success at any particular point in time.

The value of using two bases for evaluating the marketing planning methods of companies can now be seen. The first was a quantitative assessment of whether or not the marketing planning steps were actually carried out. The second was a qualitative assessment of the effectiveness of the process, using the respondents' own evaluation.

By using this methodology, potentially a much greater contribution to the body of knowledge on marketing planning can be made. For example, it is already apparent that the extant theory is far too generalised and is actually deficient in several major respects. Further case histories will begin to clarify this point.

12.2.2. A £250 million turnover, fabricated materials company (Cell 2)

(a) Background information about the company

This company is one of the most successful and profitable British engineering companies and continues to be successful in spite of the recession, increased competition internationally, and falling markets in some parts of its business. The company makes

around seventy per cent of its profits abroad through a mixture of subsidiary companies in major markets and distributors or licensees in others. It has a very small headquarters staff in London.

The company was interviewed at two levels. The corporate planning manager at headquarters was interviewed, and this was followed by an interview with a senior manager in the headquarters of one of the company's major subsidiaries. The purpose of this was to try to gain an understanding of the inter-relationship between the various hierarchies of planning levels in a major organisation.

(b) Type of marketing planning undertaken, the planning horizon, the role of the chief executive, etc

This company had no centralised or centrally coordinated marketing plan, other than the written corporate plan, which contained a narrative description of the sort of markets the company wanted to be in, what sort of image the company wanted, and consolidated budgets.

Marketing planning for the several worldwide operations was left entirely to the subsidiary companies, there being no standard format or operating instructions. The writer was under the impression initially that this company did not conform to the theoretical framework of marketing planning.

It did not issue marketing strategies as part of its planning process. Instead, the corporate planning manager said that all key personnel knew intuitively that business boundaries were confined within industrial medium technology, and that all products were at the higher end of the price scale. These concepts were apparently inbred into management, and in any case, the headquarters directors never let any subsidiary drift outside the accepted "character" of the company. This process was managed through a very tight financial budgeting system. Any serious irregularities were thoroughly investigated, together with other aspects of the organisation, such as the quality of management and its structure. An example of this was a failure to make an impact in the German market, which led to a decision to buy a well established German company that possessed the requisite manufacturing facilities, marketing organisation, and quality of management.

At the beginning of each planning cycle, sales forecasts were submitted to headquarters by divisional general managers, together with associated costs and forecast profits. The group managing director then went through these in very great detail with each headquarters director, even to the extent of a detailed examination of operating budgets such as advertising and sales promotion, should this be necessary. The main objective of this

process was to ensure increased turnover and profits growth. The writer was allowed to sit in briefly on one of these meetings, and it was clear that both the group chief executive and his headquarters line director possessed an in-depth knowledge of the products and markets under discussion.

The resulting profit plan was for one year only. The corporate plan was a separate document and was concerned more with strategic decisions relating to market penetration and acquisition decisions, and covered a period of two to three years. This was put together by the corporate planner and was based on the information received from the operating divisions.

No centralised control, other than budgetary, was exercised over any element of the marketing mix and there was no centralised headquarters function for marketing.

Before commenting on this system, the marketing planning process of a major subsidiary in this group will be described, in order to try to understand the inter-relationship between the process as described above and the hierarchical levels in the same organisation. Apart from this, the main reason for carrying out this additional interview was to establish at what level, and by what means the group had managed to be so consistently successful over the years in terms of growth of turnover and profits. For on the face of it, it seemed that no marketing planning was carried out.

It was interesting, therefore, to find in the major subsidiary visited, not only that it was a kind of microcosm of the headquarters set-up, in the sense that it had its own corporate structure and its own infrastructure of general managers of subsidiary companies throughout the world reporting to line managers or headquarters in the U.K., but also that it had a very positive marketing planning system that conformed in every respect to the theory of marketing planning.

Firstly, there was a corporate plan, which included detailed sections on sales and marketing, production, supplies, finance/accounts/EDP, and technical development. This written report was in the following form:-

1. Managing director's report on results

This included a summary of the results in all major market sectors, together with commentary on sales changes, price movements, profit analysis by product, analysis of inter-company sales and costs, and comments on other important functional areas such as manpower, dividends, and so on.

2. Assumptions

These were statements by the managing director, on the major

economic and business changes expected.

3. Overall objectives

These were statements about profit goals, volume goals, where in the business emphasis was to be placed, such as on overseas sales, cost reduction goals, and so on.

4. Specific objectives for functional areas

These took the form of tactical plans, and in respect of sales and marketing included details of marketing organisation, marketing information, and product development, turnover and market share objectives by market, which included:-

- the United Kingdom, broken down by industrial sector;
- direct export;
- overseas subsidiaries.

There were other objectives in separate sections for the other major disciplines.

Finally, there was a consolidated profit and loss account, cash flow projection, and balance sheet.

Thus, it can be seen that there was a formal and fairly detailed specification for marketing based on an analysis of markets and products, and that this more or less followed the outline of the theoretical framework described in Part I of this thesis.

This formal plan was itself the result of an on-going system of evaluation and review. The managing director chaired meetings every month of head office line managers, and at these meetings each manager reviewed progress towards the achievement of the plan, paying particular attention to new business development, price problems in certain areas of the world, and so on. Prior to these meetings, the headquarters' managers themselves had meetings with the managers of the subsidiaries or distributors for which they were responsible. The net result of this system of control was that the objectives which appeared in the annual corporate plan referred to above were based on a deep understanding of the worldwide markets in which the company operated.

The managing director himself attended monthly review meetings with the director to whom he reported at group headquarters.

In the other direction, i.e., further down the organisation towards the worldwide field operations, the company operated through either wholly owned subsidiaries, the managers of which were responsible to a manager in head office, or through distributors, agents and manufacturing licensees, all of whom were the special line responsibility of an export sales manager based in head office.

When entering a new market, research was carried out by the export sales manager, as he had an excellent understanding of the common features to look for, using the help of the BOTB, chambers of commerce and other major international companies not in competition with them.

Initially they looked for a manufacturer who would act as a licensee, who paid a fee for the technical know-how and royalties on all sales, working to minimum targets on which royalties had to be paid irrespective of actual sales. Often a licensee would appoint distributors of his own.

In the case of established markets, where the company had either distributors, agents or licensees, each one received a visit at least three times a year from the export sales manager, who had an in-depth review meeting with them, at which he reviewed environmental conditions, market trends, competitive trends, and own company product sales by market sector, with explanations of any variations from forecast and their projections of sales. For his part, he gave a presentation on worldwide developments, including activities under all the relevant headings of the marketing mix, so that the distributor or agent was able to benefit from experiences and knowledge outside their own limited sphere of operation.

These meetings were described as being interactive, with full minutes being issued, so that U.K. headquarters was able not only to help its distributors to make profits, but also to build for itself an in-depth understanding of worldwide trends. This interactive process was further developed at the monthly meetings in the U.K. between the managing director and the other principal line managers.

In respect of the marketing mix, only publicity, exhibitions, and marketing information were controlled centrally in headquarters, although from the above description of the marketing system, it can be seen that there was a very close and continuous liaison between headquarters executives and operational executives.

Returning to the corporate holding company, headquarters controlled a number of major businesses which were complementary to the business described above. The senior executive interviewed in the major subsidiary headquarters spoke of the corporate head office as being a financial centre only, and certainly this raises again the interesting question of the headquarters role in relation to international marketing planning.

(c) New insights and hypotheses

The first striking feature of this group which distinguished it from the others interviewed was that headquarters appeared to act only as a holding company for several related businesses.

In itself this role is not unusual, and certainly one of the major tasks was to acquire majority interests in new businesses as a means of expansion, and to provide funds for subsidiaries throughout the world. The major role of the small headquarters staff was then to seek profits from subsidiaries and to allocate funds. Of necessity this meant that headquarters staff had to evaluate the competence of subsidiaries and their ability to provide continuing profits at the required level. This interest in the finance of the group as a whole also meant that they had a special responsibility for strengthening management competence within the subsidiaries wherever weaknesses occurred in existing businesses as well as clarifying boundaries for the enterprise as a whole in relation to new products and markets.

The role of the subsidiaries was that of the exploration of specific market opportunities within the boundaries laid down by headquarters and within these constraints to produce the required level of profit.

This group, then, was a good example of the federalised type of enterprise described in Thompson's study (op cit), with a head office for a number of firms, each with its own products, processes and markets, and each of which complemented the others. At first sight, the head office might have been viewed more as a kind of financial trust, in which investment is made only for the appreciation of profits rather than to build an organisation with a coherent logic of its own. But deeper exploration showed that the very detailed budgetary control system which was used to monitor worldwide activities was only one of the instruments by which such dazzling financial success was produced. Lying just below the surface in the subsidiary companies were sophisticated marketing planning systems which helped feed in the desired results to the head office budgetary control system. The vital bridge between the two was provided by the head office directors who were line responsible for a number of group enterprises.

Each of the main board directors was responsible for a group of companies in a particular product field rather than being territorial directors. Each had had experience of running a subsidiary company. Their jobs were partly monitoring in the sense of watching the performance of "their" companies against plan, and taking appropriate action either in the form of management strengthening, acquisition, or divestment; and partly coordinative in the sense of making sure that initiatives or practices in one part of the world did not clash with those in another, and also of controlling the planned "character" of the enterprise as a whole.

The system by which subsidiary companies submitted detailed plans to the controlling directors, and the system of monthly meetings and reports, through which performance was monitored and controlled,

has been described in detail above.

The second interesting feature of this group which distinguished it from the other large companies and which seemed to amount to a divergence from the theoretical framework described in Part I of this thesis, was the fact that the headquarters control system seemed to depend entirely on the skills and experience of the main board directors. There were no centralised service functions, other than finance and a small corporate planning group. There were, for example, no service functions for research and development, production, or marketing intelligence. This placed the onus very much on the main board directors to ensure that there was no duplication of research and development, for example, and that a totally coordinated world programme was developed. Also, in marketing intelligence, it was the coordinating director's job to ensure that individual projects did not overlap and that research findings became group, rather than just local knowledge. This coordination in the case of this company was maintained by a very busy programme of personal contacts.

Although at first sight this group appeared to exhibit polycentric characteristics in the form of a kind of financial trust, deeper exploration revealed that its growth was very much due to the skilful way in which it had taken advantage of market based opportunities through an intricate system of marketing planning, coordinated from the centre by a highly personalised process of main board director participation with the objective of optimising the worldwide utilisation of group resources and skills.

By way of conclusion, it is difficult to imagine this system continuing to work effectively as the scale of operations grows in size and complexity. At the present time, although the managers of subsidiary companies think and act according to a formalised structure of ideas and systems in order to ensure that they really know what they are doing, and that they are doing the essential things, each of these sub-systems is developed entirely at the discretion of subsidiary management. The framework currently used by main board directors consists of a combination of a strict financial budgeting system, which is uniform throughout the organisation, and an in-depth understanding of the products, markets, and resources of the several enterprises under their control, and the complex inter-relationships that result from such an infrastructure. It was the view of the corporate manager that the time will soon come when headquarters itself will need a formalised marketing planning framework for determining the decisions that will have to be taken in view of the growing complexity of operations and the relationships with operating management. It was his view that the problem of planning and controlling the growth of the business in order to utilise effectively the evolving skills and expectations of the company so as to avoid any unnecessary dissipation of energy, will

increase as the size and complexity of the group grows. He felt that it is likely that this group will eventually have to take on a number of corporate functional specialists, in order to derive the full benefits and all the economies of its international spread, and that almost certainly when this happens there will need to be some kind of universal marketing planning system throughout all the hierarchical levels in the organisation which link logically to a centralised system of coordination and control.

As the system is currently organised, however, it is clear that it is very much an open loop system, and that the open loop device is achieved by means of the personal meetings between key personnel and the chief executive at the several hierarchical levels in the organisational chain.

Also, the group chief executive is heavily involved in and committed personally to the planning process.

The most interesting feature of this study, however, as it relates to marketing planning, is that it brings into question the concept of formalisation in planning procedures.

It seems reasonable to hypothesise firstly that PROVIDING THE SEVERAL MARKETING PLANNING STEPS ARE THOROUGHLY AND EFFICIENTLY IMPLEMENTED, FORMALISING THEM BY MEANS OF INSTITUTIONALISED PROCEDURES IS UNNECESSARY; and secondly, that THE DEGREE OF FORMALISATION AND INSTITUTIONALISATION OF MARKETING PLANNING PROCEDURES WILL BE A FUNCTION OF COMPANY SIZE AND DIVERSITY.

These hypotheses will be further explored in the following case histories.

12.2.3. A small high technology components manufacturer (Cell 2)

The following brief summary of the interview with the chief executive of this small company and the subsequent chain of events is given as an interesting example of a situation that has a direct bearing on the major thrust of this thesis.

(a) Background information about the company

This company had consistently enjoyed real growth in turnover and profits during the previous ten years.

The company had achieved a position of preeminence as a specialist manufacturer of high quality, high technology valves. It was the best product on the market and commanded a premium price. Twenty per cent of its output was sold in world markets through distributors. It had achieved its position of leadership through concentration and dedication of effort to a highly specialised area of engineering. Unfortunately, its major

strength was also its major weakness, in that it operated in narrow markets in terms of the small numbers of existing and potential customers able to purchase the product.

This heavy dependence on one industry, with one customer accounting for over fifty per cent of output, made the company especially vulnerable to fluctuations in demand. With a slowing down in growth rates in the areas of traditional demand, the chief executive began to realise that it would be extremely difficult to match his past performance. Furthermore, the appointment of a major distributor in Europe had proved to be unsuccessful, and the company now found itself locked into a seven year agreement, with little hope of extrication.

To summarise, here was a strong and healthy company, thinking about the future from a position of strength and well in advance of any major problems. The company would not have experienced the level of results it had enjoyed without doing a lot of things right.

The situation was basically that of a small family-owned company, operating with a more-or-less single product in a single industry, and controlled by a managing director who had an intimate knowledge of both the technology and the market. Indeed, most of the principal customers were known to him personally, and it was apparent that he had greater functional skills than most of his subordinates.

(b) Type of marketing planning undertaken, the role of the chief executive, etc

Consequently, most of the processes of marketing planning described in the theoretical framework in Part I were carried out informally by the chief executive himself. Although the company had not produced, up to that point, any formal corporate or marketing plans, other than of a purely financial nature, it was quite clear that a great deal of thought had been given by the chief executive to his company's objectives and strategies.

Indeed, during the conversation with him, not only was he able to quote detailed market and sales figures from memory, but it was clear that he understood the strategic importance of market share and market segmentation. Furthermore, it was his own understanding of life cycle analysis that had led him to the conclusion that the time had come for his company to broaden its base of operations and to consider new directions.

The principal problem encountered by the chief executive was not so much connected with the inevitable weaknesses that can be found in most organisations, (such as, for example, in the sales force), but in the apparent difficulty experienced by the company in spreading its base operating procedures and

organisational structure.

For example, it became apparent that there were a very large number of potentially attractive market areas open to them, given their particular technological skills. Unfortunately, there was no way, other than on a purely intuitive basis, of knowing which ones to choose, and this would clearly be dangerous in the absence of the kind of expertise and knowledge currently enjoyed by the chief executive.

It had also become clear to the chief executive that the company was not set up to change direction, and that there would have to be some fundamental changes in the way the company dealt with marketing issues.

Thus, it can be seen that it was extremely difficult to determine future strategy purely on the basis of informal initiatives. New market opportunities had to be identified and developed sufficiently rapidly to ensure a continuing growth in profits. Without an improved structure for information gathering and analysis, and a more formal approach to marketing planning, the company's business growth potential seemed to be in jeopardy.

These findings were followed up with a number of in-depth meetings with the principal directors, the purpose of which was to explore the issues raised by the chief executive.

One of the outputs of these meetings was a detailed policy statement, worked out and agreed by the directors. This is included at Appendix 4.

Following this, the company went on to produce detailed criteria for product/market extension, and made certain organisational changes, including the appointment of a marketing intelligence manager.

The company has produced its first written marketing and corporate plan, following the theoretical framework outlined in this thesis. Currently, the company appears to be strong and confident, and highly tuned to the economic and business environment in which it operates, and in which its employees clearly enjoy a sense of locomotion towards a widely-understood group goal. A new factory with double the production capacity of the existing one has been opened, and new products have enabled the company to broaden its base and reduce its dependency on one market.

(c) New insights and hypotheses

This case is supportive of the first hypothesis developed from the last case history, (I2.2.2.), in the sense that this company, although having only a detailed forecast and budget as evidence of its planning process, actually followed each of the steps informally. What was striking about the firm was the way all

senior and middle management shared the same perception and understanding of the commercial objectives of the enterprise and of the principal means by which these should be achieved: what was also notable was what seemed to be a very high level of motivation amongst all staff interviewed. This was in stark contrast to many of the executives from similar companies who were interviewed.

Thus, each of the seven steps of the theoretical marketing planning process was followed, particularly at the beginning of the planning cycle, but this was done by means of face-to-face meetings between the chief executive and his key managers. That this was so became clear during the interviews with the chief executive and the marketing director.

Quite apart from this, however, what is particularly interesting, is that the need for more formalised procedures occurred in spite of the small size of the company, both in terms of turnover and number of employees. This need arose because the company had to expand beyond its traditional area of distinctive competence into areas with which the directorate were less familiar, and to which more formalised procedures therefore seemed more appropriate. In other words, this case is also supportive of the second hypothesis developed from the last case history, (I2.2.2.), in the sense that it was diversity, not size which in this instance brought about the need for the institutionalisation of procedures for marketing planning.

12.2.4. A medium sized domestic and industrial appliance company (Cell I)

This brief case history is included only because it provides some added richness to the hypotheses developing from this section containing details of companies conforming to the theoretical framework.

(a) Background information about the company

This company, based near London, sells domestic and industrial appliances. Twenty five per cent of its products are sold abroad through distributors. It is profitable and it has a high market share of the specialised segments in which it operates.

(b) Type of marketing planning undertaken, etc

The marketing director claimed to find it very hard to believe that some companies carried on business activities without going through the logical marketing planning steps that he considered to be the essential prerequisite to any form of marketing activity, whether in the U.K. or abroad. He believed that what was actually controlled by headquarters would vary from situation to situation,

but he believed quite firmly that the logic of the marketing planning process was universal, and that without it any company would, of necessity, be operating at less than optimum efficiency.

The marketing director said that he used a formalised planning system in order to control the company's marketing activities, and to direct his limited resources into the most profitable areas that he saw as giving long term security. He used the same planning system for export markets as for the U.K.

At the present time, because of the comparatively small scale of operations (around £4 million), the planning system itself was only semi formalised, because only a very small number of people were involved in marketing activities and the marketing director himself played the key operational role in all markets. Also, because the company was operating principally with an entirely new product concept, plans were made for only two years ahead, because all the vital factors affecting sales were still in the process of being identified. However, the marketing director said that he was determined to push his planning horizon further out as soon as possible and reckoned that as his operation grew and he was less able personally to take part in all decisions, his marketing planning system would become more formalised in order to provide a consistent discipline for those who would have to make the decisions for him.

Even more interesting were his views on the question of boundaries for the company. He believed that as the operation grew in size he would need a tightly controlled marketing planning system to help him decide in which directions the company should develop, because he saw the major problem, particularly in relation to export markets, as being how to avoid a dissipation of strength by trying to do too many things at once. He also said he was a great believer in using planning systems to help the centre to transfer strengths from one overseas area of operation to another.

It was not possible to meet the managing director, but it became clear during the interview that the relationship between him and his co-directors was supportive and that he did take an active part in the planning process. Also, sight of their corporate business plan revealed a sound grasp of the key issues involved, the plan itself being brief, lucid and logical. This contained a section on marketing, provided by the marketing director.

(c) New insights/hypotheses

This case was similar in many respects to the last, in that there were only semi formalised procedures for marketing planning, although the steps were gone through very thoroughly. The company had well motivated executives, was commercially successful, had a sound grasp of the major environmental factors that impinged

on its business, and had a high marketing awareness at both operational and strategic levels.

The case is thus supportive of the hypotheses developed at the end of case 12.2.2.

12.2.5. Industrial division of a major multinational consumer goods company (Cell I)

(a) Background information about the company

In contrast to the major resource company described in section 12.1.1., this company had been consistently profitable for a number of years, and appeared to be largely undisturbed by the oil crisis and the worldwide recession, in spite of increasing competition, tightening margins, and lower market growth rates in many of its segments. Furthermore, it was the writer's opinion that those directors and senior executives who were interviewed seemed highly motivated and mutually supportive as a group. Most of the time with this company was spent with the marketing director of the industrial products division.

(b) Type of marketing planning undertaken, etc

This company had a ten year corporate plan, and a much more detailed three year operational plan, the first year of which was even more detailed, the operational plans being geared very much to a cash flow and acquisition cycle. As an on-going management discipline, there was a bi-monthly up-date of operational plans by means of a personal meeting outside the U.K. between the head office line director and the managing directors of the major subsidiaries.

The financial year ran from July to June, and the planning cycle began each year in December, with each managing director reviewing the previous year's trading results by means of an internal auditing procedure, the results of which were discussed in a dialogue between the head office line director and the subsidiary managing director. The managing directors then came to Britain early in January with some raw figures and outline strategies for the following year. Each made a presentation, and any conflicting policies were resolved at this meeting. Following this, a detailed plan was then sent to headquarters in February by each managing director, together with broad-brush plans for the following two years. The projected profit would meet the financial objectives previously laid down by the chairman as part of the long range corporate plan, so that the whole procedure became an on-going, interactive process, geared to markets, and designed to ensure that an acceptable level of profit was always made. Unfortunately, the director interviewed did not have time to discuss in detail the actual format of the

planning procedures themselves, but he made it clear that there were very detailed procedures for giving universal consistency to the information and plans coming into the centre.

He did, however, talk about overall objectives and which elements of the marketing mix were controlled by headquarters.

It was interesting to note that, just like the medium sized multipurpose equipment company described above, broad brush marketing objectives and strategies were not set overall.

Rather, highly specific marketing strategies were set and agreed with each managing director separately. Pricing strategy, for example, had to be specific to a certain country or region because some products were patented in some countries, where a high price could be charged, and not in others, where much lower prices prevailed. Also, competitive conditions varied considerably between countries.

However, in respect of advertising and public relations, a strategy was developed to ensure regional conformity, and whilst the actual execution may vary from country to country, there were nevertheless certain common criteria to which all companies had to conform.

In respect of sales promotion, the director said:

"We try not to keep on re-inventing the wheel. Ideas and schemes that have worked that seem to be transferable are video-taped and sent to other areas of operation."

Marketing research information was also highly transferable and the company adapted what was described as "a lead country approach", by which was meant the transfer of major pieces of research carried out in one country to others of a comparable nature.

Product development was very tightly controlled by means of separate highly structured procedures, each country having its own business development manager, all of whom met in Britain every two months to present strategies and plans. The objective of this was not only to control what happened throughout the world, but also to achieve maximum communication of ideas, concepts and methods between the many different areas of operation. Also, this way it was possible to give full consideration to the worldwide strategic implications of any new fields of development which fell outside the range of products, markets and services currently engaged in. This clearly placed this firm's planning procedures within the regio/geocentric category of the EPRG profile.

It is also clear that although there were no overall written strategies which were communicated at some appropriate point in

the planning cycle, nevertheless there was very tight control by headquarters through separate on-going procedures which ensured that when specific strategies were communicated individually to operating managers, these operating managers knew exactly where and how they fitted into the objectives and strategies of the enterprise as a whole.

(c) New insights/hypotheses

It is clear that all marketing planning systems differ because of the situation-specific characteristics of each company. Nevertheless, in this instance it was overwhelmingly clear that the company conformed to the theory of marketing planning both quantitatively and qualitatively.

Of particular interest in this case is that, in spite of the firm's size and diversity and the institutionalised nature of its marketing planning procedures, it suffered none of the problems of the pharmaceutical company described in case I2.2.I, nor of the resource company described in case I2.I.I.

It is not possible to put this down to formalised marketing planning, per se, for all the reasons encapsulated in the hypotheses developed from the fieldwork.

However, what is clear is that the system had an open loop, in this case in the form of personal meetings at the audit and objective-setting stage between senior operating and headquarters personnel.

It is also clear that operating managers are also responsible for providing the principal input to the company's strategic planning process, which prevents them from developing solely into short term problem-solvers.

Additionally, organisational arrangements exist at both operational and headquarters levels for integrating the marketing input with that from other functional areas of the business, and that the chief executive plays a major role in this process.

Thus, this case history is totally supportive of the hypotheses developed from the empirical stage of the research.

I2.2.6. A multinational conglomerate. Industrial goods. Highly diversified (All Cells)

(a) Background information about the company

This company, one of the largest in the world, and very highly regarded because of its long standing and continuing record of consistently high profits, used highly formalised marketing planning systems for its worldwide operations that, with very

few situation-specific variations, conformed almost exactly to the theoretical framework established in this thesis. It is included specifically because it provides a richness of detail about marketing planning theory in practice.

The company interviewed was one of the major constituent companies in the group, operating in an area of components, in which it was the market leader, but which, according to the senior executives interviewed made no difference at all, since the planning system employed was universal throughout the group. So that, for example, at a given point in the planning cycle, thousands of managers all over the world were carrying out planning procedures which ensured that everything that reached headquarters was universally consistent. This was successful in ensuring that "the right net profit always dropped out of the bottom," irrespective of the world economic climate.

(b) Type of marketing planning undertaken, etc

The planning system of this multinational company is described in some detail in order to underline the findings of the thesis in respect of the theoretical framework.

The actual planning cycle itself took almost twelve months, beginning in February in preparation for the next financial year, January to December, at which point the long range plan was pushed out to five years.

The marketing manager said:

"Our corporate plan covers a five year period. Ours is a classic system, the whole objective of which is to ensure that the right net profit always drops out of the bottom. What is the right net profit? Well, it all begins with the long term financial objectives which are set at head office, following which gap analysis takes place by means of a highly organised planning system. The corporate plan itself then derives from the ground up, in several stages, and through several levels of management. Our system is highly formalised, and this ensures that there are never any surprises in our company. We survive all world economic crises, because our system forces us to understand all our markets in depth."

The respondent described an iterative process, which began with personal visits by senior headquarters personnel to all major foreign locations, to carry out an in situ review of trading results, together with marketing explanations of any significant variances. At these meetings there was also a discussion of marketing objectives for a five year period, by product, by market, and by country. At a later stage, marketing objectives were submitted by chief executives as part of a complete set of business objectives which embraced all the major functions of the business.

The interface between marketing and other disciplines will be discussed in more detail below.

The iterative process referred to was as follows:

1. Set objectives and agree them;
2. Submit preliminary business plan;
3. Business plans consolidated for review by operating and world headquarters;
4. Formal review of preliminary business plan;
5. Review of preliminary business plan;
6. Approval of final business plan, with budgets.

These various steps were managed by means of a group planning manual which was standard throughout the world and in all diverse businesses. All managers up to a certain level of seniority were issued with this standard manual.

The rationale for each planning step and exactly what each step entailed was spelt out in detail in this manual. For example, the setting of objectives, together with the provision of basic planning data and business development proposals for units with profit growth below the accepted standard, were synthesised and agreed at the several levels of management, right up to the group chief executive's office, before the really detailed planning started.

The manual set out in considerable detail not only the purpose of the several steps in the planning process, but also how each constituent plan fitted into the whole corporate planning process.

This was followed by detailed definitions of the terms to be used, together with an explanation of all the constituent parts of a business plan.

For example, assumptions were defined as specific market environment factors that were beyond a unit's control and that had a specific impact on the business, product line or function. Objectives were defined as the financial goals of the unit and product line plans, supported by market share performance data. Strategies were defined as major plans or programmes showing how opportunities would be exploited and how problems would be overcome in order to achieve the objectives or contributions. The actual strategies adopted were to be based on an economic consideration of alternatives, although the specific alternatives considered did not have to be discussed in the business plan itself.

The all important business plan itself was composed of three major sections:

- the unit summary;
- the product line plan;
- the overall functional plan.

The main objectives of this summary were to present the unit's short and long range (five years) financial performance objectives, together with the strategies for achieving them, to present the key financial information for the unit as a whole, and to present information about the political and legislative environments that supported the key objectives.

This unit summary was structured so as to include narratives which addressed themselves specifically to certain key issues arising from the presentation of factual data. For example, the unit manager's overview contained three principal sections as follows:

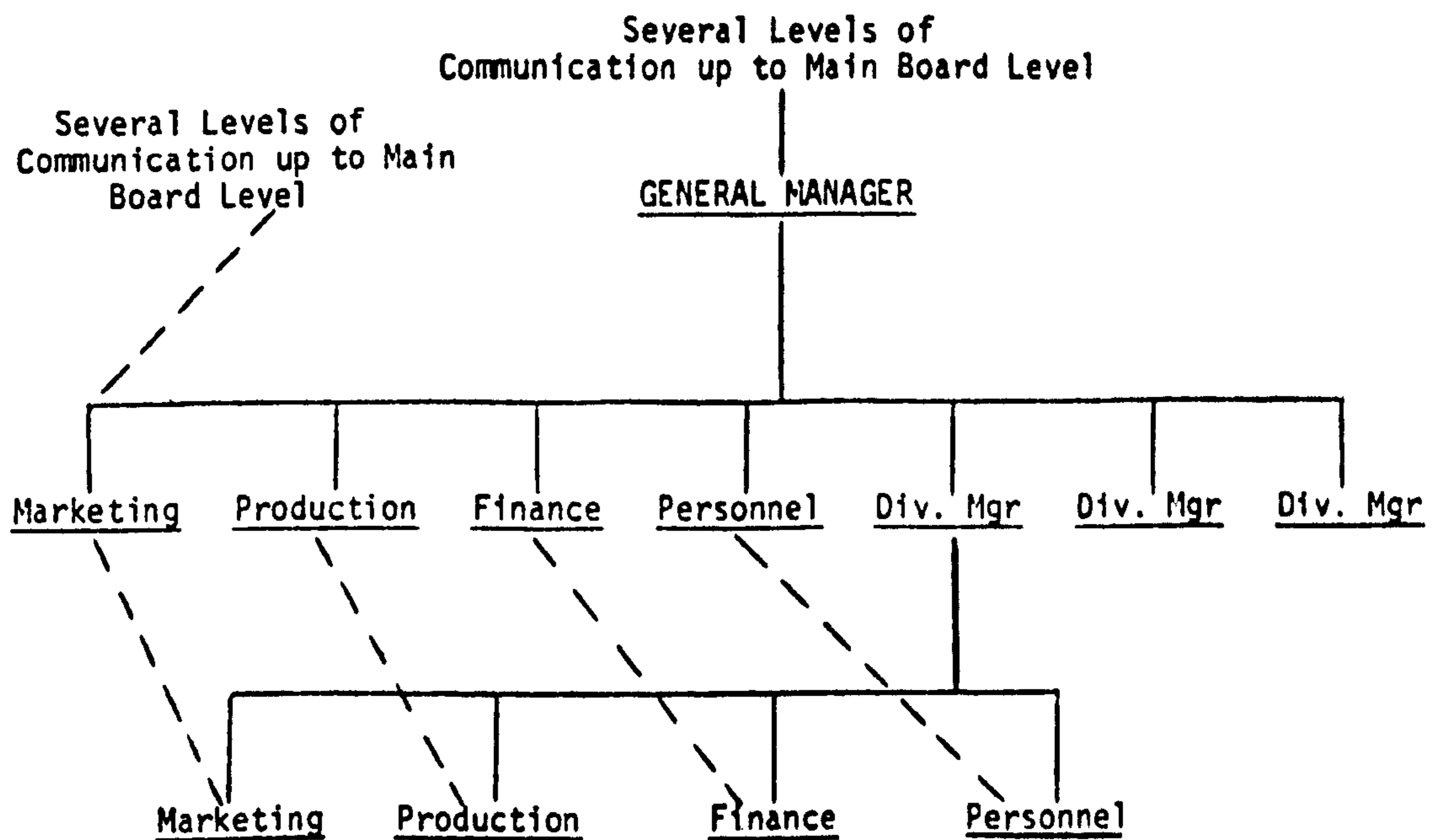
1. A business plan performance chart showing sales, assets, net income and related strategic planning data for a five year planning period.
2. A financial review presenting financial information for the unit and summarising key products and/or business centres for financial and performance data.
3. A narrative summary of how the unit manager will achieve the first year's objectives, together with his longer term plans for the unit. This narrative addresses itself specifically to assumptions, opportunities, unit overall objectives and strategies, to the unit's cost improvement programme, to cash management, to improved business performance, through plant utilisation, investment flow, the correction of unfavourable trends, and so on. This process is then repeated in respect of years two to five, to include major assumptions about environmental trends, technological developments, and so on, together with major strategies for products and markets related directly to opportunities and threats. There is also a five year new product development plan along similar lines, with capital implications and details of what has to be done in year one plan in order to accomplish the long term objectives.

Product line plans were defined in similar detail. It is not necessary to repeat the details of these definitions, since they reflect the same thoroughness as was shown throughout the planning manual. In summary, the Product Line Plans were the basic modules on which the Unit Business Plans were built, with emphasis throughout on market-centred planning related always to the long term as well as to the next financial year. The basic structure of a standard business plan for this company is summarised in figure 23.

Thus it can be seen that this particular company uses its detailed planning system to base its activities on market-centred

opportunities over a long term period. The narrative sections ensure that the planning process does not just develop into a numbers game, with the system itself forcing managers not only to think through in cross-functional terms the consequences of the decisions they wish to make, but also to think in strategic planning terms.

This particular system also demonstrates the close inter-relationship between marketing and the other functions. This planning system is supported by a simple, but effective organisational structure of line and staff functions, which is described in the following summarised organigram.



From this it can be seen that the most rigid control is exercised over all marketing programmes worldwide. For example, any marketing plan approved by both a general manager of an operating unit and his marketing staff had also to be approved by the marketing function serving on the management board of the next highest level of general management.

(c) New insights/hypotheses

This example of highly formalised marketing planning procedures, like the last case, is generally supportive of the hypotheses developed from the empirical stage of the research. It is included only because it was the largest company in the sample frame and because of all those companies investigated, this system was the most highly institutionalised and, at the same

Unit Summary	Product Line Plans (separate plans for each product line)	Overall functional plans
<p>A. <u>Unit Manager's overview.</u></p> <p>1. Business plan performance</p> <p>2. Financial review, business plan reconciliation, key product, line data</p> <p>3. Unit Manager's Overview</p> <p>(a) Plan Year 1</p> <p>(i) Profit Plan narrative</p> <p>(ii) comments on overall cost improvement programme.</p> <p>(iii) operations cash management programme.</p> <p>(b) Plan Years 2 to 5.</p> <p>(i) Major assumptions</p> <p>(ii) Major strategies, including what must be done in Plan Year 1.</p> <p>(iii) Major 5 year plan for new products and related capital requirements.</p>	<p>A. <u>Product line plan summary</u></p> <p>1. Product line financial plan.</p> <p>2. Product line overview</p> <p>(a) Plan year 1</p> <p>(i) industry/market outlook for plan year 1</p> <p>(ii) profit plan narrative</p> <p>(iii) major programmes</p> <p>(iv) analysis of change in net revenue</p> <p>(v) order input plan for year 1</p> <p>(b) Plan for years 2 to 5</p> <p>(i) industrial/market outlook</p> <p>(ii) product line strategies</p> <p>B. <u>Market analysis</u></p> <p>1. Product/customer matrix</p> <p>2. Projected market size/composition and market shares.</p> <p>3. Competitor evaluation and composition.</p> <p>C. <u>Marketing Action Plan</u></p> <p>1. Summary of major marketing programmes</p> <p>(a) Product strategies and actions</p> <p>(b) Market development strategies and actions</p> <p>2. Marketing function resource requirements.</p> <p>(a) Manpower and organisation</p> <p>(b) Marketing expense.</p> <p>(c) Marketing research.</p> <p>D. <u>Research and Development Plan</u></p> <p>E. <u>Manufacturing and Facilities Plan</u></p> <p>F. <u>Installation Plan</u></p> <p>G. <u>Quality Plan</u></p>	<p>A. <u>Overall marketing plan</u></p> <p>1. Marketing major programme</p> <p>2. Marketing resource requirements</p> <p>(a) Sales organisation</p> <p>(b) Marketing expense analysis.</p> <p>B. <u>Overall Research and Development Plan</u></p> <p>C. <u>Overall Manufacturing and Facilities Plan</u></p> <p>D. <u>Overall Installation Plan.</u></p> <p>E. <u>Overall Quality Plan</u></p> <p>F. <u>Overall Personnel and Industrial Relations Plan</u></p> <p>G. <u>Administration and General Expense Plan</u></p> <p>H. <u>Systems and Data Processing Plan</u></p> <p>I. <u>Financial Controls and Treasury Plan</u></p> <p>J. <u>Public Relations and Advertising Plan</u></p> <p>K. <u>Legal, Patents and Administration Plan</u></p> <p>L. <u>Other Functional Plans</u></p>
<p>B. <u>Business Plan Summary Exhibits</u></p> <p>1. Income statement and financial accounts.</p> <p>2. Change in product line sales and net income, including summary of overall cost improvement programme.</p> <p>3. Statement of key operating data.</p> <p>4. Operating cash management.</p> <p>5. Major programmes.</p> <p>6. 5 year capital plan.</p> <p>C. <u>Economic, Political and Legislative Requirements</u></p> <p>1. Key economic indicators.</p> <p>2. Significant foreign trade imbalances.</p> <p>3. Economic and political outlook.</p> <p>4. Outlook for key legislation.</p>		<p>(Full Overall Functional Plans are required only where such functions are directed centrally by the unit as a whole).</p>

time, the most successful.

This case also raises the question asked by two executives from other companies which did not conform to the theoretical framework. Their concern was over the possibility that a highly formalised set of procedures for marketing planning might act as a demotivating influence on people who thrive on using individual initiatives.

Theodore Levitt (1968), described this as "the trained incapacity for thought", and as "an excessively calculated avoidance of failure", Levitt also referred to what he called "the overriding virtue of initiating no projects whose daring is too great, whose time horizon is too distant, whose output is too uncertain, and whose payoff is more risky than he can explain to men whose interests are highly fiscal, highly short term, and predictable."

This makes exciting reading and has instant popular appeal. Indeed, on the evidence of the literature review leading to the description of the theory of marketing planning, and the obvious failure of many companies which appear to conform to this theory, it would also appear to make a lot of sense in practice.

However, to accept such a view would not only make one susceptible to a charge of sensationalism, but also of being guilty of a too simplistic approach. For example, it could be argued that some of the companies described in the first part of this section conformed to the theoretical framework. But such a conclusion could only be possible if one were only to measure the extent to which these companies carry out the steps in the marketing planning process. It is quite clear, when a qualitative dimension is added to such an assessment, that a mere quantitative assessment of extent is a pointless exercise.

What the writer has referred to as inertia and entropy of marketing and creativity is certainly possible in any closed loop system, including a marketing planning system which conforms to the theoretical framework. However, where there is some vehicle for opening the loop and making the system dynamic as opposed to static, what Levitt writes about so disparagingly is unlikely to occur.

Indeed, this particular company is noted for its innovatory products and marketing methods, and it seems reasonable to conclude that such success is in some way related to the thoroughness of the marketing planning system. In this system, the loop is allowed to open, through negotiation between headquarters and operating personnel, particularly at the marketing audit stage. Also, by insisting on narrative to support the numbers, managers are forced to make explicit their intuitive models of the market.

Finally, in respect of all of the companies which conformed to the theoretical framework, marketing planning was an on-going

process rather than a once-a-year ritual, with marketing information systems built around the planning process itself. Also, all these companies appeared to be more confident about their overseas marketing, and there were thought to be no significant problems peculiar to overseas sales other than of a purely operational nature, such as those related to currency fluctuation.

12.3. POSTAL QUESTIONNAIRES

As part of the multiple operationism in section 3.0. of this thesis, a further strand to the research was developed.

A sample of 200 companies was selected by the Rubber and Plastics Processing Industry Training Board as being representative of all types of processes, company size and geographical spread for this industry.

These were sent a postal questionnaire. Thirty four usable questionnaires were returned as follows:

3 large companies,
8 medium companies,
23 small companies.

12.3.1. How Companies Plan (Rubber and Plastics Industry only)

	Total	Large Companies	Medium Companies	Small Companies
Number of companies claiming to have written marketing plans	4 (12%)	2 (66%)	2 (25%)	0
Number of companies with complete planning systems *	2 (6%)	2 (66%)	0	0
n =	34	3	8	23

* "complete planning system" defined in Part I of this thesis.

Of the three large companies, two produced written marketing plans which appeared to accord with the theoretical framework. In all other cases, companies produced only sales forecasts and budgets.

Of the eight medium sized companies, two claimed to have written marketing plans, but these were only sales forecasts and budgets.

Of the twenty three small companies, none claimed to have written marketing plans, although one did informally go through each of the steps outlined in the theoretical framework.

12.3.2. The need for planning

Eighty two per cent of all respondents either strongly agreed that, or agreed that planning is necessary. Only fifteen per cent disagreed.

12.3.3. Marketing and U.K. economic performance

Sixty six per cent agreed that Britain's performance in home and export markets is due more to a failure to implement the marketing concept than to any technological disadvantage. Nineteen per cent disagreed.

12.3.4. The need for marketing planning

Eighty two per cent either strongly agreed or agreed that marketing planning is necessary in order to implement the marketing concept.

12.3.5. The need for marketing objectives to be based on researched market-centred opportunities

All respondents except one, who was undecided, agreed on the need for marketing objectives to be based on a deep understanding of the market.

12.3.6. Major operational problems and beliefs about marketing planning

The following problems were actually mentioned:

- keeping shop floor mechanics/operators
- technical competence of personnel
- high costs of materials and interest rates
- fluctuating demand and the difficulty of accurate forecasting (four mentions)
- over-emphasis on engineering
- lack of market knowledge to aid product development

One small company claimed that its new attention (albeit informal), to marketing planning had considerably improved their commercial performance, as did one large company, that claimed that it had enabled them to achieve targets previously beyond their reach, and to improve sales and profits substantially.

One large company without formalised marketing planning blamed their low profitability on this.

12.3.7. Profitability and market share

Only nineteen companies reported sales and profit figures on a comparative basis.

Of the three large companies, the two with complete marketing planning systems reported real growth in sales and profits. The one without marketing planning, although profitable, reported static market share and claimed that profits could have been better.

Of the medium sized companies providing comparative sales and profit data, one reported a profit of £68,000 on a £2 million turnover. There had been a wildly fluctuating pattern of profits, and the latest was less than it was ten years ago. Another reported a £50,000 profit on a £2.3million turnover, and this was a substantial drop. Another reported a £.75 million loss on a £3.75 million turnover. This company claimed no knowledge of its market share. Two other companies, one reporting "good" profits and one with a £.286 million profit on a turnover of £2.1 million, were both operating in markets which were growing at a rate of fifteen to twenty per cent per annum. Of the small companies, six reported rapidly declining profits. None of these companies claimed any knowledge of either its market share or the rate of market growth. Seven other small companies reported good and improving profits. In all cases these companies were operating in high growth markets.

12.3.8. Conclusions, insights and hypotheses

It is dangerous to generalise from such a small sample. At best there are some indications which emerge.

The first and most obvious one is that the idea of formalised marketing planning appears to be totally alien to most small and medium sized companies in the industry. Expressions such as "marketing planning just isn't necessary" were quite common. One respondent wrote: "Our business is acquired from introductions from customer to customer. Marketing is not required."

It was clear that there was an almost total ignorance of what marketing is, and of its relevance in their businesses. One small company manufacturing GRP laminates to customer specification wrote:

"In our case there can be no marketing as there is no national assessable market for the items we make. Our only way of calculating future trends is to estimate the possible demands of our existing customers (plus any known or potential new

customers), and produce figures from that. This is not a marketing exercise at all, but a pure sales budget."

Half of those supplying usable data reported poor or declining profits, whilst there was a generally poor level of reported knowledge of market shares and market growth rates.

All the companies that were both profitable and busy, were operating in high growth markets. Not surprisingly, these companies did not see any need for marketing either.

Both of these findings are certainly supportive of the first two hypotheses developed from the literature review in Part I of this thesis.

What was surprising, was the widespread agreement with the statements about the need for planning and for marketing. Perhaps the reason for this is that whilst respondents can see the relevance of marketing when some logical explanation is given, they just cannot see how it can be relevant to their specific business.

Those three companies that were using marketing planning (one informally), reported increased profits and other benefits such as greater control over the business.

To summarise, in small and medium sized companies in the rubber and plastics industry, there is a total lack of formalised marketing planning. This is not surprising, for it is to be expected that management systems will be more informal in small companies, there being a much greater possibility that the chief executive will possess a higher level of personal knowledge about both his production processes and his customers than is possible in larger, more diversified businesses. This is borne out to a certain extent by the fact that two out of three large companies had formalised marketing planning systems.

What is not certain is the actual level of marketing and marketing planning activity which takes place in the industry. It may well be that some of the more successful smaller and medium sized companies actually have a high level of marketing competence and that the process of marketing planning is carried out intuitively by the chief executive and senior managers. On the other hand, it may also be possible that profitability is more a function of certain companies being in the right place at the right time, especially those operating in growth markets.

Unfortunately, it is just not possible to find out other than by means of in-depth personal interviews, which is why the main thrust of this research was steered away from the postal questionnaire approach.

For the same reason, whilst it is possible to conclude that fifty per cent of those supplying data were suffering declining profitability, it is not reasonable to conclude that there is a relationship between this and their lack of marketing planning.

However, there is nothing in these findings that appears to conflict with the evidence gathered in the personal interviews. These findings will, therefore, be incorporated into Part 3 of this thesis, which contains conclusions and recommendations.

12.4. A CONTROLLED EXPERIMENT

12.4.1. Introduction

Based on the literature survey and the initial results of the fieldwork, it was decided to conduct an experiment as part of the multiple operationism described in section 3.0.

Twenty five companies attended a one week marketing planning workshop at Cranfield chaired by the writer following an advertisement in the Sunday Times Business Supplement, Marketing Management Today, and The Director. Six months later they returned to Cranfield for one day to report on their progress, difficulties, and so on, in implementing the planning system described in Part I of the thesis.

Eighteen months later (i.e., 2 years after the workshop), they were all asked to report in full on the actual format of their marketing planning system, problems, benefits, and so on. The format that was followed was the postal questionnaire used in the Rubber and Plastics industry survey.

Nineteen replies were received, of which sixteen were usable. These sixteen detailed replies represented a unique record of companies that had augmented their sales forecasting and budgeting systems with a formalised marketing planning system based on the theoretical model.

Since the replies were very detailed, they do not lend themselves to analysis in tabular form. Instead the main points will be summarised under appropriate headings.

12.4.2. Companies failing to implement a planning system

Three respondents failed to implement a planning system whilst a further two (not included in the sixteen usable replies), had left their companies in frustration. In both these latter cases, the managing director was accused of failing to understand either the problems of having a marketing planning system or the potential benefits that could accrue. Without his support and

understanding, it was not possible to make any progress.

The three respondents who had failed to implement a system and who sent in detailed replies, also blamed the chief executive.

One large, fast moving industrial goods company marketing manager had experienced a reorganisation, in which the new chief executive had initiated a revised forecasting and budgeting procedure. The respondent complained of "lack of coordination between regional managers, and loss of confidence. There is obviously a relationship between these problems and our current approach to marketing planning. A formal plan may resolve many of these points." He had, within his own sphere of responsibility, attempted to introduce a system and claimed: "So far I have achieved, by planning, more defined responsibilities, priorities for products and markets, and a resultant concentration of manpower and finances."

The marketing services manager of a medium sized fabricated materials company also blamed the chief executive. He said: "Unfortunately, he considered marketing to be a fancy name for selling and the marketing plan as fodder for Division, which, once completed and accepted, could be filed away and forgotten."

The sales manager of a small multipurpose machinery company also blamed the chief executive's total reliance on the forecasting and budgeting system. He gave as an example of the problems of this approach, their management of promotion: "Advertising, editorials, and exhibitions are planned as a result of 'having to do something', rather than as a combined marketing approach to achieve realisable aims. The result of this is that major changes to plan are called for at deadline or after deadline."

It is impossible to conclude anything from these five examples, other than that the probability of being able to initiate a system which requires a fundamental change of approach is likely to be very low without the cooperation and understanding of the chief executive. It is also interesting to observe that the three respondents failing to implement a marketing planning system all operated in high growth markets.

These examples are generally supportive of the hypotheses developed during the in-depth interview stage of the research.

12.4.3. Companies initiating marketing planning systems

One large company in a highly competitive, fast moving industrial goods market reported that with the new approach: "Operational problems are now being considered in relation to other elements of marketing, rather than in isolation. We're already getting involvement and commitment from our agents abroad. Our own and

our agents' standards have improved enormously."

On this same theme, another large international company in the industrial abrasive/lubricants field reported as follows:

"All plans are now prepared according to the classic format by the Agencies Divisional Manager and myself (the marketing manager) before becoming operational. These plans must be considered as working documents and progress is monitored on a regular basis. Contrary to popular belief, I find that agents welcomed the adoption of a planned approach and felt our company was interested in the sensible development of business in their territories. By preparing and agreeing written marketing plans, we avoid having to react to changes in the market on an ad hoc basis, and making costly errors of judgement."

The marketing services manager of a medium sized industrial services company said:

"Marketing planning is increasingly becoming crucial to our success in a highly competitive market. We started from scratch two years ago. The use of marketing planning has transformed the whole company in many respects - building confidence, reintroducing a sense of purpose and real credibility into the operation. Three years ago we were trying to be all things to all men, with no more than opinion, dressed up as experience, on which to assess priorities. While still relatively strong, we were making little headway.

The results? - new business up 42 per cent last year and 50 per cent this year, with the loss of salesmen down by a third. Sales training now concentrates on client needs, recruits are selected on the ability to sell in our market segment, and advertising is directed at finding prospects.

And all of this from the simple but well documented and researched matching of our products with our public."

A product group manager in a major international chemical and pharmaceutical company said:

"One major problem was the lack of coordination and communication between departments which were dealing with similar product groups operating in the same geographical market. For example, an overall marketing plan for all products marketed in Scandinavia (or exports from the U.K.), had never been constructed. Since the Cranfield workshop, I have initiated a simple system for the construction of the components of a marketing plan, to include sales, advertising, product, pricing, and market research programmes. Whilst still in its infancy, it has made me and my colleagues think more deeply about why we are doing things; for example, the reasons for advertising or entering trade exhibitions, etc. In some ways (and I hope more so in the future)

it will enable us to be innovators and leaders rather than followers in the Scandinavian market."

The marketing manager of another large company operating in a highly competitive, fast moving goods market sent in a very full report on progress. An extract from his report reads:

"Up until two years ago, the planning process had been largely unstructured. Traditionally the company has been a reactive operation attempting to adapt, often too late, to a series of market stimuli. The company, it had appeared, had neither the wit nor the inclination to think much beyond a philosophy of today reflecting yesterday. The marketing function, which is fairly humble in the hierarchy, has for years been trying to change this attitude. Given the environment just mentioned, you can imagine the anguish experienced when the new chief executive of our American parent instructed us to formulate a five year corporate plan. Our early attempt was a failure, reflecting substantially an overall lack of familiarity with basic planning concepts.

Each department head was asked to submit a review of their activities and aspirations. The whole lot was laced together somewhat indifferently with frequent contradictions of intent. It was only by a minor feat of wizardry that the financial people came up with a statistical forecast.

However, the tide is changing. Dripping water has perhaps worn away the stone of change and top management was persuaded to look at the whole concept of planning. A team was brought together to discuss the disciplines of operations, finance, economics and marketing systems. Based on the Cranfield plan, the group identified a formal planning structure. The whole concept was sold to line management, who were instructed on how to write marketing plans.

Top management is now better able to distil fifty or sixty departmental plans to isolate the key factors that the line managers, with their great knowledge of the markets, believe to be important. These are viewed against a sociological/technological/economic backcloth, evaluating possible alternative futures for the company, and the best options identified. For the first time, objectives are being defined and strategies developed.

Wheels, of course, do grind exceedingly slow. But my own personal contribution has, I believe, been considerably enhanced by the Cranfield workshop, which gave me the confidence to approach unconvinced management with a more systematised argument. So, in addition to considerable personal development, I believe the new approach has benefited the company considerably."

One worldwide company manufacturing automotive components described the company as passing through three phases: a manufacturing emphasis; a selling emphasis; and finally, a realisation that selling is not marketing.

This last phase began when the company began to suffer severe operational problems resulting from a total commitment to the short term. These problems forced them to consider the longer term strategic issues of what they were doing. They carried out their first full scale marketing audit, which led them to certain explicit conclusions that had previously been locked inside the heads of the executives.

In summary, these were:

- the company is committed to the motor industry;
- there had been enormous coalescence of individual companies to enhance their strength;
- the less developed countries were heavily into assembly;
- Japan, Germany, France and Spain were more powerful in the industry;
- the U.S.A. industry was beginning to reawaken;
- the British motor industry was in decline.

The effect of all this was that the U.K. car parc, which had previously been mostly British, was no longer so and would be less so in the future. This company was set up to manufacture parts for British cars. In the meantime, competitors were getting stronger and growing more quickly, and Britain was seen to be the least attractive place to be doing business.

A number of very specific threats were identified, such as the lengthening lead time resulting from a vehicle design change and this company's distance from the manufacturers, and a number of opportunities were also identified.

As this analysis progressed, it became possible for the company to define some long term strategic objectives, which in summary were:

- to develop into a genuine international operating group with a base broad enough to accommodate market changes;
- to develop into new market sectors and segments (these were defined);
- to strengthen the existing business base.

In this way, a long term plan was gradually developed from the foregoing factors. More importantly, a number of significant changes in direction were seen to be necessary and the company was then able to build these longer term needs into the shorter

term operational plans.

The marketing director of this company saw this process as a classic case of a company ensuring its survival and growth by becoming marketing orientated and applying a structured approach to planning for the future.

12.4.4. Conclusions, insights and hypotheses

It is extremely difficult to draw firm conclusions from this particular research approach, especially as there is always the possibility that participants, on having been "sold" a product (in this case the theoretical farmework of marketing planning), would go to considerable lengths to post-rationalise past failures, and view successes as being attributable entirely to the failure of the old planning methods and to the success of the new planning systems respectively.

However, seen against the background of all the other evidence which has been collected together in this thesis, generally this phase of the research is supportive of the earlier hypotheses developed. Against this background, there is much greater inclination to believe that the common strands which keep emerging from the several different approaches, allow a number of firm conclusions to be drawn.

It is the purpose of Part 3 of this thesis to draw all these strands together, to draw a number of conclusions, and to make a series of recommendations on ways in which the theoretical framework needs to be amended so that it accords more closely with the observed practices of successful companies.

P A R T 3

CONCLUSIONS AND RECOMMENDATIONS

13.0. CONCLUSIONS AND RECOMMENDATIONS

13.1. Introduction

This thesis has four major elements;

- (i) the establishment of a universally accepted "theory" of marketing planning for industrial goods companies engaged in international markets;
- (ii) the extent to which the theory is practised;
- (iii) the extent to which those companies using formalised marketing planning systems are or are not more effective organisations;
- (iv) the extent to which any theoretical framework of this kind can have universal validity, irrespective of company, product or market circumstances.

The purpose of Part 3 of this thesis is to bring together the many strands of the desk and fieldwork in order to draw conclusions and make recommendations.

Referring to the algorithm in figure I (page 34), it will be seen that a number of possible outcomes were anticipated. Relevant to the actual outcome of the total study are the following:

- (i) define the accepted theory;
- (ii) define the differences between the theory and practice;
- (iii) define why the theory is not relevant in all circumstances;
- (iv) define the problems resulting from not practising the theory;
- (v) define the benefits of practising the theory;
- (vi) define why the practised theory does not always result in "success";
- (vii) amend the theory.

It was not anticipated that so many possible outcomes would actually emerge from the study as being relevant. Based on the original hypothesis ("that the approach of industrial goods companies to marketing planning in U.K. markets is undisciplined, that the process itself is poorly understood, and that such companies are unlikely to use anything but the most rudimentary approaches to marketing planning for their international markets"), it was anticipated that there might be three possible outcomes.

Firstly, that the hypothesis is true, and that this adversely affects operational effectiveness.

Secondly, that the hypothesis is untrue.

Thirdly, that the hypothesis is true, but that this does not adversely affect operational effectiveness.

However, it is very clear from both the desk and empirical stages of the research, that marketing planning is an extremely complex, multi-faceted process, the implications of which are largely ignored in the literature. Both stages showed that the whole subject of marketing planning has a confusing array of complexities that are unlikely to be satisfactorily catered for by some universal theory of marketing planning.

For example, organisational issues are intricately involved with planning system effectiveness. A good example of this is Lickert's work (op cit), which demonstrated a relationship between management style and financial performance, so adding yet a further dimension of complexity to studies into marketing planning effectiveness. Wilson's work (op cit) in this area, also shows that planning procedures alone are unlikely to be sufficient for success, and that management style and creativity are going to be important determinants of success rather than the system itself.

Also, if the planning process is centralised under a team of planners, there is the danger that it could become separated from the realities of the day-to-day actions of line management, and thus become neglected and disregarded as largely academic.

Furthermore, if planning is decentralised, the whole difficult issue emerges of whether the process should be top down or bottom up, and of what the relationship should be between the centre and operating divisions.

A new dimension of complexity is added in the diversified multinational company, with product groups, country groups and market groups, where the location of strategic responsibility becomes increasingly confused as an issue.

Then there is the small, undiversified company, where the chief executive and his senior managers have an intimate knowledge of their technology and markets, and where formalised marketing planning procedures are less essential: a view for which some evidence was provided by Wilson's work.

Allied to all of these issues is the myriad of situation-specific variations to the two organisational extremes referred to above, with an infinite number of possible combinations of company size, diversity and market growth rates.

Marketing planning, however, is universally seen as being "good", and there is a widespread belief that it facilitates "success". Yet, a firm without formalised marketing planning, operating in a stable and unhostile environment may well be considered to be commercially successful, yet at the same time, be considered to be less "successful" according to some criteria other than profit, such as, for example, the degree to which it is successful

in coping with its environment.

Furthermore, previous studies throw little light on the reasons for the commercial success of some companies that do not engage in formalised marketing planning. It could be argued, for example, that other factors, such as management style, were as much determinants of success as marketing planning. Nor is there any satisfactory explanation of the circumstances of those commercially unsuccessful companies that do engage in formalised marketing planning.

The literature review in Part I provided some evidence that there is a wide gap between theory and practice, and, given the universal belief in the efficacy of marketing planning, one is led to conclude that either the theory is in some way wrong, or that academics have been guilty of a gross oversimplification of a subject which has a large number of contextual ramifications, or both.

The empirical stage of the research seems to confirm the view that the literature on marketing planning is inadequate, and that the theoretical framework developed in Part I of this thesis, whilst universal in its applicability, is meaningless operationally, because of the contextual ramifications listed above of implementing the theory.

It is the purpose of Part 3 of this thesis to re-examine the theory of marketing planning in the light of the data emerging from the empirical stage. It is quite clear that the reason so many of the possible outcomes become a reality, is precisely because the present theory of marketing planning is inadequate and fails to explain what actually happens in the real world.

This section, then, will examine each of the four major elements of the thesis in turn.

13.2. The Theory of Marketing Planning

The first point to be made is that there is a conceptual approach to marketing planning which this thesis has identified and defined. This conceptual approach is in effect, a process which consists of a logical sequence of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

Conceptually, the process is very simple, and comprises the seven steps listed in section 12.0. (page 200). The universality and elegant simplicity of this process are undeniable. Whilst this universality and simplicity give the process instant appeal, it is these same virtues which also make it virtually meaningless operationally, as the empirical stage of this thesis has

demonstrated. Adding contextual issues such as the planning horizon, company size, diversity, degree of internationalisation, management style, degree of environmental turbulence and competitive hostility, rate of market growth, market share, and so on; raise many complex questions about how the process should be implemented. Unless such issues are adequately addressed, the conceptual approach (referred to as "the theory of marketing planning" in this thesis), becomes almost totally meaningless. This is so even when this theory is developed to take account of short and long range planning in an international setting, as was done in figure I7, (page I56). This particular algorithm was developed logically from the literature review as representing the theory of the way the seven step process described above works in an organisation trading internationally.

The same strictures apply to this, however, as to the simpler underlying seven step model. For example, whilst one of the major purposes of this thesis was to measure the extent to which the theory is practised, the empirical stage showed very clearly that merely to assess whether or not each of the steps is carried out is a pointless exercise. For example, it is obvious that the quality of any plan will depend substantially on the information on which it is based, which will in turn be dependent on the quality of a company's marketing information and control procedures. This will reflect in the meaningfulness and usefulness of a company's marketing objectives. For example, there were many instances of marketing objectives such as: "to sell more of our current range of products to existing customers", which were totally inadequate as a basis for meaningful strategies or action plans.

Thus, the quality of marketing objectives is a function of the understanding which a company has of the bases of marketing technology, such as market segmentation, life cycles, product positioning, portfolio management, and so on, whether or not they are known by such names.

It is not enough, therefore, merely to set out to measure the extent to which companies follow a defined set of procedures, one of which will be the writing down of marketing objectives. Nevertheless, it is useful to know this, since this knowledge throws some light on the complex issues surrounding the whole subject of marketing planning.

The work of Camillus (op cit), described in section 8.4., confirms this widely-held belief, that by making planning a required activity, by means of a set of formalised procedures, those purposes which the firm seeks to achieve will be facilitated. Thus, it is the formalisation, or systematisation of the marketing planning process which is believed to be at the heart of the theory of marketing planning. Such a structured approach, it is

believed, sharpens the rationality of managers, helps them make more informed, hence better decisions, and to schedule their actions so as to reduce the magnitude of problems and add a greater dimension of realism to their goals. In other words, formalising the marketing planning process, it is believed, will help a company to improve its performance.

This brief summary of those sections of the thesis devoted to establishing the extant theory of marketing planning is included in order to set the scene for the following sections, which are concerned mostly with the practice of marketing planning, and in which the writer addresses the difficult issues referred to above.

13.2.1. Introduction

The basis on which the evaluation of the extent to which firms conform to the theory was fully explained in section 3.5.3., under the heading "Multiple Operationism."

To summarise, assessments of the quality, thoroughness and value of the several steps in the marketing planning process were based principally on respondents' own analyses, rather than on the researcher's.

It must be stressed, however, that early in the research process, it became clear that a big majority of companies did not conform to the theory, and measuring the extent to which they did or did not conform soon became subservient to an exploration of why this should be so, and what the consequences were.

It was during the first and second in-depth personal interview stages that the really rich data began to appear, a sample of which was reported in the form of case histories in Part 2 of this thesis.

The postal questionnaire and workshop stages, although designed to explore the same issues, produced the same patterns of responses that had already emerged, and were significant only to the extent that they enabled the researcher to develop hypotheses with greater confidence.

The conclusions and theories, therefore, which are developed in Part 3 of this thesis, are founded substantially on the data provided in Part 2.

13.2.2. Number and types of companies conforming to the theory of marketing planning

Nevertheless, for the purpose of the quantitative element of the research, the total sample is included.

The first fact which emerges from the limited amount of evidence provided in the literature review, is that there is a substantial gap between theory and practice, is totally justified.

It was overwhelmingly clear that the hypothesis is true, in that 90 per cent of industrial goods companies do not comply with the theoretical framework of marketing planning.

Table I below sets out the overall findings of the research programme in respect of large companies, medium sized companies, and small companies.

Table I

	Total %	% large companies	% medium sized companies	% small companies
Companies claiming to have complete * marketing planning systems ;	67	95	75	25
Companies with complete planning systems ;	10	16	10	4
Companies with sales forecasting and budgeting systems	100	100	100	100
n =	199	64	78	57
number of interviews =	385			

* "Complete marketing planning system" is defined in Part I, section 5.2.

; After a brief definition of marketing planning and the steps involved.

;; After a detailed explanation of the marketing planning process and the steps involved, and an in-depth investigation into the actual procedures used by the respondents.

Compliance is higher in large companies than in medium sized companies, whilst in small companies it is very low. However, even with large companies, the evidence suggests that around 84 per cent do not comply with the theoretical framework.

When the same analysis is done for the different categories of industrial goods companies, using the classification suggested in Part I, it can be seen that the type of product and market makes very little difference to the incidence of compliance with the theoretical framework. This is shown in table 2.

Table 2

	Total	Category I (Operating supplies, multipurpose equipment)	Category 2 (Component parts, process materials, raw materials)	Category 3 (Major or single purpose equipment)
	%	%	%	%
Companies with complete planning systems	10	11	9	8
n =	199	89	78	32

By themselves these findings are significant in only one major respect. That is, that however intellectually logical and acceptable the theory of marketing planning, it just is not practised in the way it is written about. The majority of companies that thought they were marketing planning did not, by their own admission, produce anything approximating to an integrated, coordinated and internally consistent plan for their marketing activities. There were activities and expenditure for each element of the marketing mix, but in most cases these were managed on an ad hoc basis and independently within the overall constraints of the sales forecasts and budgets. Thus, many marketing activities were often managed undisciplined by clear objectives which hung logically together with other functional objectives as part of some rational, overall purpose.

However, the fact that it appears to be true that marketing planning is not generally practised by British industrial goods companies, is not by itself a particularly useful or helpful finding, unless there are also concomittant consequences which reduce a company's effectiveness. Otherwise, it could be concluded that the theory of marketing planning is largely irrelevant.

The remainder of Part 3 of this thesis is devoted to an exploration of the several issues raised by these findings.

There are two major implications connected with this finding that emerged from the fieldwork. The first concerns the data in table I, which indicates very clearly that there is widespread ignorance in the majority of British industrial goods companies about the theory of marketing planning. Many genuinely believe that they are doing marketing planning, when the reality is that most are just forecasting and budgeting, using systems of varying degrees of sophistication. Irrespective of whether companies have very crude types of forecasting and budgeting systems, or have some of the trappings of a complete marketing planning system, the confusion about planning and forecasting is more or less the same.

Secondly, in those cases where the need for better marketing planning had manifested itself through some crisis in the business, there was the difficulty experienced by management of knowing what to do about it. It is very clear that designing and implementing systems and procedures for marketing planning is far more difficult than the literature indicates, and that the task becomes even more difficult in a complex multinational operation.

It is in the exploration of these two major implications that this thesis can make a major contribution to the development of marketing thought, for herein lies the richness of information that can lead to an explanation of why the apparently simple and universally-accepted theory of marketing planning is so rarely practised. This exploration can also lead to the development of theory.

In exploring the extent to which those companies using formalised marketing planning systems are or are not more effective organisations, the fourteen hypotheses which were developed from the literature review and from the fieldwork should serve as a backcloth. These hypotheses will be further explored and developed at the end of the section describing the most frequently-encountered problems and benefits of marketing planning.

These hypotheses are repeated in full here:

1. If competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.
2. Companies with complete marketing planning systems will be more "successful" than those without, given comparable environmental and competitive circumstances.
3. Companies organised according to the "federalised system" will have a complete marketing planning system, and

therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have complete marketing planning systems, and therefore an ethnocentric or polycentric approach to international marketing. The former will be more "successful" than the latter, "success" being considered to be a quantitative assessment or indicator of how a company copes with its environment.

4. Companies without complete marketing planning systems will exhibit a greater propensity to suffer more serious commercial and organisational consequences when environmental and competitive conditions become hostile and unstable, than companies with complete marketing planning systems.
5. The introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.
6. 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-bureaucratisation of the system.
7. Financially orientated marketing planning systems will lead to poor marketing productivity in the long term, a problem which will be made worse by difficulties in marketing integration at the corporate level.
8. The lack of a complete marketing planning system will lead to duplication and inefficient use of resources.
9. 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.
10. 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 may result in the firm being less effective in the long term.
11. Unless the chief executive understands and takes an active role in marketing planning, it will not be a complete system, and will, therefore, be ineffective.
12. The major benefit of marketing planning derives from the process itself, rather than from the existence of a plan.

- I3. Providing the several marketing planning steps are thoroughly and efficiently implemented, formalising them by means of institutionalised procedures is unnecessary.
- I4. The degree of formalisation and institutionalisation of marketing planning procedures will be a function of company size and diversity.

I3.3. The implications of the findings

I3.3.I. Sales forecasting and budgeting systems. Operating problems

It has been stated that most companies had only sales forecasting and budgeting systems, rather than complete marketing planning systems.

Table 3 below lists the most frequently mentioned operating problems resulting from a reliance on such sales forecasting and budgeting procedures.

Table 3

MOST FREQUENTLY MENTIONED PROBLEMS

- I. Lost opportunities for profit.
- 2. Meaningless numbers in long range plans.
- 3. Unrealistic objectives.
- 4. Lack of actionable market information.
- 5. Interfunctional strife.
- 6. Management frustration.
- 7. Proliferation of products and markets.
- 8. Wasted promotional expenditure.
- 9. Pricing confusion.
- 10. Growing vulnerability to environmental change.
- II. Loss of control over the business.

Although stagnant or declining profitability in real terms was frequently encountered, generally speaking this was not severe enough to be classified as a crisis. Nevertheless, it is true to say that the majority of respondents, having already gone

through various forms of rationalisation or efficiency-increasing measures, were aware of the opportunities for making profit which had been lost to them because of their unpreparedness, but were confused about how to make better use of their limited resources. This problem increased in importance in relation to the size and diversity of companies.

In other words, there was widespread awareness of lost market opportunities through unpreparedness and real confusion over what to do about it. It seems reasonable, therefore, that there is a strong relationship between these two problems and the systems most widely in use at present, i.e., sales forecasting and budgeting systems.

There was much evidence that, even in commercially successful companies, many of the problems listed in table 3 were being experienced. Interestingly, most of these companies were operating in growth markets. Obviously, in buoyant trading circumstances, the pressures are of a different kind from those in highly competitive low growth or declining markets, and the need to consider different ways of coping with the environment is less apparent. It is also interesting to observe that, without exception, all those companies that were suffering stagnant or declining profitability, deeply regretted that they had not managed their affairs differently when they too were in growth markets. This goes some way to providing an explanation for the apparent success of certain companies not complying with the theory of marketing planning, and one is left wondering both how long these companies will continue to be successful, and how much more successful they could be today were they to adopt a different approach.

It has been stated that what most companies thought were planning systems were little more than forecasting and budgeting systems. These gave impetus and direction to tackling the current operational problems of the business, but tended merely to project the current business unchanged into the future, something often referred to in management literature as "tunnel vision."

The problem with this approach is that, because companies are dynamically-evolving systems within a dynamically-evolving business environment, some means of evaluation of the way in which the two interact has to be found in order that there should be a better matching of the two. Otherwise, because of a general unpreparedness, a company will suffer increased pressures in the short term, in trying to react and to cope with environmental pressures.

What is perhaps not apparent from the list in table 3, is that each of these operational problems is in fact a symptom of a much larger problem which emanates from the way in which the objectives of a firm are set.

The meaningfulness, hence the eventual effectiveness, of any objective, is heavily dependent on the quality of the informational inputs about the business environment. However, objectives also need to be realistic, and to be realistic, they have to be closely related to the firm's particular capabilities in the form of its assets, competences and reputation that have evolved over a number of years.

The objective-setting process of a business, then, is central to its effectiveness. What this thesis has demonstrated conclusively is that it is inadequacies in the objective-setting process which lie at the heart of many of the problems of British industrial goods companies. Since companies are based on the existence of markets, and since a company's sole means of making profit is to find and maintain profitable markets, then clearly setting objectives in respect of these markets is a key business function. If the process by which this key function is performed is inadequate in relation to the differing organisational settings in which it takes place, it follows that operational efficiency will be adversely affected.

What this thesis has shown is that some kind of appropriate system has to be used to enable meaningful and realistic marketing objectives to be set. A frequent complaint was the preoccupation with short term thinking, and an almost total lack of what has been referred to as "strategic thinking." Also, that plans consist largely of numbers, which are difficult to evaluate in any meaningful way, since they do not highlight and quantify opportunities, emphasise key issues, show the company's position clearly in its markets, nor delineate the means of achieving the sales forecasts. Indeed, very often the actual numbers that were written down bore little relationship to any of these things. Sales targets for the sales force were often inflated in order to motivate them to higher achievement, whilst the actual budgets themselves were deflated in order to provide a safety net against shortfall. Both acted as demotivators, and both led to the frequent use of expressions such as "ritual", "the numbers game", "meaningless horsetrading", and so on. It is easy to see how the problems listed in table 3 begin to manifest themselves in this sort of environment.

Closely allied to this is the frequent reference to profit as being the only objective necessary to successful business performance. Indeed, one managing director of a small plastics company refused to complete the questionnaire because he thought profit was the sole *raison d'etre* of a firm, and to talk about anything else was a waste of time.

This theme was frequently encountered throughout the fieldwork.

There was in many respondents' minds the assumption that in order to be commercially successful, all that is necessary is for "the boss" to set profit targets, to decentralise the firm into groups of similar activities, and then to make managers accountable for achieving those profits.

However, the evidence emerging from this thesis is that the making of "profit" as almost the sole objective, has led to the rapid decline of many of the companies in the sample frame, and ironically, a fall in real profitability.

During the fieldwork interviews, many examples were encountered of companies pursuing decentralised profit goals that had failed miserably.

Why should this be so? Largely because some top managers believed that all they had to do was to set profit targets, and somehow middle management would automatically make everything come right. Indeed, much evidence was uncovered to show that many companies believe that planning is only about setting profit goals.

However, it has been shown that, whilst this is an easy task for any company to do, saying exactly how these results are to be achieved is altogether a different matter.

Here, it is necessary to focus attention on what so many companies appeared to be bad at, i.e., determining strategies for matching what the firm is good at with properly researched market-centred opportunities, and then scheduling and costing out what has to be done to achieve these objectives.

There was little evidence of a deep understanding of what it was the companies could do better than their competitors or of how their distinctive competence could be matched with the needs of certain consumer groups. Instead, overall volume increases and minimum rates of return on investment were frequently applied to all products and markets, irrespective of market share, market growth rate, or the longevity of the product life cycle. Indeed there was a lot of evidence to show that many of the companies were in trouble today precisely because their decentralised units managed their business only for the current profit and loss account, often at the expense of giving up valuable and hard earned market share and running down the current business.

Thus, financial objectives, whilst being essential measures of the desired performance of a company, are of little practical help, since they say nothing about how the results are to be achieved. The same applies to sales forecasts and budgets, which are not marketing objectives and strategies. Understanding the real meaning and significance of marketing objectives helps managers to know what information they need to enable them to

think through the implication of choosing one or more positions in the market. Finding the right words to describe the logic of marketing objectives and strategies is infinitely more difficult than writing down numbers on a piece of paper and leaving the strategies implicit.

This lies at the heart of the problem. For clearly, a numbers-orientated system will not encourage managers to think in a structured way about strategically relevant market segments, nor will it encourage the collection, analysis and synthesis of actionable market data, one of the most frequently mentioned problems by the respondents in the research. And in the absence of such activities within operating units, it is unlikely that headquarters will have much other than intuition and "feel" to use as a basis for decisions about the management of scarce resources. Indeed, the amount and quality of data gathered about markets and the environment around the world was of a very low standard. This in turn led to interfunctional strife and to management frustration, to a wasteful proliferation of products and markets, and to pricing confusion, particularly in an international context.

The problem that kept on recurring throughout the research was how to get managers throughout an organisation to think beyond the horizon of the current year's operations. This applied universally to all types and size of company. Even chief executives of small companies found difficulty in breaking out of the fetters of the current profit and loss account.

The successes enjoyed in the past were the result of the easy marketability of products, and during periods of high economic prosperity, there was little pressure on companies to do anything other than solve operational problems as they arose. Careful planning for the future seemed unnecessary. However, most companies today find themselves in increasingly competitive markets, especially since Britain joined the EEC, and there is a growing realisation that success in the future will come only from patient and meticulous planning and market preparation. This entails making a commitment to the future.

The problem is that in large companies, managers who are evaluated and rewarded on the basis of current operations find difficulty in concerning themselves about the corporate future. This is exacerbated by behavioural issues, in the sense that it is safer, and more rewarding personally, for a manager to do what he knows best, which in most cases is to manage his current range of products and customers in order to make the current year's budget.

Unfortunately, long range sales forecasting systems do not provide the answer. There was substantial evidence uncovered in the fieldwork that this kind of extrapolative approach fails to solve the problem of identifying precisely what has to be

done today to ensure success in the future. Exactly the same problem obtained in both large, diversified companies and in small, undiversified companies, except that in the former the problem was magnified and multiplied by the complexities of distance, hierarchical levels of management, and diversity of operations. Nevertheless, the problem was fundamentally the same.

Events that affect economic performance in a business come from so many directions, and in so many forms, that it is impossible for any manager to be precise about how they all interact in the form of problems to be overcome, and opportunities to be exploited. The best a manager can do is to form a reasoned view about how they have affected the past, and how they will develop in the future, and what action needs to be taken over a period of time to enable the company to prepare itself for the expected changes. The problem is how to get managers to formulate their thoughts about these things, for until they have, it is unlikely that any objectives that are set will have much relevance or meaning.

Einstein, A. and Infeld, L. (1955), wrote:

"The formulation of a problem is far more essential than its solution, which may be merely a matter of mathematical or experimental skill. To raise new questions, new possibilities, to regard old problems from a new angle, requires creative imagination."

Unfortunately, such creativity is rare, especially when most managers are totally absorbed in managing today's business. Accordingly, they need some system which will help them to think in a structured way about problem formulation. It is the provision of such a rational framework to help them to make explicit their intuitive economic models of the business that was almost totally lacking from the forecasting and budgeting systems of those companies taking part in the research. It is apparent from the research that in the absence of any such synthesised and simplified views of the business, setting meaningful objectives for the future seemed like an insurmountable problem, and this in turn encouraged the perpetuation of systems involving merely the extrapolation of numbers.

13.3.2. Reasons why non planning companies felt no need for marketing planning

A brief discussion follows of the reasons given by companies not complying with the theoretical framework, who felt no need for marketing planning.

Not surprisingly, there were a number of companies, particularly in the Rubber and Plastics Processing Industry Training Board postal questionnaire sample, who did not believe that a marketing planning system would help them in any way. This also applied to some of the companies that were interviewed, particularly the small ones, although after a detailed explanation of the marketing planning process and an in-depth analysis of their current systems and operational problems, many of them changed their views.

The most frequently mentioned reason given was that they were profitable enough without it. Other reasons are given in table 4 below.

Table 4

REASONS FOR NOT WANTING MARKETING PLANNING

1. We have made good profits so far without it.
2. Planning would take up too much time and prevent me getting on with the job.
3. Plans discourage initiative.
4. A marketing plan is inflexible. Things change too fast.
5. Plans never come true, so why waste time writing them.
6. I know this business like the back of my hand. I do not need to write it down.
7. We make good products that customers want. We do not need marketing plans.
8. Nobody reads them when they are prepared.
9. It's just a meaningless ritual.
10. It's not necessary in this business.

The first of these is a perfectly understandable reason for not wishing to change. The fact that most of those companies in the sample that were suffering severe problems today were once in a similar position, is unlikely to make much impact on those enjoying profitable trading conditions. Drucker, P. (op cit), said that positions of leadership are transitory, and it is difficult not to conclude from the evidence in this thesis that this maxim is likely to apply to these companies. Indeed, one

elderly director of a major company that had once enjoyed a quasi-monopolistic trading situation, actually said:

"When we had half the sales we have now, we were twice as profitable. Then we had marketing planning."

The fact that this particular market had become very crowded with new and successful entrants, and that this had brought with it a whole gamut of complex new problems and pressures, had escaped the notice of this director, whose attitudes and behaviour were conditioned by a trading era that had long since passed. The company was also still very profitable, and was operating in markets that were still growing quite well.

An interesting feature emerging from this thesis, is that all the companies that put forward the argument of profitability as a reason for not needing marketing plans were operating in high growth markets. This fully justifies the very first hypothesis which emerged from the literature review: that if competitive and environmental conditions are only mildly hostile and unstable, complete marketing planning is unnecessary.

This is a fundamental point which is central to this thesis, for there is no doubt that in certain circumstances, such as high growth markets, it is possible to be profitable over long periods without conforming to the theory of marketing planning.

However, as this thesis has amply demonstrated, such companies suffer more severe commercial and organisational consequences when competitive and environmental conditions become hostile and turbulent, than those companies with complete marketing planning systems. Also, such companies generally have less control over their environment, and greater operational problems as a consequence (see previous section).

The Boston Consulting Group provide some evidence to support this finding, (34). They are referring specifically to the dangers of concentration on short term profits as opposed to paying attention to the long term implications of volume and market share. Nevertheless, the conclusion reached is similar. This is, that it is perfectly possible for a firm to make profits in the short term without concerning itself with strategic management, but that eventually this is likely to cause severe, often terminal, difficulties.

The following was written specifically about the British Motor Cycle Industry.

"The fundamental feature is its emphasis on model by model profits made. It is seen as essential that throughout the life cycle each model in each market where it is sold, should yield a margin of profit over the costs incurred in bringing it to the market. With this as the primary goal, a number of subsidiary

policies follows:

1. Products should be up-rated or withdrawn whenever the accounting system shows they are unprofitable. Unfortunately, the accounting system will be based on existing methods of production and channels of distribution, and not on cost levels that could be achieved under new systems and with different volumes.
2. Prices are set at levels necessary to achieve profitability - and will be raised higher if possible.
3. The cost of an effective marketing system is only acceptable in markets where the British are already established, and hence profitable. New markets will only be opened up to the extent that their development will not mean significant front-end expense investment in establishing sales and distribution systems ahead of sales.
4. Plans and objectives are primarily orientated to earning a profit on the existing business and facilities of the company, rather than on the development of long range position of strength in the industry.

These are the policies that have led to the British industry's low and falling share of world markets, and to its progressive concentration on higher and higher displacement models. What is more, profitability, the central, short term objective to which these policies have been directed, has in fact deteriorated in the long term to levels that now call into question the whole viability of the industry."

The next important category of reasons revolves around issues to do with initiative, inflexibility and lack of confidence in planning. These reasons illustrate confusion about the nature and purpose of planning. Also, when a company is making satisfactory profits, it is hardly surprising that little effort is expended on systems which are inherently more complex than the literature indicates. This also raised the question of whether highly formalised systems are a necessary concomitant of marketing planning, an assumption erroneously made by many of the respondents. This question will be addressed later in this thesis.

Also, there is sufficient evidence to show that those companies employing complete planning systems were more attuned to change, hence more adaptable, than companies that did not plan.

Allied to all of this is another obvious factor which enters into any manager's consideration of planning. Generally speaking, operational managers are happier immersing themselves in the hurly-burly of day-to-day line management problems, than in the more difficult and less exact task of planning for the future.

When things are going well, it is difficult for them to appreciate the value of the more complex task of planning for the future. The failure to do so, however, can be very serious.

Items 6 and 7 are interconnected and provide some interesting clues about the whole nature of marketing planning, which will be discussed in a later section of this thesis.

It is certainly true that, if a chief executive knows the business intimately, there is less reason to produce a formal plan, and that in such circumstances there is a high probability that the company will produce products which are wanted by customers. In such circumstances, this thesis has shown that the marketing planning process can be followed more informally than in certain different circumstances. The real point, however, is that the idea of marketing planning was not alien to such companies, and such respondents showed no hostility towards it. The trouble with the informal approach, however, is that when such a company becomes sufficiently large or diverse, these intuitive approaches are no longer effective, and a more formalised approach becomes necessary. Even worse, however, is a situation in which the chief executive does not have an intimate knowledge of his technology and markets, and only thinks he is making good products that customers want.

Items 8 to 10, as indeed are all the other items, are indicative of badly-managed marketing planning procedures, and are understandable when seen in the context of the problems described in some of the case histories.

These problems will be discussed in section I3.3.3., below.

I3.3.3. Marketing planning systems. Design and Implementation Problems

Marketing planning is in practice a complex process, proceeding as it does from reviews to objectives, strategies, programmes, budgets, and back again, until some kind of acceptable compromise is reached between what is desirable, and what is practicable, given all the constraints that any company has.

It has been stated that the literature underestimates the operational difficulties of designing and implementing systems and procedures for marketing planning, and that the task becomes progressively more complex as the size and diversity of a company increases. Also, the literature is inadequate in the extent to which it provides practical guidance on design and implementation. This led to hypothesis number 5, which concerned the profound organisational and psychological ramifications for a company introducing formalised marketing planning systems.

The findings reported in Part 2 of this thesis gave a number of examples of companies that had been forced by market pressures to initiate procedures to help top management to gain better control over the business. In all such cases, those responsible for designing the system found very little of practical help, either in the literature or in management courses. Enormous difficulties in system design and implementation were encountered in every instance.

The purpose of this section is to discuss these design and implementation problems. The most frequently encountered problems are summarised in table 5.

Table 5

MARKETING PLANNING SYSTEMS DESIGN
AND IMPLEMENTATION PROBLEMS

1. Weak support from chief executive and top management.
2. Lack of a plan for planning.
3. Lack of line management support:
 - hostility
 - irrelevant to short term reward system
 - lack of skills
 - lack of information
 - lack of resources
 - inadequate organisation structure
 - fear of loss of personal power
4. Numbers in lieu of written objectives and strategies.
5. Confusion over planning terms.
6. Too much detail, too far ahead.
7. Once a year ritual.
8. Separation of operational planning from strategic planning.
9. Failure to integrate marketing planning into a total corporate planning system.
10. Delegation of planning to a planner.

This list seems to confirm the dysfunctional consequences of inadequate planning systems mentioned by Camillus (section 8.5. page IOI). The only significant difference is that Camillus' list includes the following:

"there is real danger that the formalisation of an activity can inhibit creativity it could become a meaningless ritual."

Whilst this point is covered in item 7 in table 5, the writer feels that this particular issue is so fundamental that it merits separate discussion in the final section of this thesis. Indeed, formalisation by means of a closed loop system was clearly shown in the case histories to lead to entropy and lack of creativity in marketing. This was felt to be so important that it was developed into an hypothesis.

(i) Weak support from chief executive and top management

There can be no doubt that unless the chief executive sees the need for a formalised marketing planning system, understands it, and shows an active interest in it, it is virtually impossible for a senior functional marketing executive to initiate procedures that will be used in a meaningful way.

This is particularly so in companies that are organised on the basis of divisional management, for which the marketing executive has no profit responsibility, and in which he has no line management authority. In such cases, it is comparatively easy for senior operational managers to create "political" difficulties, the most serious of which is just to ignore the new procedures entirely. Usually, however, the reasons for not participating or for only partially following instructions, centre around the issues summarised in table 5 above.

The vital role that the chief executive and top management must play in marketing planning underlines one of the key findings that comes out of this research. That is, that it is people who make systems work, and that system design and implementation have to take account of the "personality", of both the organisation and of the people involved, and that these are different in all organisations. One of the most striking features observed during the fieldwork was the difference in "personalities" between companies, and the fact that within any one company there was a marked similarity between the attitudes of the executives. These attitudes varied from the impersonal, autocratic kind at one extreme to the highly personal, participative kind at the other.

Any system, therefore, has to be designed around the people who have to make it work, and has to take account of the prevailing

traditions, attitudes, skills, resource availability and organisational constraints. Since the chief executive and top management are the key influencers of these factors, without their active support and participation, any formalised marketing planning system is unlikely to work. This fact emerged very clearly from the research, the worst possible manifestation of which, was the way in which the chief executives and top managers ignored plans which emerged from the planning system and continued to make key decisions which appeared illogical to those who had participated in the production of the plans. This very quickly destroyed any credibility that the emerging plans might have had, led to the demise of the procedures, and to serious levels of frustration throughout the organisation.

Indeed, there is some evidence to lead to the belief that chief executives who fail firstly to understand the essential role of marketing in generating profitable revenue in a business, and secondly, to understand how marketing can be integrated into the other functional areas of the business, through marketing planning procedures, are a key contributory factor in Britain's appalling economic performance. There was a depressing preponderance of accountants who lived by the rule of "the bottom line", and who applied universal financial criteria indiscriminately to all products and markets, irrespective of the long term consequences. Also of engineers who saw marketing as an unworthy activity that was something to do with activities such as television advertising; and who thought of their products only in terms of their technical features and functional characteristics, in spite of the overwhelming body of evidence that exists, that these are only a part of what a customer buys.

Not surprisingly, in companies headed up by people like this, marketing planning was either non-existent, or where it was tried, it failed. This was the most frequently-encountered barrier to effective marketing planning.

(ii) Lack of a plan for planning

The next most common cause of the failure or partial failure of marketing planning systems, was the belief that, once a system was designed, it could be implemented immediately. A detailed account was given in Part 2 of this thesis of one company that achieved virtually no improvement in the quality of the plans coming into headquarters from the operating companies over a year after the introduction of a very sophisticated system.

The evidence collected in the research indicated that a period of around three years is required in a major company before a complete marketing planning system can be implemented according to its design.

Failure, or partial failure, then, was often the result of not developing a timetable for introducing a new system, to take account of the following:-

- the necessity to communicate the need for a marketing planning system;
- the need to recruit top management support and participation;
- the need to test the system out on a limited basis to demonstrate its effectiveness and value;
- the need for training programmes, or workshops, to train line management for its use;
- lack of data and information in some parts of the world;
- shortage of resources in some parts of the world.

But above all, a resolute sense of purpose and dedication is required, tempered by patience and a willingness to appreciate the inevitable problems which will be encountered in its implementation.

This problem is closely linked with the third major reason for planning system failure, which is lack of line management support.

(iii) Lack of line management support

Hostility, lack of skills, lack of data and information, lack of resources, and an inadequate organisational structure, all add up to a failure to obtain the willing participation of operational managers.

Hostility on the part of line managers was by far the most common reaction to the introduction of new marketing planning systems reported by respondents. The reasons for this were not hard to find, and are related to the system initiators' lack of a plan for planning.

New systems inevitably require considerable explanation of the procedures involved, and are usually accompanied by proformae, flow charts and the like. Often these devices are most conveniently presented in the form of a manual. When such a document arrives on the desk of a busy line manager, unheralded by previous explanation or discussion, the immediate reaction often appears to be fear of his possible inability to understand it and to comply with it, followed by anger, and finally rejection. He begins to picture headquarters as a remote "ivory tower", totally divorced from the reality of the market place.

This is often exacerbated by his absorption in the current operating and reward system, which is geared to the achievement

of current results, whilst the new system is geared to the future. Also, because of the trend in recent years towards the frequent movement of executives around organisations, there is less interest in planning for future business gains that someone else is likely to benefit from.

Allied to this is the fact that many line managers are ignorant of basic marketing principles, have never been used to breaking up their markets into strategically relevant segments, nor of collecting meaningful information relevant to them.

This lack of skill is compounded by the fact that there are few countries in the world which match the wealth of useful information and data which is available in the United Kingdom. This applies particularly to rapidly-growing economies, where the limited aggregate statistics are not only unreliable and incomplete, but also quickly out of date. The seriousness of this problem is highlighted by the often rigid list of home office informational requirements, which is based totally on the U.K. market. This often causes managers to invent unrealistic figures to put in their plans, with the result that the whole exercise becomes unrealistic. This is also connected with item 5 of table 5, to be discussed below.

The solution to this particular problem requires a good deal of patience, common sense, ingenuity and flexibility on the part of both headquarters and operating management. This is closely connected with the need to consider resource availability and the prevailing organisation structure. The problem of lack of reliable data and information can only be solved by devoting time and money to its solution, and where available resources are scarce, it is unlikely that the information demands of headquarters can be met.

It is for this reason that some kind of appropriate headquarters organisation has to be found for the collection and dissemination of valuable information, and that training has to be provided in ways of solving this problem.

The questions of organisational structures and marketing information systems, whilst being important determinants of the effectiveness of marketing planning within a firm, are too large as subjects to be given anything other than a brief mention. They are clearly subjects deserving of separate in-depth research at some time in the future.

Again, these issues are complicated by the varying degrees of size and complexity of companies. It was surprising to see the extent to which organisational structures catered inadequately for marketing as a function. In small companies, there was often no-one other than the sales manager, who spent all his time engaged either in personal selling or in managing the sales

force. Unless the chief executive was marketing orientated, marketing planning was just not done.

In medium sized and large companies, particularly those that were divisionalised, there was rarely any provision at board level for marketing as a discipline. Sometimes there was a commercial director, with line management responsibility for the operating divisions, but apart from sales managers at divisional level, or a marketing manager at head office level, marketing as a function was not particularly well catered for. Where there was a marketing manager, he tended to be somewhat isolated from the mainstream activities.

The most successful organisations were those with a fully integrated marketing function, whether it was line management responsible for sales, or a staff function, with operating units being a microcosm of the head office organisation.

However, it is clear that without a suitable organisational structure, any attempt to implement a marketing planning system which requires the collection, analysis and synthesis of market-related information, is unlikely to be successful. A classic example of this was the large, diversified multinational, in which no provision was made at headquarters for marketing, other than through the divisional directors, and where divisions also generally had no marketing function other than sales management. Their first attempt at writing a strategic plan as a result of market pressures was a complete failure.

Finally, there was some evidence, albeit fairly flimsy, that some managers were unhappy about making public their private knowledge, because this would in some way pass on their knowledge and experience to others in the organisation considered to be less competent.

(iv) Numbers in lieu of written objectives and strategies

Most managers in operating units are accustomed to completing sales forecasts, together with the associated financial implications. They are not accustomed to considering underlying causal factors for past performance or expected results, nor of highlighting opportunities, emphasising key issues, and so on. Their outlook tends to be parochial and short term, with a tendency to extrapolate numbers and to project the current business unchanged into the next financial year.

Thus, when a marketing planning system suddenly requires that they should make explicit their implicit economic model of the business, they cannot do it. So, instead of finding words to express the logic of their objectives and strategies, they repeat their past behaviour and fill in the data sheets provided without any narrative.

It is the provision of data sheets, and the emphasis which the system places on the physical counting of things, that encourages the questionnaire-completion mentality and hinders the development of the creative analysis so essential to effective strategic planning.

Those companies with successful marketing planning systems asked only for essential data and placed greater emphasis on narrative to explain the underlying thinking behind the objectives and strategies.

(v) Confusion over planning terms

Confusion over planning terms was another reason for the failure of marketing planning systems. The initiators of these systems, often highly qualified, frequently used a form of planning terminology that was perceived by operational managers as meaningless jargon. One company even referred to the Ansoff matrix, and made frequent references to other forms of matrices, missions, dimensions, quadrants, algorithms, and so on.

Those companies with successful planning systems tried to use terminology which would be familiar to operational management, and where terms such as "objectives" and "strategies" were used, these were clearly defined, with examples given of their practical use.

(vi) Too much detail, too far ahead

Connected with this is the problem of overplanning, usually caused by elaborate systems that demanded information and data that headquarters did not need and could never use.

Systems that generate vast quantities of paper are generally demotivating for all concerned.

The biggest problem in this connection was undoubtedly the insistence on a detailed and thorough marketing audit. In itself this is not a bad discipline to impose on managers, but to do so without also providing some guidance on how it should be summarised to point up the key issues, merely leads to the production of vast quantities of useless information. Its uselessness stems from the fact that it robs the ensuing plans of focus and confuses those who read it by the amount of detail provided.

The trouble is that not too many managers have the creative or analytical ability to isolate the really key issues, with the result that far more problems and opportunities are identified than the company can ever cope with. Consequently, the truly key strategic issues are buried deep in the detail and do not receive the attention they deserve until it is too late.

During the fieldwork, a number of companies with highly detailed and institutionalised marketing planning systems were interviewed, where the resulting plans contained so much detail, that it was impossible to identify what the major objectives and strategies were. Also, the managers who were interviewed in these companies were rarely able to express a simplified view of the business or of the essential things that had to be done today to ensure success. Such companies were often over-extended, trying to do too many things at once. Over-diversity and being extended in too many directions, made control over such a confusingly heterogeneous portfolio of products and markets extremely difficult.

In companies with successful planning systems, there was at all levels a widespread understanding of the key objectives that had to be achieved, and of the means of achieving them. In such companies, the rationale of each layer of the business was clear, and actions and decisions were disciplined by clear objectives that hung logically together as part of a rational, overall purpose.

This clarity and cohesiveness was achieved by means of a system of "layering". At each successive level of management throughout the organisation, lower level analyses were synthesised into a form that ensured that only the essential information needed for decision-making and control purpose reached the next level of management. Thus, there were hierarchies of audits, SWOT analyses, assumptions, objectives, strategies and plans. This meant, for example, that at conglomerate headquarters, top management had a clear understanding of the really key macro issues of company-wide significance, whilst at the lower level of profit responsibility, management also had a clear understanding of the really key micro issues of significance to the unit. This very important subject will be further illustrated in the section containing recommendations.

It can be concluded that a good measure of the effectiveness of a company's marketing planning system is the extent to which different managers in the organisation can make a clear, lucid and logical statement about the major problems and opportunities they face, how they intend to deal with these, and how what they are doing fits in with some greater overall purpose.

(vii) Once a year ritual

One of the commonest weaknesses in the marketing planning systems of those companies whose planning systems failed to bring the expected benefits, was the ritualistic nature of the activity. In such cases, operating managers treated the writing of the marketing plan as a thoroughly irksome and unpleasant duty. The proformae were completed, not always very diligently, and the resulting plans were quickly filed away, never to be referred to

again. They were seen as something which was required by headquarters rather than as an essential tool of management. In other words, the production of the marketing plan was seen as a once a year ritual, a sort of game of management bluff. It was not surprising that the resulting plans were not used.

Whilst this is obviously closely related to the other reasons why some planning systems were ineffective, a common feature of companies that treated marketing planning as a once a year ritual, was the short lead time given for the completion of the process. The problem with this approach was that in the minds of managers it tended to be relegated to a position of secondary importance.

In companies with effective systems, the planning cycle would start in March or April, and run through to September or October, with the twelve month period of the plan being used to evaluate the ongoing process of existing plans by means of the company's marketing intelligence system.

Thus, by spreading the planning activity over a longer period, and by means of the active participation of all levels of management at the appropriate moment, planning became an accepted and integral part of management behaviour rather than an addition to it which called for unusual behaviour. There is a much better chance that plans resulting from such a system will be formulated in the sort of way that can be converted into things that people are actually going to do.

(viii) Separation of operational planning from strategic planning

Mention has already been made of the confusion between strategic and operational planning referred to in the literature.

The following discussion must be seen against the background of an almost total failure by British industrial goods companies to carry out any meaningful strategic planning. In the majority of cases, the figures that appeared in the long term corporate plans were little more than statistical extrapolations that satisfied boards of directors. If they were not satisfactory, the numbers were just altered, and frequently the gap between where a company got to, compared with where it had planned to be in real terms, grew wider over time, until circumstances forced it to re-examine its planning procedures.

Nevertheless, most companies were making long term projections. Unfortunately, in the majority of cases these were totally separate from the short term planning activity that took place largely in the form of forecasting and budgeting. The view that they should be separate is supported by many of the writers in this field, who describe strategic planning as very different,

and therefore, divorced from, operational planning. Indeed, many stress that failure to understand the essential difference between the two leads to confusion and prevents planning from becoming an integrated part of the company's overall management system.

It is important to repeat that, more often than not, the long term strategic plan was based largely on straight line extrapolations of past trends, and because different people were often involved, such as corporate planners, to the exclusion of some levels of operating management, the resulting plans bore virtually no relationship to the more detailed and immediate short term plans.

This separation positively discouraged operational managers from thinking strategically, with the result that detailed operational plans were completed in a vacuum. The so-called strategic plans did not provide the much-needed cohesion and logic, because they were seen as an ivory tower exercise, which contained figures that no-one really believed in.

It is important to note that those companies that were complying with the theoretical framework, although producing plans with two essentially different kinds of contents, were in fact producing both plans from the same system, using essentially the same people and the same informational inputs. Nowhere is this more clearly seen than in the planning procedures described in section I2.2.6. of Part 2, which were used by one of the most successful companies in the sample frame. The essential difference between the two is in the amount of detail included in each. Obviously, operational plans, which specify the precise scheduling of physical and human resources, together with the associated costs, are in much more detail than strategic plans, which determine the long term objectives and strategies of the company, together with the approximate costs of achieving them.

It was precisely this separation between short and long term plans that was the major cause of the problems experienced today by many of the respondents. It was the failure of long term plans to determine the difficult choices between the emphasis to be placed on current operations and the development of new business that led to the failure of operating management to consider any alternatives to what they were currently doing.

It is very clear that the right approach is to encourage operational management to set their own long term objectives and strategies as a result of their own situation review, and that once these have been agreed or amended as necessary by the appropriate level of authority, the short term operational plan should represent the initial element in the long term plan. How this process actually works in different company situations is a subject for a separate section. However, what

emerged very strongly from the research was that the separation of the two processes considerably lessens the value of each.

Thus, one of the important findings of this thesis is that unless strategic plans are built up from sound strategic analysis at grass root levels by successive layers of operational management, they have little realism as a basis for corporate decisions. At the same time, operational plans will become increasingly parochial in their outlook and will fail to incorporate the decisions that have to be taken today to safeguard the future.

Operational planning, then, should very much be part of the strategic planning process, and vice versa. Indeed, wherever possible, they should be completed at the same time, using the same managers and the same informational inputs. The need to have someone like a marketing planning or a corporate planning manager coordinating plans should not be confused with the derivation of the major inputs.

The detailed operational plan should be the first year of the long term plan, and operational managers should be encouraged to complete their long term projections at the same time as their short term projections. The advantage is that it encourages managers to think about what decisions have to be made in the current planning year, in order to achieve the long term projections.

(ix) Failure to integrate marketing planning into a total corporate planning system

Reference has already been made to the difficulty of initiating an effective marketing planning system in the absence of a parallel corporate planning system. This is yet another facet of the separation of operational planning from strategic planning. For unless similar processes and time scales to those being used in the marketing planning system are also being used by other major functions such as Distribution, Production, Finance and Personnel, the sort of trade-offs and compromises that have to be made in any company between what is wanted and what is practicable and affordable, will not take place in a rational way. These trade-offs have to be made on the basis of the fullest possible understanding of the reality of the company's multifunctional strengths and weaknesses, and opportunities and threats.

One of the problems of systems in which there is either a separation of the strategic corporate planning process, or in which marketing planning is the only formalised system, is the lack of participation of key functions of the company, such as Engineering or Production. Where these are key determinants of success, as in capital goods companies, a separate marketing planning system is virtually ineffective.

(x) Delegation of planning to a planner

The incidence of this was higher with corporate planning than with marketing planning, although where there was some kind of corporate planning function at headquarters, and no organisational function for marketing, whatever strategic marketing planning took place was done by the corporate planners as part of a system which was divorced from the operational planning mechanism. Not surprisingly, this exacerbated the separation of operational planning from strategic planning and encouraged short term thinking in the operational units.

Very often, corporate planners were young, highly qualified people, attached to the office of the chairman or group chief executive. They appeared to be widely resented and were largely ignored by the mainstream of the business. There was not much evidence that they succeeded in clarifying the company's overall strategy, and there appeared to be very little account taken of such strategies in the planning and thinking of operational units.

The literature sees the planner basically as a coordinator of the planning, not as an initiator of goals and strategies. It is clear from this research that without the ability and the willingness of operational management to cooperate, a planner becomes little more than a kind of headquarters administrative assistant. In a number of cases, all in very large companies, where there was a person at headquarters with the specific title of marketing planning manager, he had been appointed as a result of the difficulty of controlling businesses that had grown rapidly in size and diversity, and which presented a baffling array of new problems to deal with.

His tasks were essentially those of system design and coordination of inputs, although he was also expected to formulate overall objectives and strategies for the board. In all cases, it was lack of line management skills and inadequate organisational structures that frustrated the company's marketing efforts, rather than inadequacies on the part of the planner.

This put the onus on the planner himself to do a lot of the planning, which was, not surprisingly, largely ineffective.

Two particularly interesting facts emerged from the research. Firstly, the marketing planning manager, as the designer and initiator of systems for marketing planning, is often in an impossibly delicate position vis à vis both his superior line managers and more junior operational managers. It is clear that not too many chief executives understand the role of planning and have unrealistic expectations of the planner, whereas, for his part the planner cannot operate effectively without the full understanding, cooperation and participation of top management, and this rarely happens. Often, the appointment of a marketing

planning manager, and sometimes of a senior marketing executive, seemed to be an easier step for the chief executive and his board to take, than giving serious consideration themselves to the implications of the new forces affecting the business and reformulating an overall strategy.

This leads on naturally to a second point. For the inevitable consequence of employing a marketing planning manager is that he will need to initiate changes in management behaviour in order to become effective. Usually these are far-reaching in their implications, affecting training, resource allocation, and organisational structures. As the catalyst for such changes, the planner, not surprisingly, comes up against enormous political barriers, the result of which is that he often becomes frustrated and eventually ineffective. This was without doubt a major problem, particularly for big companies. The problems which are raised by a marketing planning manager occur directly as a result of the failure of top management to give thought to the reformulation of overall strategies. They have not done this in the past because they have not felt the need. However, when market pressures force the emerging problems of diversity and control to the surface, without a total willingness on their part to participate in far-reaching changes, there really is not much that a planner can do.

This raises the question again of the key role of the chief executive in the whole business of marketing planning. Without both his support and understanding of the very serious implications of initiating effective marketing planning procedures, whatever efforts are made, whether by a planner or a line manager, they will be largely ineffective.

13.3.4. The benefits of complete marketing planning systems

The most frequently observed benefits accruing to those few companies using complete marketing planning systems are summarised in table 6 below. Not surprisingly, they are more or less the exact opposite of the problems referred to in table 5 above, although it would be absurd to infer that all of the problems, or indeed all of the benefits were mutually exclusive or indeed present or absent in all cases. What table 6 is intended to indicate are the most commonly-encountered benefits enjoyed by those companies conforming to the theoretical framework.

Other studies claim to have established a relationship between formalised marketing planning and business success, principally in the form of profits. The dangers inherent in assuming a causal relationship have already been referred to in this thesis. Indeed, many examples were found of companies with sophisticated but badly administered marketing planning systems that were not commercially successful.

Table 6

<u>MOST FREQUENTLY OBSERVED BENEFITS</u>	
1.	Business success.
2.	Realistic and widely understood and accepted objectives.
3.	Managers motivated to a high level of achievement.
4.	High level of actionable market information.
5.	Greater interfunctional cooperation.
6.	Reduction of waste and duplication.
7.	Clear understanding of priorities.
8.	Awareness and acceptance of change.
9.	Less surprises.
10.	Control over the business.

Nevertheless, it is worthy of note that all those companies with complete marketing planning systems (as defined in this thesis), were commercially successful.

Apart from this, however, and items 3 to 10, in table 6 above, the most notable difference was the degree to which managers throughout the organisation understood the way in which their own objectives linked logically with a set of overall corporate objectives.

In contrast to other companies, the difference seemed to emanate from the way in which these objectives were developed by operating managers, working in cooperation with their superiors, on the basis of a thorough situation review at the beginning of the planning cycle.

There was substantial evidence that those companies that had provided procedures for this process, in the form of standardised methods of presentation, had gone some considerable way towards overcoming the problem of lack of actionable information and unrealistic objectives. Although the possible number of analyses of business situations is infinite, procedural approaches helped managers throughout an organisation at least to consider the essential elements of problem definition in a structured way.

This applied even to difficult foreign markets, where data and information are hard to come by, and even to markets which were being managed by agents, who found that these structured approaches, properly managed, helped their businesses as well as those of their principals.

But there were two further major advantages enjoyed by these companies.

Firstly, the level of management frustration appeared to be lower, and motivation appeared to be higher because they had built into the system a method of reaching agreement on such difficult matters as an assessment of the company's distinctive competence and the nature of the competitive environment. In contrast, the internecine disputes and frustration reported so frequently in Part 2 appeared to be largely the result of an almost total absence of the means of discussing these issues and of reaching agreement on them. If a manager's boss does not understand what his environmental problems are, what his strengths and weaknesses are, nor what he is trying to achieve, and in the absence of any structured procedures and common terminology that can be used and understood by everybody, communications will be bad and the incidence of frustration will be higher. The case of the totally unrealistic sales target set by the chief executive for the Venezuelan market was just one of the many examples of the unfortunate consequences of trying to set objectives in the absence of some kind of meaningful analysis.

Secondly, some form of standardised approach which is understood by all considerably improved the ability of headquarters management not only to understand the problems of individual operating units, but also to react to them in a constructive and helpful way. This was because they received information in a way which enabled them to form a meaningful overview of total company activities, and this provided a rational basis for resource allocation.

Thus, the process leading to the setting of marketing objectives appeared to be the key element in the marketing planning process. This is because the nature and the quality of a company's marketing objectives are central to its success. They provide the basis for integrated and coordinated programmes of action to achieve the objectives.

Nevertheless, in order for each year's action programmes to be effective, they have to take place against the background of an agreed set of longer term strategic objectives that take account of the changing character of market needs and technologies. It is the existence of strategic objectives that enable these changing values to be built into the way the current business is managed, and which enable the company to mutate gradually within its environment rather than having to react to a continuing

series of disruptive traumas through unpreparedness.

These strategic objectives not only ensure the company's continued survival and growth, they also provide the basis on which the shorter term tactical marketing plan rests. No amount of tactical planning, however detailed and thorough, will be effective unless it also provides managers with a sense of locomotion towards a set of longer term corporate objectives.

This is not to suggest that excellent short term planning is not a key determinant of success; merely that there was much evidence in companies without complete marketing planning systems of competent short term programming that suffered from a lack of overall cohesion, only because it took place in a vacuum.

There were many examples provided in the report on the field interviews of companies with good tactical plans, whose executives appeared to be close to a nervous breakdown.

It is difficult not to conclude that this was largely because they had no procedures which enabled them to function according to some logical sense of long term purpose.

This raises yet again the vital question of the link between longer term strategic marketing planning and shorter term operational planning referred to above, a subject about which the existing literature is inadequate and often confused.

To summarise, a structured approach to situation analysis is necessary, irrespective of the size or complexity of the organisation.

Such an approach should:

- ensure that comprehensive consideration is given to the definition of strengths and weaknesses and to problems and opportunities;
- ensure that a logical framework is used for the presentation of the key issues arising from this analysis.

Very few companies in Britain have planning systems which possess these characteristics. Those that do manage to cope with their environment more effectively than those that do not. They find it easier to set meaningful marketing objectives, are more confident about the future, enjoy greater control over the business, and react less on a piecemeal basis to ongoing events. In short, they suffer less operational problems and are, as a result, more effective organisations.

The list of benefits in table 6 confirms and expands on those identified by Boyd and Massey (section 8.4., page 91).

13.3.5. Degree of formalisation of marketing planning procedures

The last major finding to emerge from the empirical stage of the research concerns what was described as being central to the theory of marketing planning, i.e., its formalisation by means of institutionalised procedures.

What this thesis has made clear is that this is by no means the case, depending on the size and the diversity of a firm's operations.

(i) Size

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

In small companies, (defined in this thesis as having a turnover of less than £1 million), there was rarely much diversity of products or markets, and top management had an in-depth knowledge of the key determinants of success and failure. There was usually a high level of knowledge of both the technology and the market. Whilst in such companies the central control mechanism was the sales forecast and budget, top managers were able to explain the rationale lying behind the numbers, had a very clear view of their comparative strengths and weaknesses, and were able to explain the company's marketing strategy without difficulty. This understanding and familiarity with the strategy was shared with key operating subordinates by means of personal, face-to-face dialogue throughout the year. Subordinates were operating within a logical framework of ideas, which they understood. There was 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 was usually also deeply involved in the day-to-day management of the business, the need to rely on informational inputs from subordinates was considerably less than in larger companies. Consequently, there was no need for written procedures about marketing audits, SWOT analyses, assumptions and marketing objectives and strategies, as these were carried out by top management, often informally, at meetings and in face-to-face discussions with subordinates, the results of which were the basis of the forecasts and budgets. Written documents in respect of price, advertising, selling, and so on, were very brief, but those managers responsible for those aspects of the business knew what part they were expected to play in achieving the company's objectives.

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

The many small companies that appeared not to go through the marketing planning steps, even informally, had a poor understanding of the marketing concept. The top manager left his strategy implicit, and the company consequently suffered many of the problems listed in table 3.

These operational problems became progressively worse as the size of company increased. As the number and level of management increases 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 became increasingly more parochial and short term in their outlook, whilst top management became 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 thesis, were in the main only successful in situations of buoyant trading conditions, were often the cause of high levels of management frustration, and were seen to be a major contributory factor in those cases where eventual decline set in.

In general, the bigger the company, the greater was the incidence of standardised, formalised procedures for the several steps in the marketing planning process.

(ii) 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 institutionalised 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. 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, the research showed that 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 were shown to be impracticable and meaningless.

The view often expressed in the literature is 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 task of marketing rests on the lowest level in an organisation at which there is general management profit responsibility. It has been shown that forecasting and budgeting systems by themselves rarely encourage anything but a short term, parochial view of the business at these levels, and that, in the absence of the kind of marketing planning procedures described in this thesis, 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, and in this study, the most successful companies were those with standardised marketing planning procedures to aid this process. In such companies, there was a hierarchy of audits, SWOT analyses, assumptions, strategies and programmes, with increasingly more detail required in the procedures at the lowest levels in the organisation. The precise details of each step varied according to circumstances, but the eventual output of the process was in a universally consistent form. The basis on which the whole system rested was the informational input requirements at the highest level of command. Marketing objectives and strategies were frequently synthesised into a multidisciplinary corporate plan at the next general management profit responsible level, until at the highest level of command the corporate plan consisted largely of financial information and summaries of the major operational activities. This is an important point, for there was rarely a consolidated operational marketing plan at conglomerate headquarters. This often existed only at the lowest level of general management profit responsibility, and even here it was sometimes incorporated into the corporate plan, particularly in capital goods companies, where engineering, manufacturing and technical services were 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 were particularly interested in the progress of and prospects for the major areas of operational activities, and whilst obviously concerned to ensure a satisfactory current level of profitability, were less interested in the detailed short term scheduling and costing out of the activities necessary to achieve these objectives. This, however, was a major concern at the lowest level of general management profit responsibility.

To summarise, the smaller the company, the more informal and personal the procedures for marketing planning were. As company size and diversity increased, so the need for institutionalised procedures increased.

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 organisation 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, i.e., finding the right balance between the flexibility of operating units to react to changes in local market conditions and centralised control, that a formally designed system seeks to tackle. Those companies which conformed to the theoretical framework had systems which, through a hierarchy of bottom up/top down negotiating procedures, reached a nice balance between the need for detailed control at the lowest level of operations and centralised control. The main role of headquarters was to harness the company's strengths on a worldwide basis, and to ensure that lower level decisions did not cause problems in other areas or lead to wasteful duplication.

The principal features of the marketing planning systems of those companies conforming with the theory of marketing planning are summarised in table 7.

Table 7

CHARACTERISTICS OF COMPANIES CONFORMING TO THE THEORY OF MARKETING PLANNING

Type of Business	Small		Medium		Large	
	Undiversified	Diversified	Undiversified	Diversified	Undiversified	Diversified
Top management knowledge/expertise	Much greater than subordinates	Greater than subordinates	Equal to/less than subordinates	Less than subordinates	Less than/equal to subordinates	Much less than subordinates
Situation review/SWOT analysis	No written procedures, personal/face-to-face. Completed by top management	No written procedures, personal/face-to-face. Completed by top management	No written procedures, personal face-to-face; "negotiated" by top and operating management	Written procedures, personal face-to-face. Completed by operating management	Standardised written procedures, personal face-to-face. Completed by operating management	Standardised written procedures. Impersonal. Completed by operating management
Objectives/strategies (short and long term)	Explicit, but not written, top down	Explicit, but not written, top down	Written. Top down/bottom up. Negotiated	Written. Top down/bottom up. Negotiated	Written. Bottom up/top down. Negotiated	Written. Bottom up/top down. Negotiated
Programmes/budgets (short term)	Brief, completed by top management	Brief. Negotiated	Detailed. Negotiated	Detailed. Negotiated	Detailed, completed by operating management	Detailed, completed by operating management
HQ role	Total control	Total control	Total control	Financial resource allocation, acquisitions, etc. High level of detailed control	Financial resource allocation, acquisitions etc. control over interactive elements of marketing mix	Mainly financial. Resource allocation, acquisitions etc.
Final form of plans	Sales forecasts/budgets (short term only)	Sales forecasts/budgets (short term only)	Consolidated marketing plan (short term) Corporate plan (long term)	Separate marketing plans (short term) Corporate plan (long term)	Marketing plans synthesised into corporate plan (long term)	Sales forecasts/budgets with prospects for major areas of business (long term)

13.3.6. Planning Horizons

It is clear that one and five year planning periods are by far the most common.

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, were the most frequently mentioned reasons for having a five year planning horizon.

Two major points of interest emerged from the research. Firstly, not many companies have given sufficient thought to what represents a sensible planning horizon for their particular circumstances. A five year time span was clearly too long for some companies, particularly those with highly versatile machinery operating in volatile fashion-conscious markets. The effect of this was to rob strategic plans of reality. A five year horizon is often chosen largely because of its universality. Secondly, some small subsidiaries in large conglomerates were being asked to produce strategic plans for seven, ten and sometimes fifteen years ahead, with the result that they tended to become meaningless exercises. Whilst it obviously makes sense for, say, a glass manufacturer to produce twelve year plans because of the very long lead time involved in laying down a new furnace, it does not make sense to impose the same planning time scale on small subsidiaries operating in totally different markets, even though they are in the same group. This placed unnecessary burdens on operating management and tended 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 to use formalised systems for this purpose so that managers throughout the organisation have a common means of communication.

13.3.7. Other issues related to marketing planning

There were a number of other issues identified in the literature review as having an important bearing on marketing planning in theory and practice. These are:-

- the role of the chief executive;
- the role of the planning department;
- evaluation and review procedures;
- bottom up/top down planning;
- the headquarters role in marketing planning;
- location of the responsibility for strategic planning;
- coordination between headquarters and division;
- the EPRG profile;
- individual versus standardised marketing strategies.

Where relevant to the development of theory, these will be referred to in the final section, headed Recommendations, which will address the last issue which this thesis set out to investigate, i.e., the extent to which any theoretical framework of this kind can have universal validity, irrespective of company, product or market circumstances.

I4.0. RECOMMENDATIONS

I4.I. Introduction

In section I3.I. it was made clear that the process of marketing planning, although conceptually very simple, is extremely complex once a number of contextual issues such as company size and degree of diversity are added. Since the extant literature does not adequately address such contextual issues in relation to marketing planning, the only conclusion that can be reached is that the current theory of marketing planning is largely irrelevant.

This may account in part for why so few companies actually conform with the theory.

Also relevant is the belief that the formalisation of procedures is essential for marketing planning to be effective. This was shown to be only partly true and is an issue which will be addressed in this section.

It is very important to stress that the degree to which any company can succeed in developing an integrated and internally-consistent view of their marketing in the form of a plan clearly depends on a deep understanding of the marketing planning process itself. Such an understanding comes only from the hard experience of actually trying to develop a workable system within a company, and from an endless willingness to adapt the resulting systems and procedures to the particular personality and organisational peculiarities of the company. Without such experience and understanding, writing about marketing planning is extremely difficult. This may explain the inadequacy of the literature about this important subject, and the lack of a definitive text which not only explains the "theory", but which also tackles the many associated problems such as institutionalisation and organisational complexity.

Whilst such a definitive text must be the subject of separate treatment, this thesis will attempt to develop the theory to take account of the hypotheses developed from both the literature review and the empirical work.

This is essential mainly for two reasons. Firstly, it was found that those companies that had mastered the problems of marketing planning were more effective organisations than those that had failed. It is more important that the lessons gleaned from such companies should be developed into theory.

Secondly, it is most unlikely that the current literature on the specific subject of marketing planning will give the practical guidance which many companies seek when market pressures force them to consider new methods to replace the old extrapolative approaches embodied in sales forecasting and budgeting systems.

This is partly because most of these books on marketing planning turn out to be books about the management of the several elements of the marketing mix, rather than about how the process of combining these elements into a coherent plan can be managed. Other papers treat marketing planning in such a generalised way that it is difficult to distil from them any guidance of operational significance. Finally, there are many excellent papers about individual aspects of the marketing planning process, such as the headquarters/subsidiary relationship in objective-setting. Nowhere, however, are there in the literature any clear guidelines about a subject which is, in practice, perhaps the most difficult of all marketing skills, representing as it does the "gestalt" of all marketing effort.

14.2. Developing the theory of marketing planning

(a) Marketing planning and its relationship with success

The theory of marketing planning will be restated by referring to the specific hypotheses developed from the literature review and fieldwork.

Firstly, it is possible to state that, whilst it is by no means essential for any company not suffering from hostile and unstable competitive and environmental conditions to have a complete marketing planning system, such a company is likely to be less successful than comparable companies with complete marketing planning systems. Success is considered to be not only a company's financial performance over a number of years, but also the way it copes with its environment. What this means is that, apart from profitability, a company with a complete marketing planning system is likely to have:

- widely understood objectives;
- highly motivated employees;
- high levels of actionable market information;
- greater interfunctional coordination;
- minimum waste and duplication of resources;
- acceptance of the need for continuous change and a clear understanding of priorities;
- greater control over the business and less vulnerability from the unexpected.

In the case of companies without complete marketing planning systems, whilst it is possible to be profitable over a number of years, especially in high growth markets, such companies will tend to be less profitable and to suffer problems which are the very opposite of the benefits listed above.

Furthermore, companies without complete marketing planning systems tend to suffer more serious commercial organisational consequences when environmental and competitive conditions become hostile and unstable.

None of this, however, is new, in the sense that most of these benefits and problems are discernible in the literature in one form or another. This thesis has merely brought them together and confirmed through the fieldwork that they are still highly relevant today.

(b) Planning system completeness

Secondly, it is possible to state that the introduction of formalised marketing planning systems has profound organisational and psychological ramifications for a company, requiring, as it does, a change in the way it manages its business. Unless a company recognises these ramifications, and plans to seek ways of coping with the problems inherent therein, formalised marketing planning will be ineffective due to resistance from within the organisation.

This thesis has shown that these ramifications are principally as follows:-

- (i) 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-bureaucratisation of the system.
- (ii) 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.
- (iii) 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 may result in the firm being less effective in the long term.

- (iv) Unless the chief executive understands and takes an active role in marketing planning, it will not be a complete system, and will, therefore, be ineffective.

The term then, "complete marketing planning system", does not mean only the existence of the institutionalised means of carrying out the seven step marketing planning process. No system will be complete unless a number of conditions are satisfied, the main ones being:

- (i) the chief executive has to understand the system and take an active part in it;
- (ii) there has to exist the means of integration with other functional areas of the business at general management level;
- (iii) in a closed loop system, some mechanism has to exist to prevent marketing inertia from over-bureaucratisation;
- (iv) operational and strategic marketing planning have to be part of the same system;
- (v) a period of up to three years is necessary for the introduction of a complete marketing planning system.

Furthermore, the major benefit of marketing planning derives from the process itself, rather than from the existence of a plan.

This process is itself universal, irrespective of circumstances. What is not universal, is the degree of formalisation of the planning system, which is a function of company size and the degree of product or market diversity.

Some indication of the potential complexity of marketing planning can be seen in figure 24. Even in a generalised 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, whilst 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 functionalised for the purpose of planning, such as marketing research, advertising, sales promotion, and so on, whilst different customer groups may need to have

separate plans drawn up.

Two conclusions can be drawn. Firstly, that organisational issues are closely related to the eventual format of marketing and business plans. In other words, whether a company has product managers, market managers, functional managers, or a combination of these in the form of a matrix, or whether a company is highly centralised or decentralised, will affect the particular way in which it addresses marketing issues. This could well be the subject of a separate piece of research.

Secondly, that in a large diversified group, irrespective of such organisational issues, anything other than a systematic approach approximating to a formalised marketing planning system is unlikely to enable the necessary control to be exercised over the corporate entity.

As this thesis has shown, as size and diversity grow, so the degree of formalisation of the marketing planning process also increases, a conclusion for which ample evidence was provided in the fieldwork.

This can be simplified into a theory and drawn in the form of a matrix (figure 25). From this it can be seen that the degree of formalisation will increase with the evolving size and diversity of operations. However, whilst the degree of formalisation will change, the need for a complete marketing planning system does not. The problems that companies suffer, then, will be a function of either the degree to which they have a complete marketing planning system or the degree to which the formalisation of their system grows with the situational complexities attendant upon the size and diversity of operations.

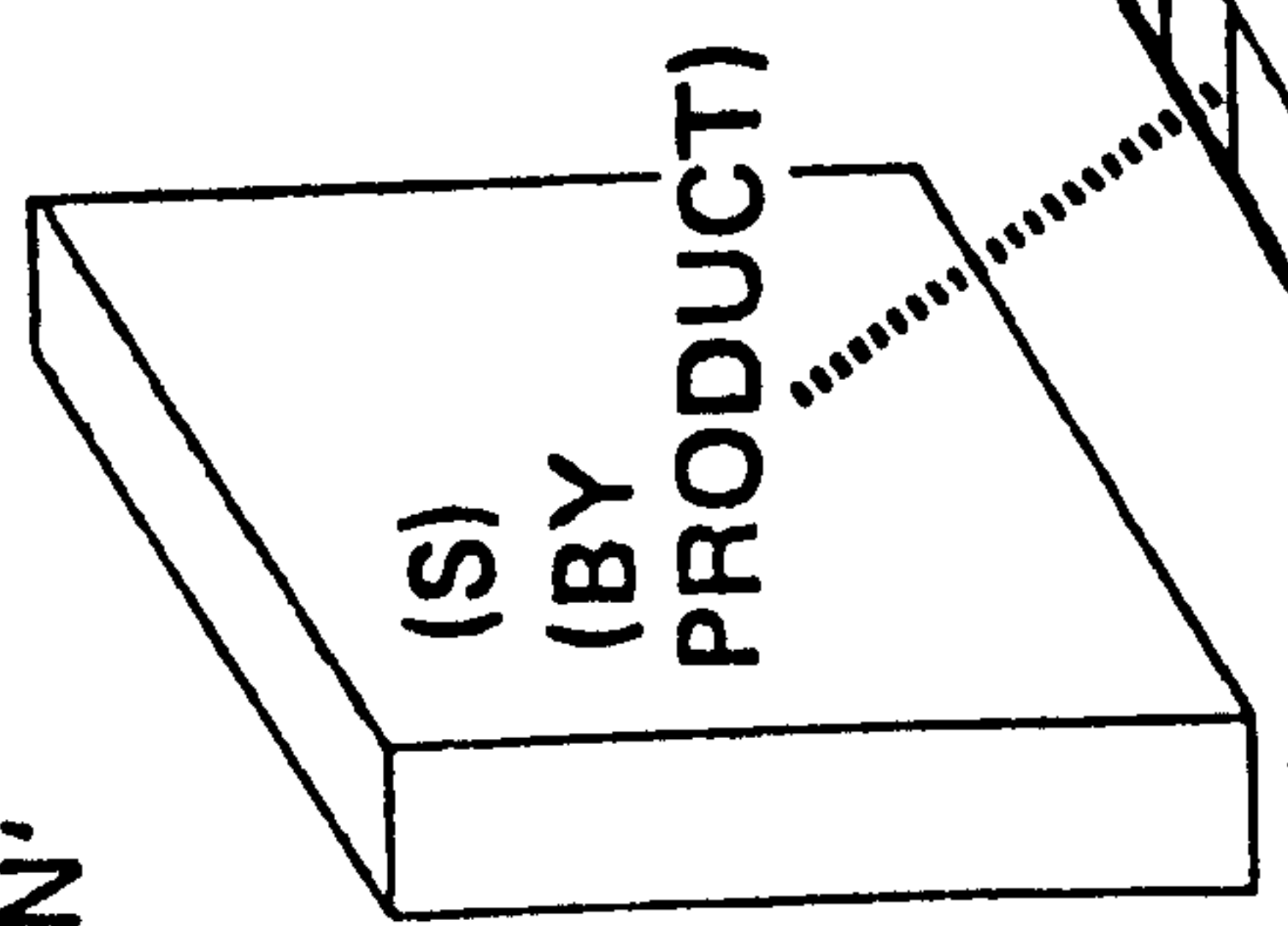
It is interesting to observe how congruent this theory is with many of the theories of individual and organisational behaviour such as those of Lickert (op cit). His work, and particularly that part of it concerned with sales force management, shows that commercial success is a function of the degree to which individual goals and group goals can be seen as being congruent. A new way of looking at the findings of Lickert in respect of sales force management is shown in figure 26.

From this it will be seen that there are approximately four types of management style. Style number one, in which the individual's goals are totally subordinate to the goals of the company, is less successful commercially over time than style number two. Style number three, in which the company's goals are totally subordinate to the goals of the individual, is also less successful commercially over time than style number two. Style number four, in which neither the company nor the individual cares one way or the other, is also less

MACRO BUSINESS PLAN, ALL FUNCTIONS, ALL COMPANIES, ALL REGIONS. TOGETHER WITH CONSTITUENT BUILDING BLOCKS

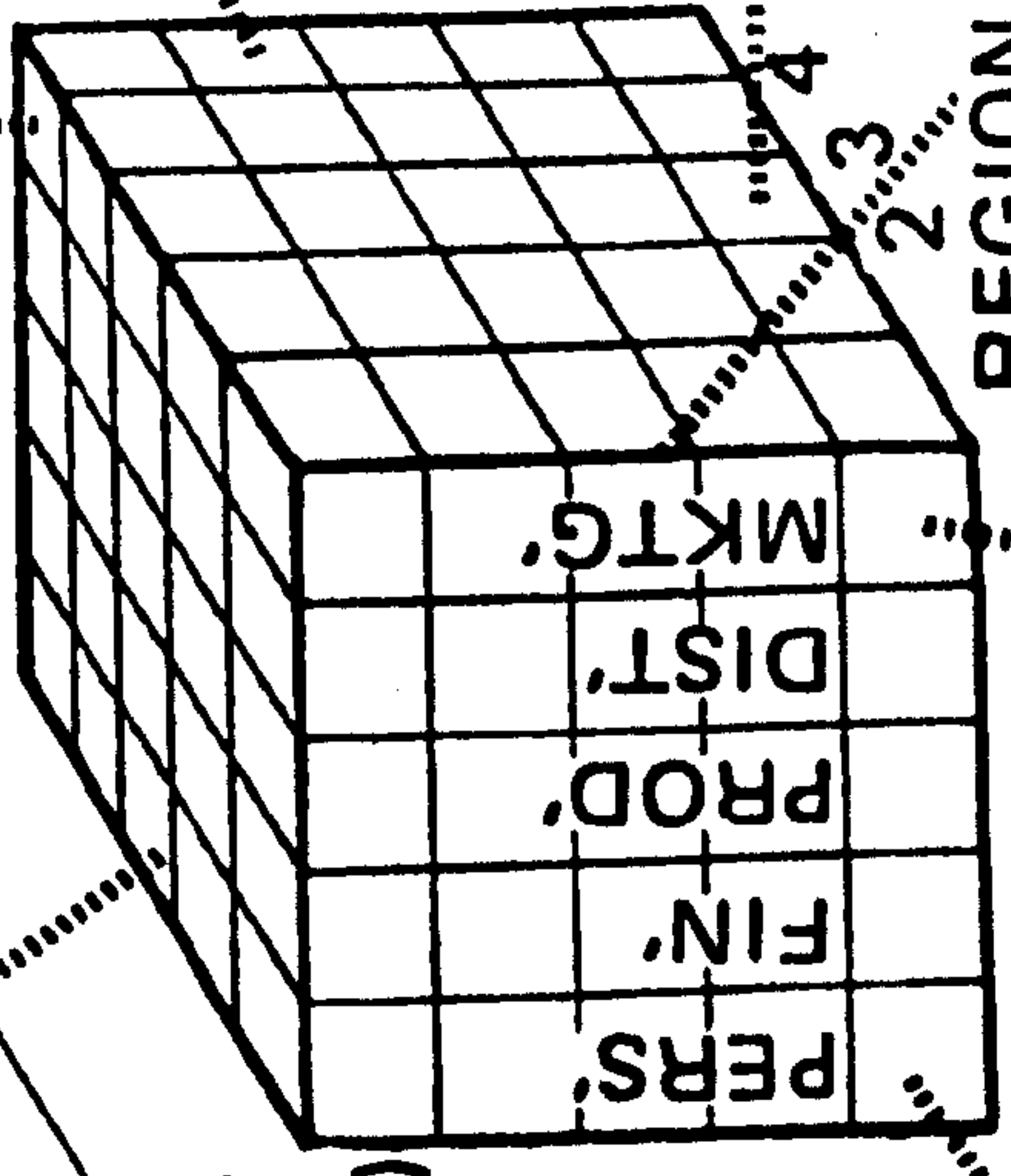
KEY P = PARENT COMPANY
S = SUBSIDIARY COMPANY

MACRO COMPANY WIDE
PLANNING' BY FUNCTION'
COMPANIES COMBINED

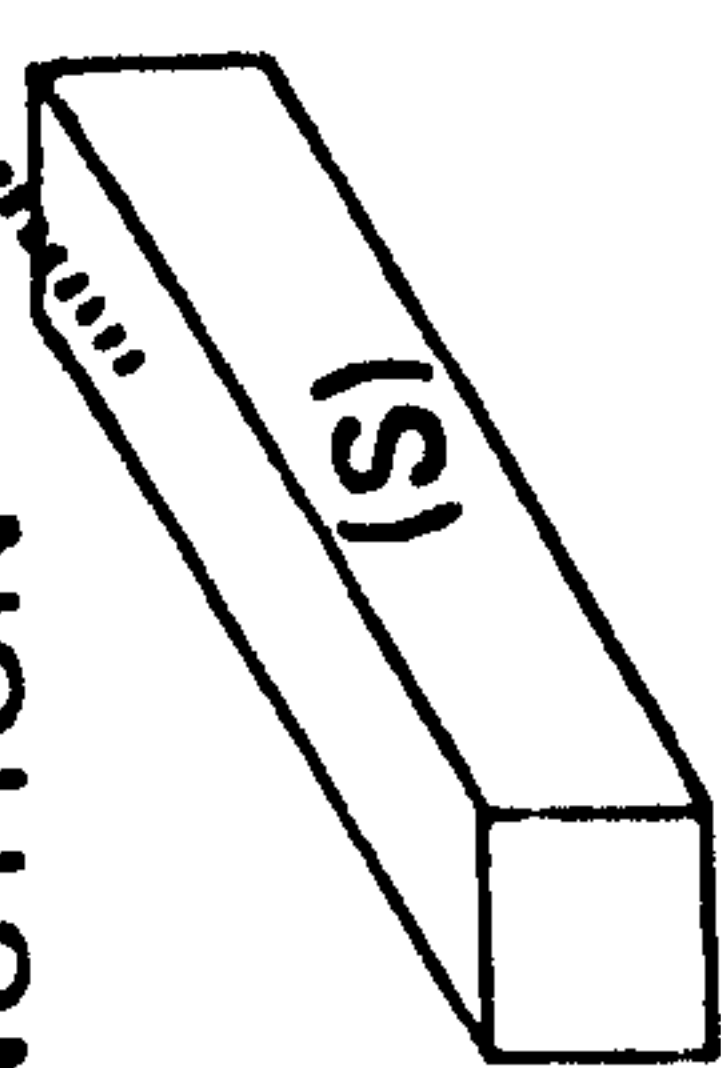


COMPANY 'A'
(OR PRODUCT 'A')

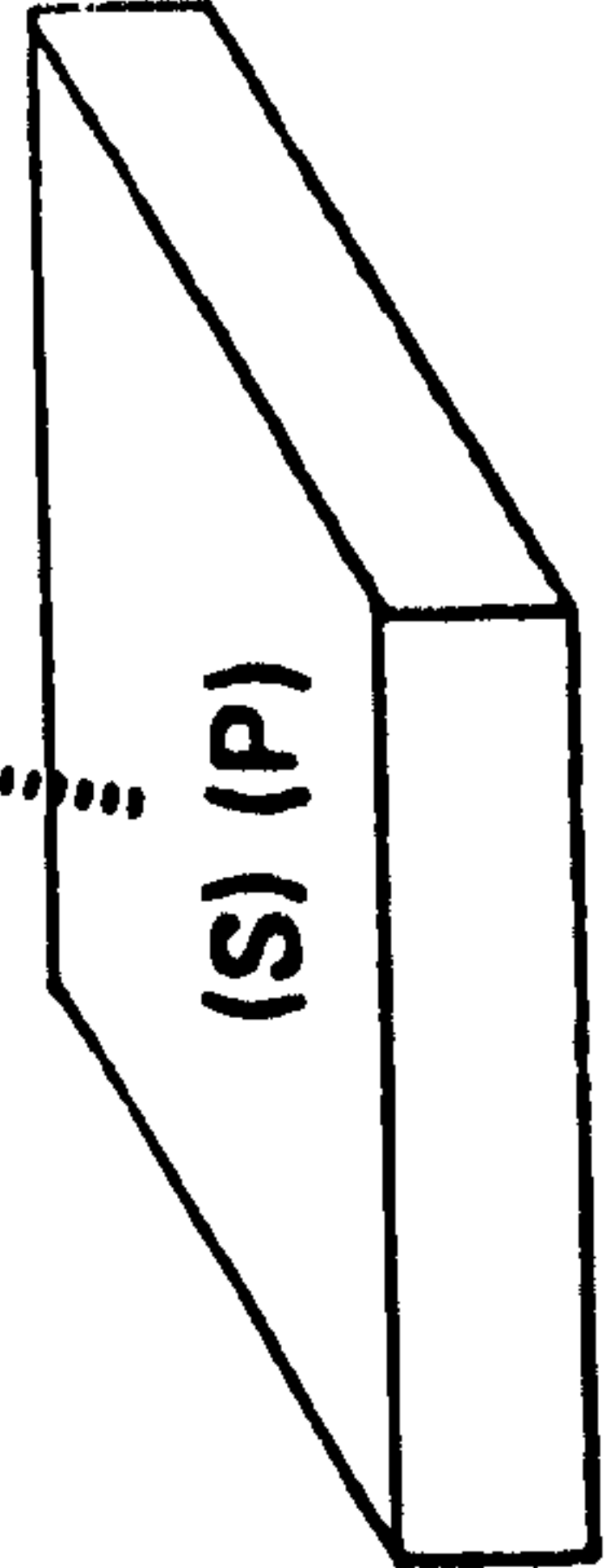
MICRO PLANNING
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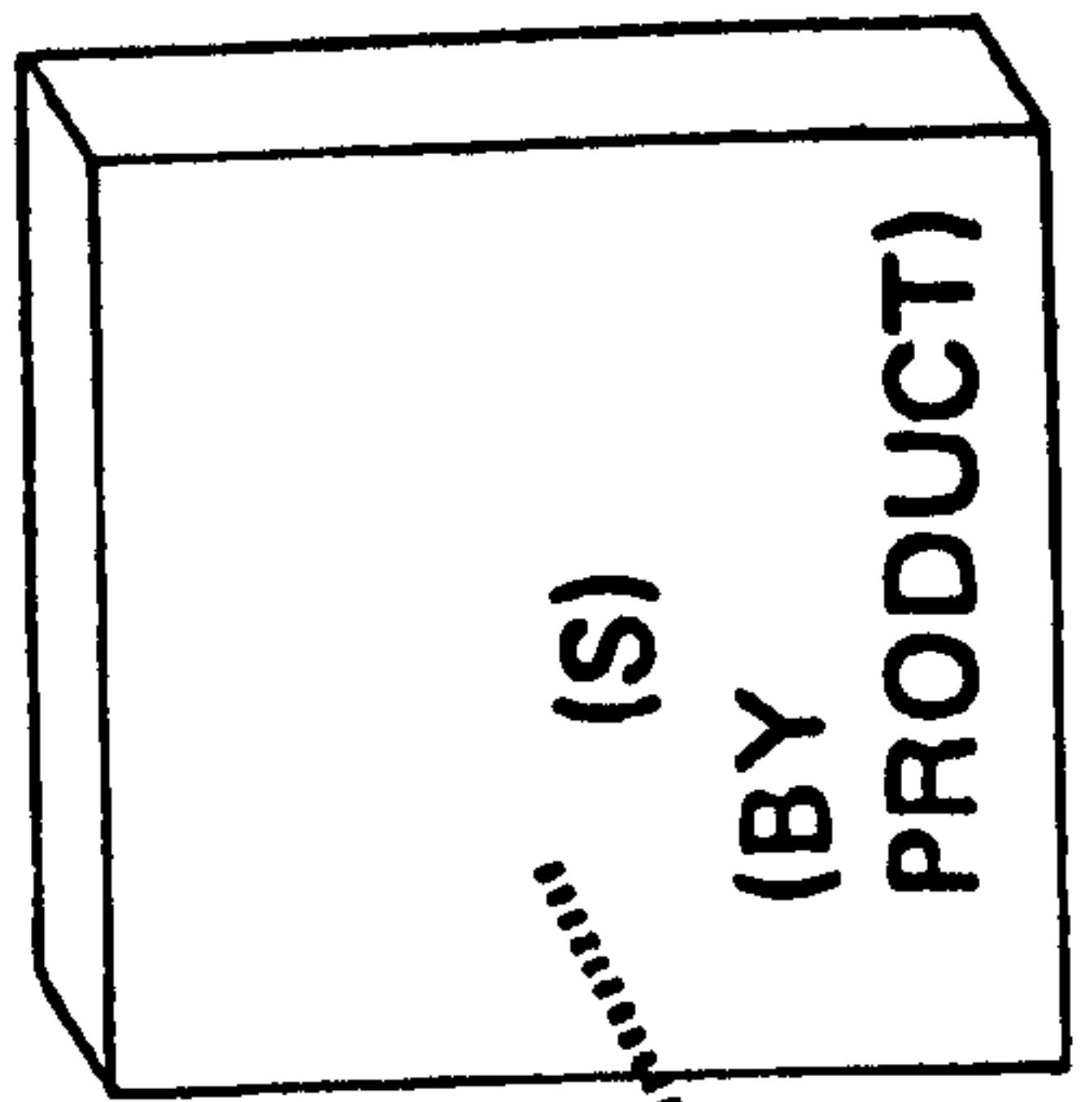
MICRO PLANNING
COMPANY WIDE
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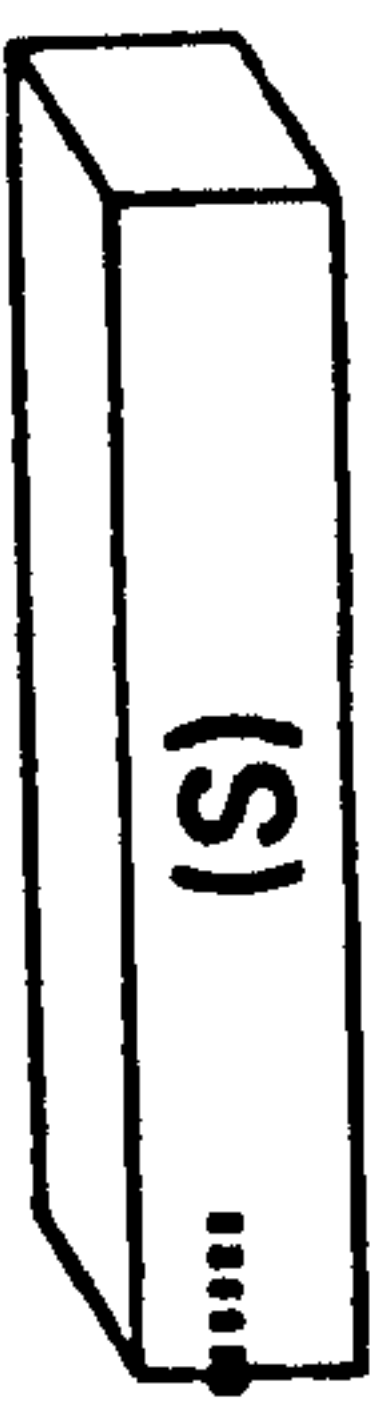
MACRO COMPANY WIDE
BUSINESS PLANN (ALL FUNCTIONS)



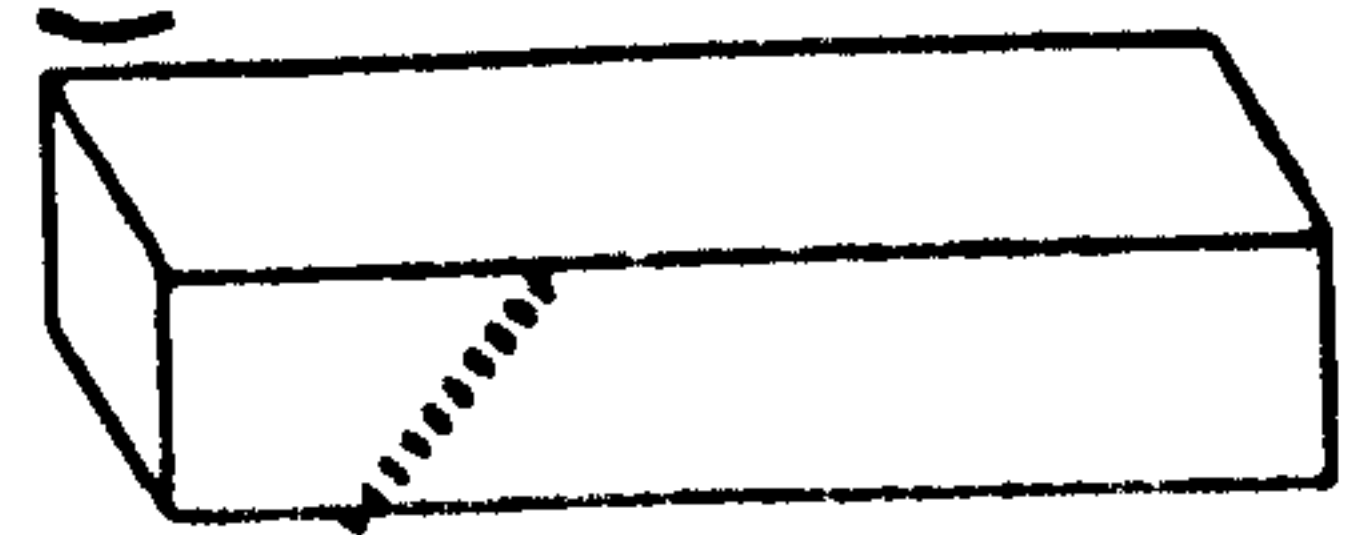
MACRO PLANNING' ALL
FUNCTIONS' ALL COMPANIES
BY REGION



MICRO PLANNING
FOR A REGION
ALL FUNCTIONS



(S) (BY PRODUCT)



MICRO PLANNING FOR A
FUNCTION WITHIN A
REGION' ALL COMPANIES
COMBINED'

Figure 25

MARKET / PRODUCT DIVERSITY

COMPANY SIZE

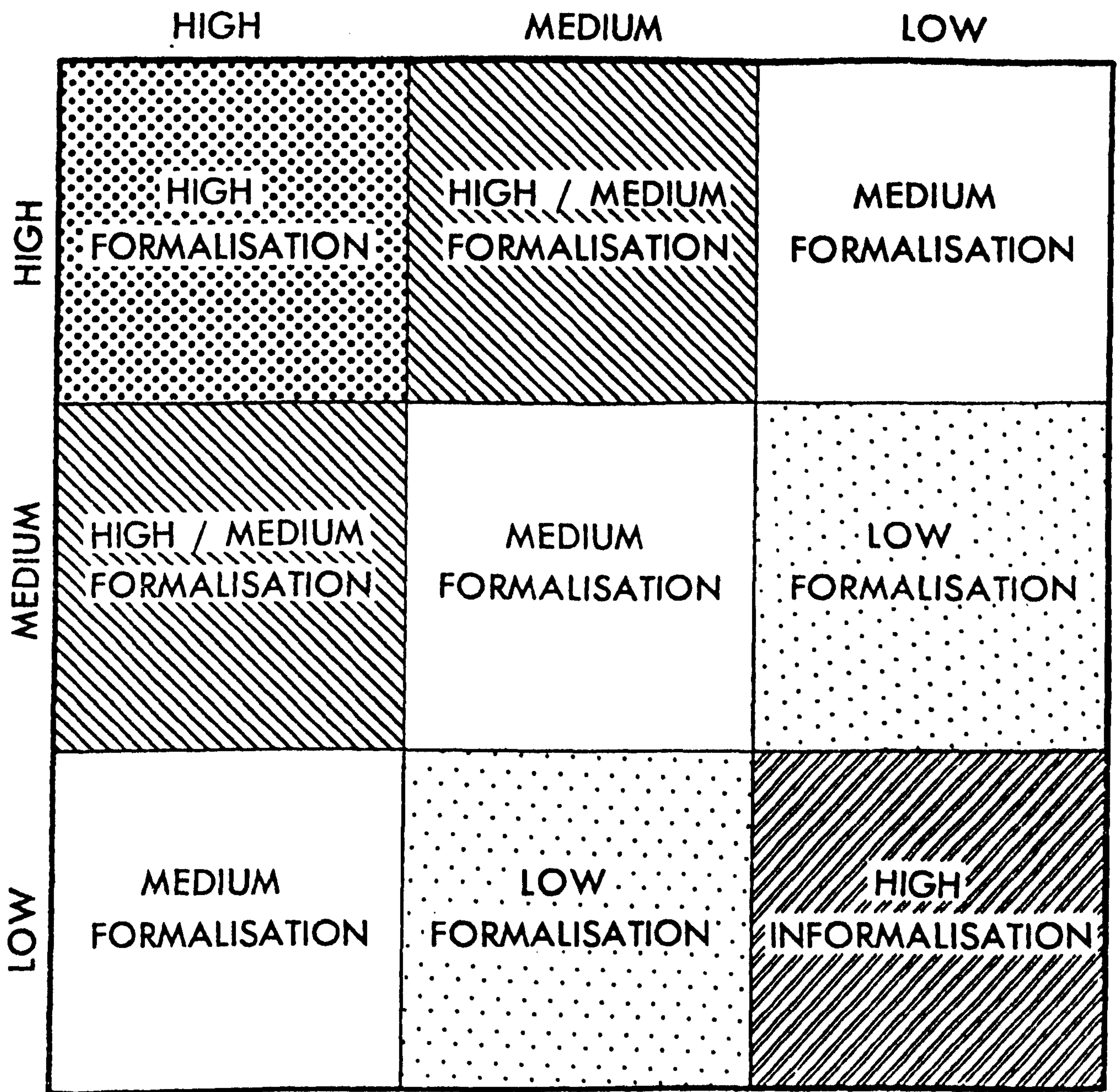
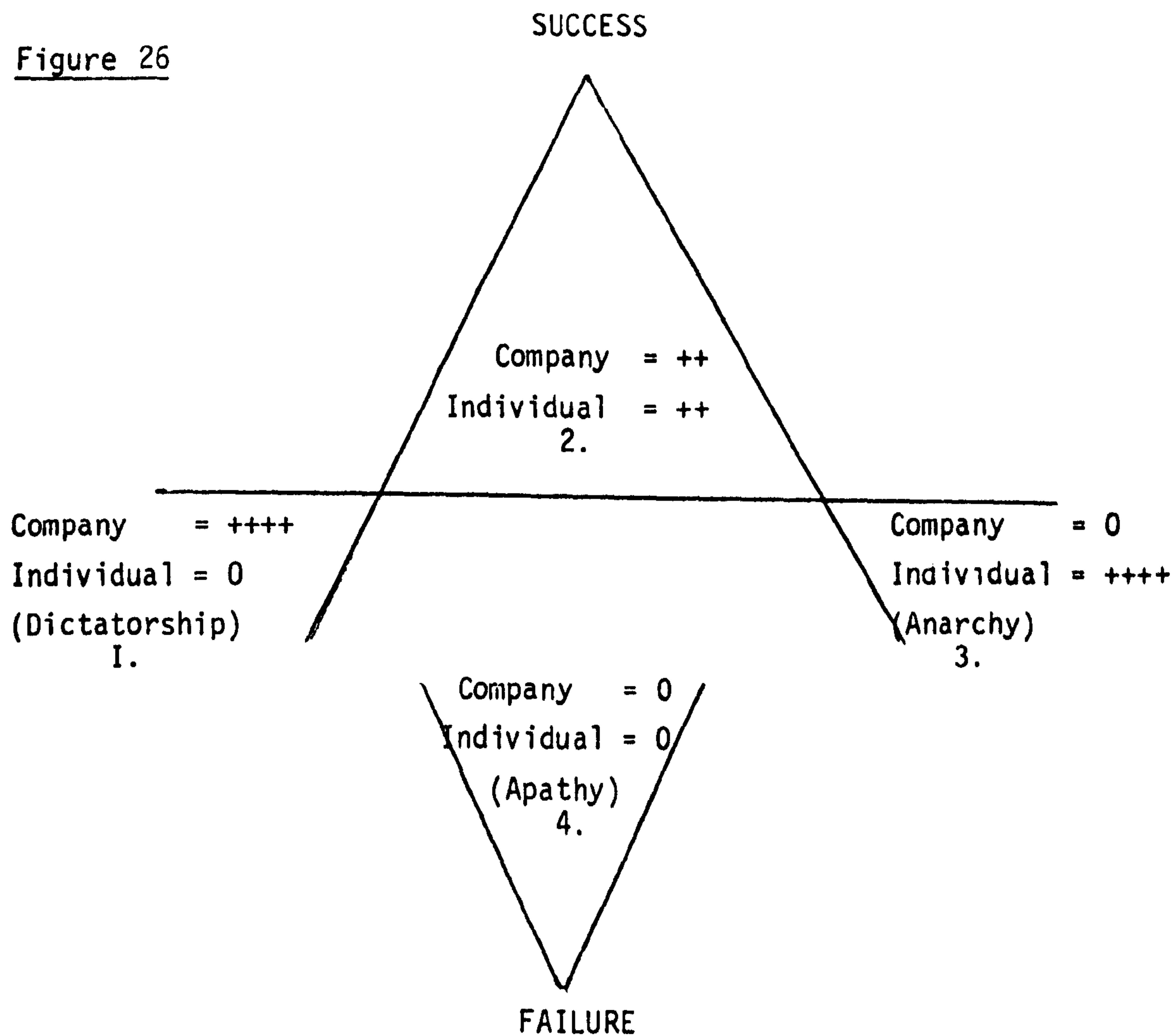


Figure 26



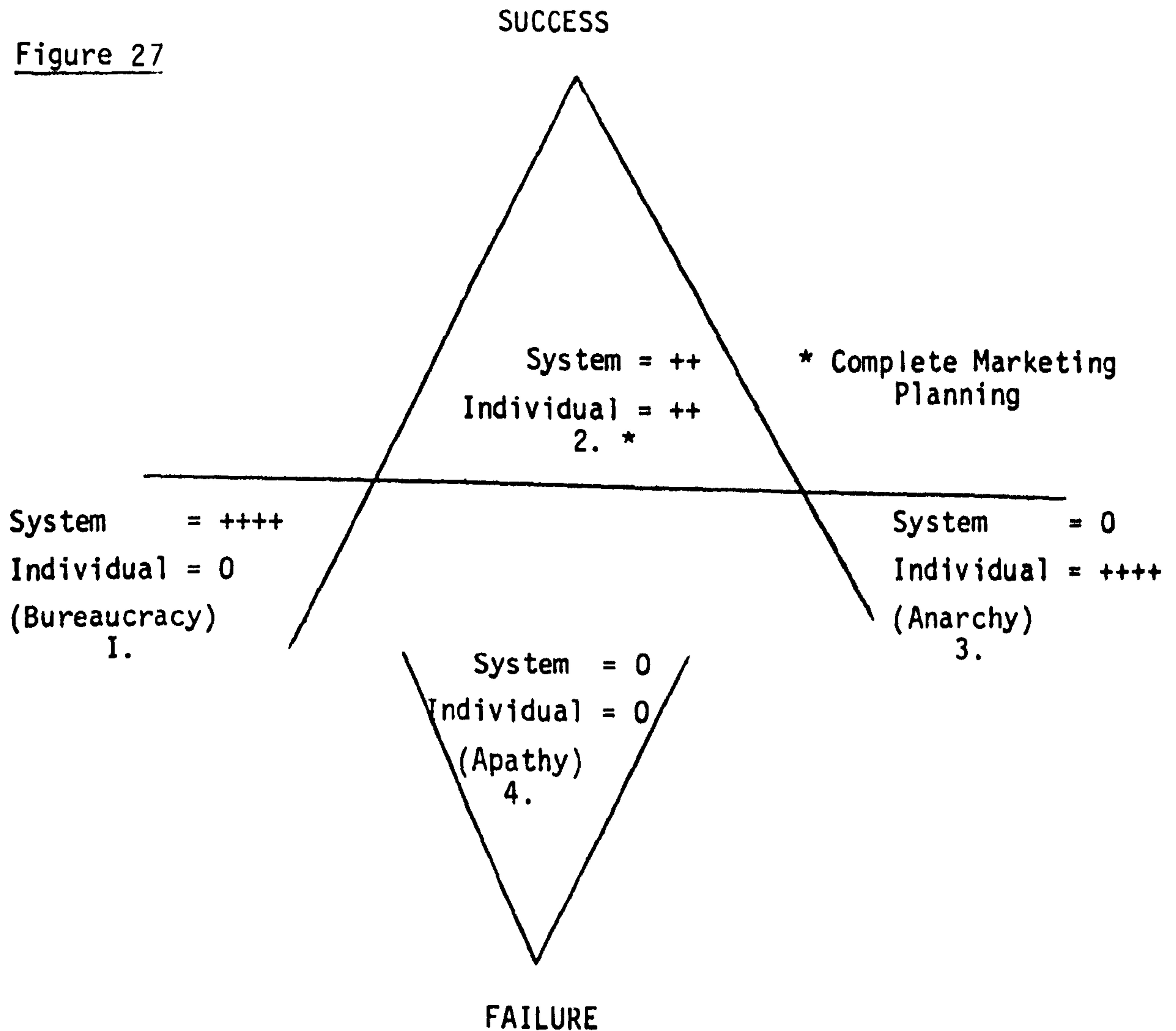
successful than style number two. Style number two, in which individual goals are seen as being congruent with company goals, lead to the greatest commercial success over time.

Marketing planning systems can be seen in the same way, (figure 27).

Here, it can be seen that systems one, three and four, i.e., where the individual is totally subordinate to the 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 two, in which the individual is allowed to be entrepreneurial within a total system.

System two, then, will be a complete marketing planning system, but one in which the degree of formalisation will be a function of company size and diversity.

Figure 27



This raises the issue of creativity and the closed loop system. There would be little disagreement that in today's abrasive, turbulent, and highly competitive environment, it is those firms that succeed in fashioning entrepreneurial ideas and creative marketing programmes from systems that are necessarily bureaucratic, that will succeed in the long run. Much of the innovative flair can so easily get buried in the routines imposed by systems.

Certainly, there was ample evidence in the fieldwork of companies with formalised systems that produced stale and repetitive plans, with little changed from year to year, and that failed to point up the really key strategic issues as a result. This seemed to be largely due to a lack of personal intervention by key managers during the early stages of the planning cycle.

The Financial Times of June 23rd, 1979, quoted the Vice President of General Electric as saying: "One of the major dangers in the complex planning cycle of a multibusiness company, is that

attention can be diffused. Far more issues are raised than can ever be resolved." He then went on to stress: "the critical importance of concentration on essentials and the need for top management involvement."

He gave as examples:

- the technical impact of micro processors on electro mechanical component equipment products;
- the vulnerability from the Japanese flood and the various defensive and offensive options available;
- technical resource, leadership and innovation strategies.

There is clearly a need, therefore, to find a way of renewing the planning life cycle each time round in order to prevent inertia setting in. Without some such valve, or means of opening up the loop, inertia will quickly turn into decay.

Such a valve has to be inserted early in the planning cycle during the audit, or situation review stage. In companies with complete marketing planning systems, whether such systems were formalised or informal, the critical intervention of senior managers, from the chief executive down through the hierarchical chain, came at the audit stage. Essentially what took place was that there was some form of personalised presentation of audit findings, together with proposed marketing objectives and strategies and budgets for the strategic planning period. This was discussed, amended where necessary, and agreed in various synthesised formats at the several hierarchical levels in the organisation before any detailed operational planning took place. It was at such meetings that managers were called upon to justify their views, which tended to force them to be more creative than they would have had to be 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 himself takes an active part in the process.

(c) The role of the chief executive

In the literature review, it was seen that the role of the chief executive was generally agreed as being:

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

Whilst this thesis has found no evidence to the contrary, what emerges very clearly is that, in respect of planning, his principal role is to open up the planning loop by means of his personal intervention. The main purpose of this is to act as a catalyst for the entrepreneurial dynamic within his organisation, which can so easily decay through bureaucratisation. This is not sufficiently recognised in the literature.

(d) Evaluation and review procedures and bottom up/top down planning

Companies with complete marketing planning systems had high levels of actionable marketing intelligence.

This is not surprising in view of the comments about the open loop system, which forced both headquarters and operating units to collect data and information and to turn it into intelligence.

Whilst marketing intelligence will always be a problem to all companies, what emerged clearly from the fieldwork was that it was far less of a problem for companies with complete marketing planning systems, that had much greater control over their environment. This is largely because a complete marketing planning system forces managers to concentrate on key operational and strategic issues and therefore focuses their attention on the need to gather timely and relevant intelligence.

What was also clear, however, was that companies with complete marketing planning systems had predetermined what information was required at the several hierarchical levels of control, and that it was the existence of standardised formats for presentation that aided the collection of intelligence. This was achieved by means of synthesised information flows from the bottom upwards, which facilitated useful comparison of performances around the world, and the diffusion of valuable information, skills, experiences and systems from the top downwards.

Principally, the benefits accruing to companies devising such systems revolve around the transfer of knowledge and the sharing of expertise, leading to synergy in all the major elements of the marketing mix.

(e) The headquarters role in marketing planning; location of responsibility for strategic planning; coordination between headquarters and division; the EPRG profile; individual versus standardised marketing planning

These issues were addressed in section I3.3.5., which concluded that formalisation and systematisation is a function of

company size and diversity. The most successful companies are likely to be those with a complete marketing planning system. In large, diversified companies, there will be a hierarchy of audits, SWOT analyses, assumptions, strategies and programmes, with more detail required at the lowest levels in the organisation.

Marketing objectives and strategies will be synthesised into a multidisciplinary corporate plan at the next general management profit responsibility level. What each successive level of command is interested in will be different.

The important point is the degree of control that the system enables to be exercised over the key determinants of success and failure. The issue of where responsibility should rest for setting marketing objectives and strategies is largely irrelevant, for a complete marketing planning system (as defined in section 14.2. (b)), will ensure the right balance between the flexibility of operating units to react to changes in local market conditions and centralised control, which seeks to obtain the maximum synergy from the organisation as a whole. Such a system will, through a hierarchy of bottom up/top down negotiating procedures ensure a nice balance between the need for detailed control at the lowest level of operations and centralised control. Headquarters will thus be able to harness the company's strengths on a worldwide basis and ensure that lower level decisions do not cause problems in other areas or lead to wasteful duplication.

To conclude, it can be stated that the issue is not the development of marketing strategies, per se, but rather the development of a process by which the firm can profitably identify and satisfy customer needs around the world so as to optimise the evolving capabilities of the firm.

The principal factors which will determine the exact nature of this process are as follows:

- company size;
- product/market diversity;
- international involvement;
- management attitudes and styles.

Finally, it should be pointed out that no mention has been made so far of the following hypothesis, which was developed from the literature review:

"That companies organised according to the 'federalised system' will have a complete marketing planning system, and therefore a regio/geocentric approach to international marketing. Companies organised according to any other system will not have a complete marketing planning system and, therefore, an ethnocentric or

polycentric approach to international marketing. The former will be more 'successful' than the latter."

This is because, whilst this thesis has shown the hypothesis to be essentially true, it appears to be an unnecessary complication to introduce different terminology to describe marketing planning systems. What Thompson describes as a federalised system is a centralised office and various decentralised units with their own products, processes and markets, each of which complement the others in the group. Planning within the units applies to the exploration of markets within the boundaries laid down by headquarters according to a formal structure of ideas and systems. What Wind describes as regio/geocentricism, is a collaborative effort between headquarters and subsidiaries to establish universal standards and permissible local variations, which leads to the most effective use of total corporate resources.

The ideals encapsulated in both of these concepts describe what this thesis has termed "a complete marketing planning system". Any company with a complete marketing planning system will automatically have a regio/geocentric approach to marketing, and it will also operate according to a formalised structure of ideas and systems, the degree of formalisation being a function of size and diversity.

This particular hypothesis, therefore, is considered tautological in the context of this thesis.

14.3. The Marketing Planning Process redefined. A Summary

The previous section addressed in detail the complexities of marketing planning according to circumstances which were principally concerned with company size and degree of diversity, and the appropriate degree of formality.

To summarise, it is possible to talk about REQUISITE MARKETING PLANNING in relation to the degree of institutionalisation.

Nonetheless, the process itself is universally applicable, and it is necessary briefly to re-state this process. However, this time it will incorporate changes which have emerged from the empirical stage of the research.

An important point which should be made at the outset is that the marketing planning framework which follows is universally applicable, since it incorporates all the basic principles. It is just as applicable to a diversified multinational as to a small, undiversified company.

The marketing planning process is described in full in Appendix 5. The purpose of this section is to summarise this process.

Figure 28 illustrates the several stages that have to be gone through in order to arrive at a marketing plan. Each of these stages is discussed in detail in Appendix 5. The dotted lines joining up steps 5, 6 and 7 are meant to indicate the reality of the planning process, in that each of these steps is likely to have to be gone through more than once before final programmes can be written.

This thesis has shown that a marketing plan should contain:-

- a summary of all the principal external factors which affected the company's marketing performance during the previous year, together with a statement of the company's strengths and weaknesses vis à vis the competition. This is referred to as a SWOT analysis;
- some assumptions about the key determinants of marketing success and failure;
- overall marketing objectives and strategies;
- programmes containing details of timing, responsibilities and costs.

These marketing plan contents are included in the box on the right in figure 28.

Figure 28 is important in that it illustrates the difference between the actual process of marketing planning and the plan itself, which is the output of the process. This thesis has stressed that the major benefits accrue as a result of the process involved in arriving at the plan, rather than of the plan itself. The value lies in the bringing together of managers' minds, and in reaching a consensus of agreement on the essential things that have to be done today and in the future to ensure survival.

In the same way, this thesis has shown that any debate about standardised marketing strategies or standardised data inputs from subsidiary to headquarters is largely irrelevant, since it is more important to standardise the marketing planning process itself. If this is done, standardised strategies will automatically result where the international environment is suitable, or alternatively, different marketing strategies will result. Thus, a standardised process will enable headquarters to take account of a subsidiary's different strategic situation as reflected in its specific strengths and weaknesses, the particular needs of customers, and its relative competitive position in the market.

There must be no confusion, then, about the difference between the process of marketing planning and the marketing plan itself.

THE MARKETING PLANNING PROCESS

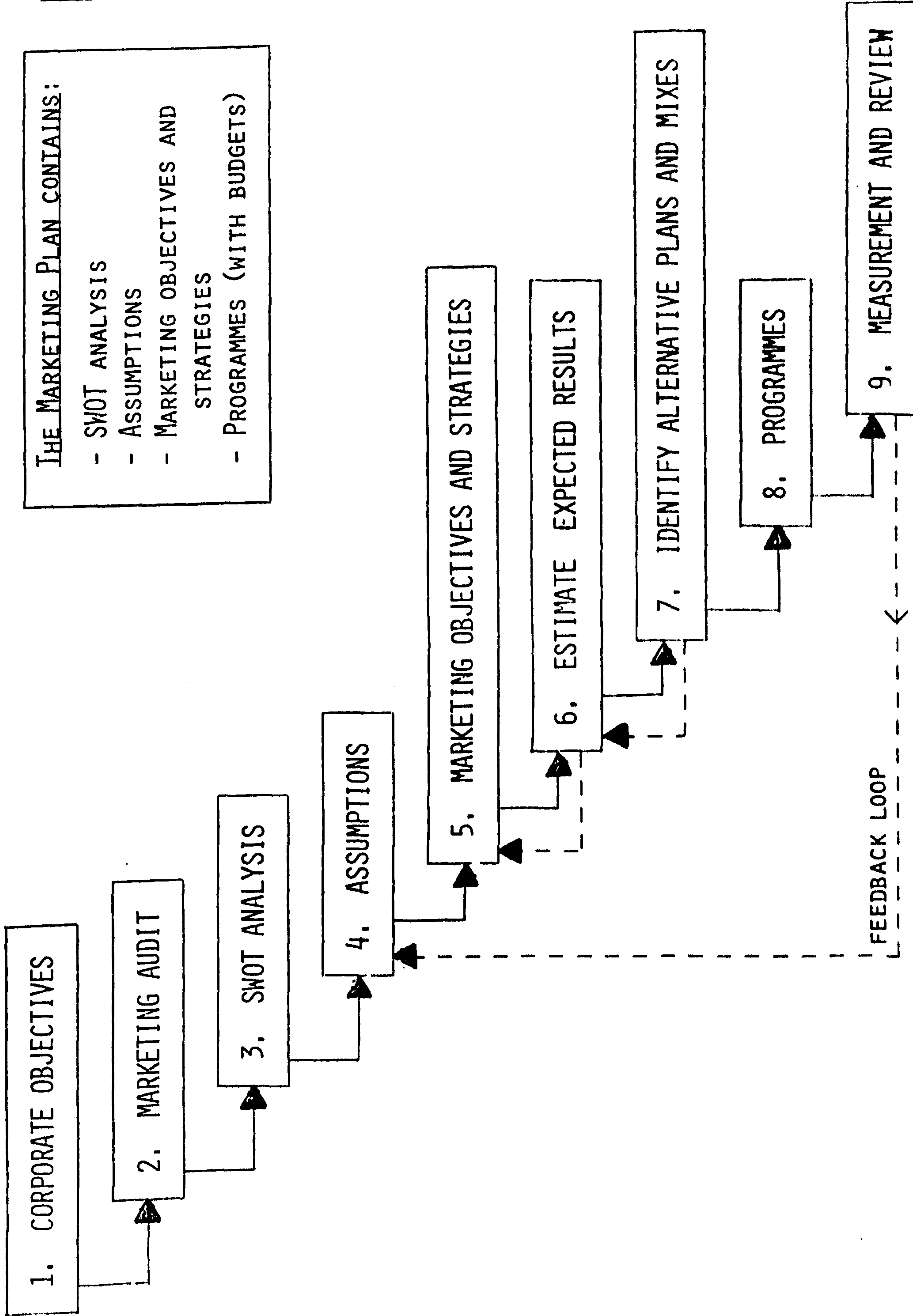


Figure 28

Although this thesis has shown these marketing planning steps to be universally applicable, the degree to which each of the separate steps in figure 28 needs to be formalised depends to a large extent on the size and nature of the company. For example, a small, undiversified company generally uses less formalised procedures, since top management tends to have greater functional knowledge and expertise than subordinates, and because the lack of diversity of operations enables direct control to be exercised over most of the key determinants of success. Thus, situation reviews, the setting of marketing objectives, and so on, are not always made explicit in writing, although these steps still have to be gone through.

In contrast, in large companies, particularly those that are diversified, it is usually not possible for top management to have greater functional knowledge and expertise than subordinate management, hence the whole planning process tends to be more formalised in order to provide a consistent discipline for those who have to make the decisions throughout the organisation.

Either way, however, it has been shown that a complete marketing planning system generally results in greater profitability and stability in the long term, and also helps to reduce friction and operational difficulties within organisations.

The remainder of this section will be devoted to looking briefly at each of these steps.

This basic process can be simply adapted to operate either at one simple level, as in the case of a small, undiversified company, or at many hierarchical levels, as in the case of a large, diversified company.

(i) The Marketing Audit

The company must provide a list of detailed questions which each manager is required to consider for his area of responsibility. Each manager carrying out his audit will use sales data and the company marketing information system to complete his audit. If the company has a marketing research manager, it is helpful at this stage if he can issue to all managers a market overview covering major market and product trends, etc.

The audit will inevitably require more data preparation than is finally reproduced in the marketing plan. Therefore, managers should attempt to start a 'product bible' during the year which can also be used as a reference source at verbal presentations of proposals, etc.

THE MARKETING PLAN (what it should contain)

(ii) SWOT Analysis

This summary of the audit should, if possible, contain not more than 4 or 5 pages of commentary focusing on key factors only. It should list internal differential strengths and weaknesses vis à vis competitors and key external opportunities and threats.

A summary of reasons for good or bad performance should be included.

The SWOT analysis should be interesting to read, contain concise statements, include only the relevant and important data and give greater emphasis to creative analysis.

It is suggested that the manager draws a product life cycle for each of his major products, and uses the audit information to attempt to predict the future shape of the life cycle.

It is also suggested that the manager plots his products on a Boston Matrix, and that he uses the audit information to show the future desired position of his products, (e.g., for five years ahead, if this is the planning horizon. The matrix may, therefore, have to include some new products not currently in the range).

(iii) Assumptions

List the major assumptions on which the plan is based. If the plan can be implemented irrespective of any assumption made, then the assumption is unnecessary. They should be few in number and key.

(iv) Marketing Objectives

Marketing objectives are about products and markets only, (not about advertising, etc.). The words used should reflect what appears in the PLC's and in the Boston Matrix.

Any figures used (such as volume, value, etc), should also reflect this.

N.B. If there is, say, a five year planning horizon, the five year marketing plan should contain overall marketing objectives with broad revenue and cost projections for the full five year period. This plan will be required for the long range corporate plan. The one year marketing plan should contain the same overall marketing objectives plus the specific objectives for the first year of the planning cycle. Thereafter, the detailed one year marketing plan should be about the next financial year only. Ideally, the one year and the five year

plan should be separate, but not necessarily so.

N.B. At an early stage in the planning process it is likely that managers will have to discuss their major objectives with their superiors, prior to final agreement, since they will probably have a better understanding of the broader company objectives.

(v) Marketing Strategies

How the objectives are to be achieved.

Pricing policies to be followed for product groups in market segments.

Place policies for channels and customer service levels.

Promotion policies for communicating with customers under the relevant headings such as advertising, personal selling, sales promotion, etc.

(vi) Programmes

Specific sub-objectives for products and segments supported by more detailed strategy and action statements, e.g., what, where, when costs, etc. Here include Budgets and Forecasts, and, of course, a Consolidated Budget. The preparation of budgets and sales forecasts must reflect the marketing objectives. In turn, the objectives, strategies and programmes must reflect the agreed budgets and sales forecasts.

(vii) How the Process Works

The following figures (figures 29, 30 and 31), illustrate the principal of a hierarchy of audits, SWOT analyses, objectives, strategies and programmes.

14.4. Marketing planning in perspective

In Part I of this thesis it was envisaged that there may well be fundamental differences in marketing planning approaches, depending on factors such as the type of industrial goods and markets involved, company size, the degree of its dependence on overseas sales, and the methods used to market goods abroad. In particular, the much debated role of headquarters management in the marketing planning process was envisaged as being a potential cause of great difficulty.

One of the most interesting and encouraging findings to emerge from this thesis is that the theory of marketing planning is universally applicable, and that such issues are largely irrelevant when the framework described in this section is used. Whilst the planning task is less complicated

HIERARCHY OF AUDITS

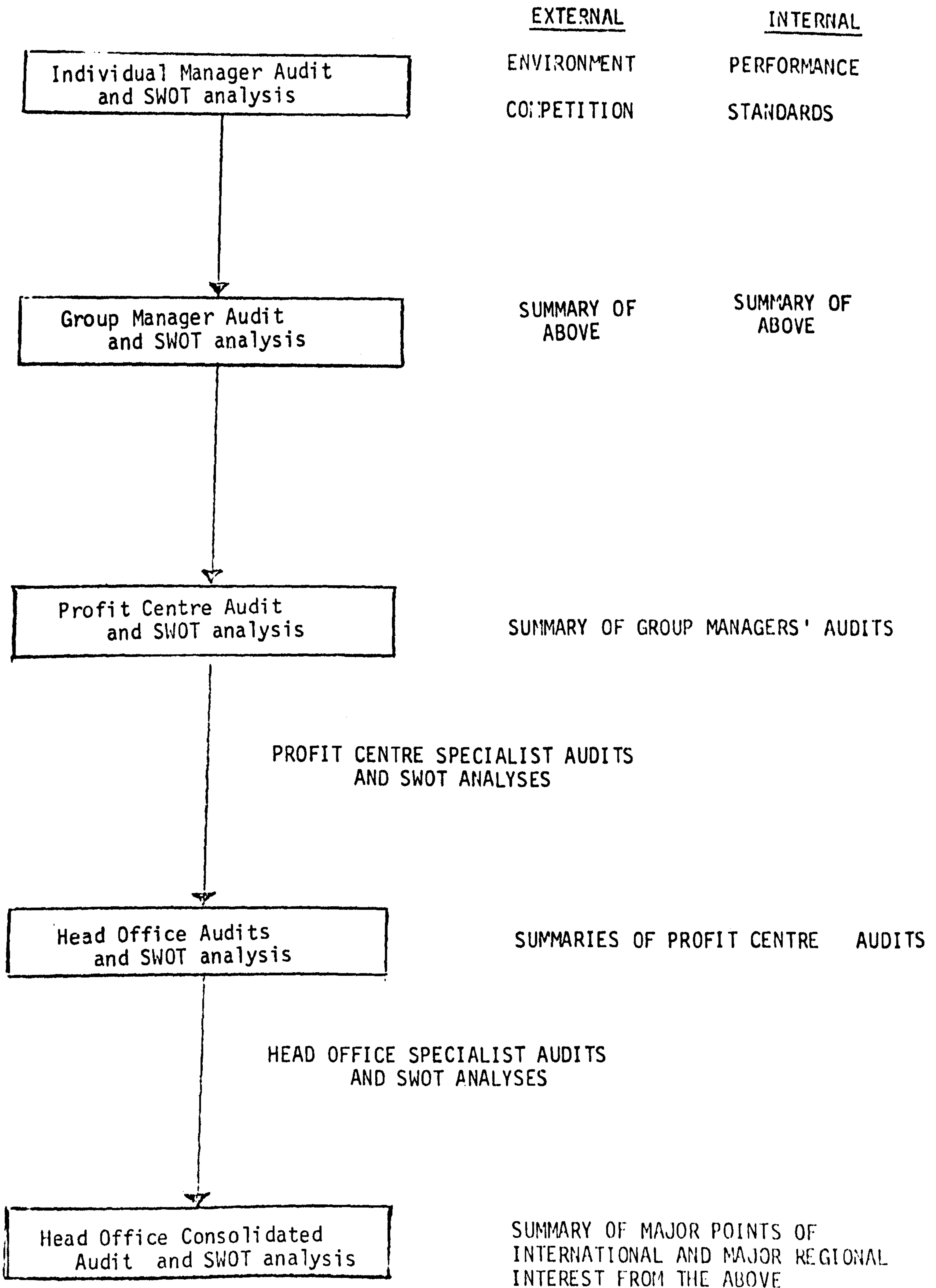
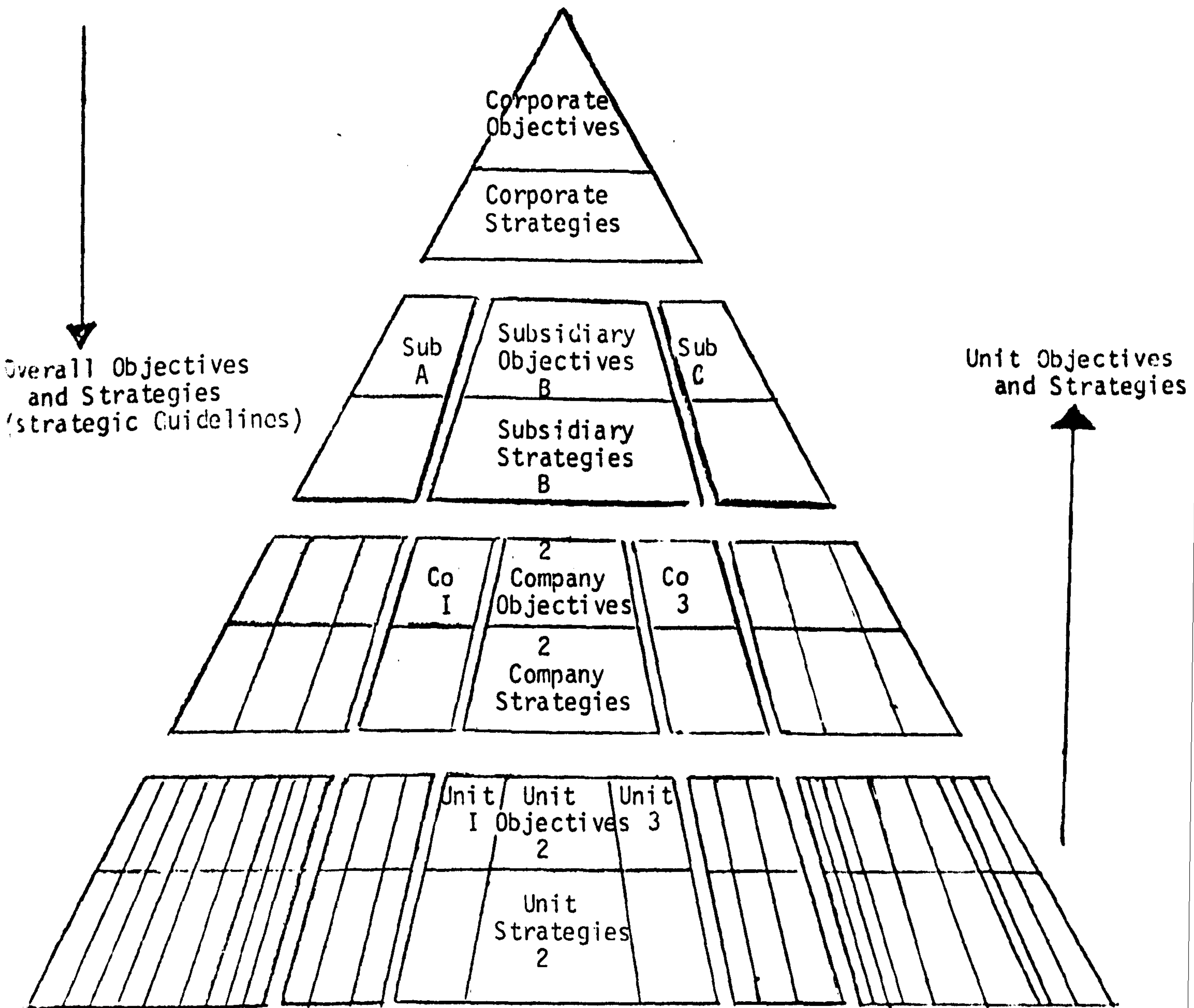
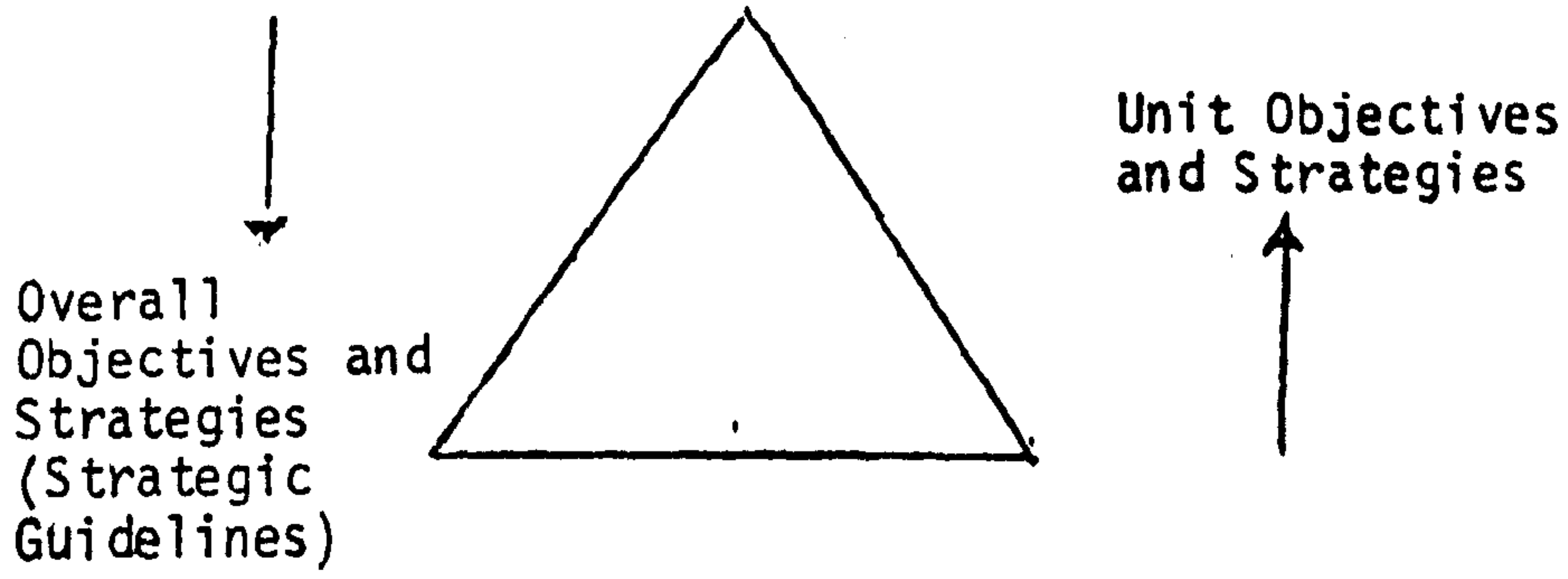


Figure 30

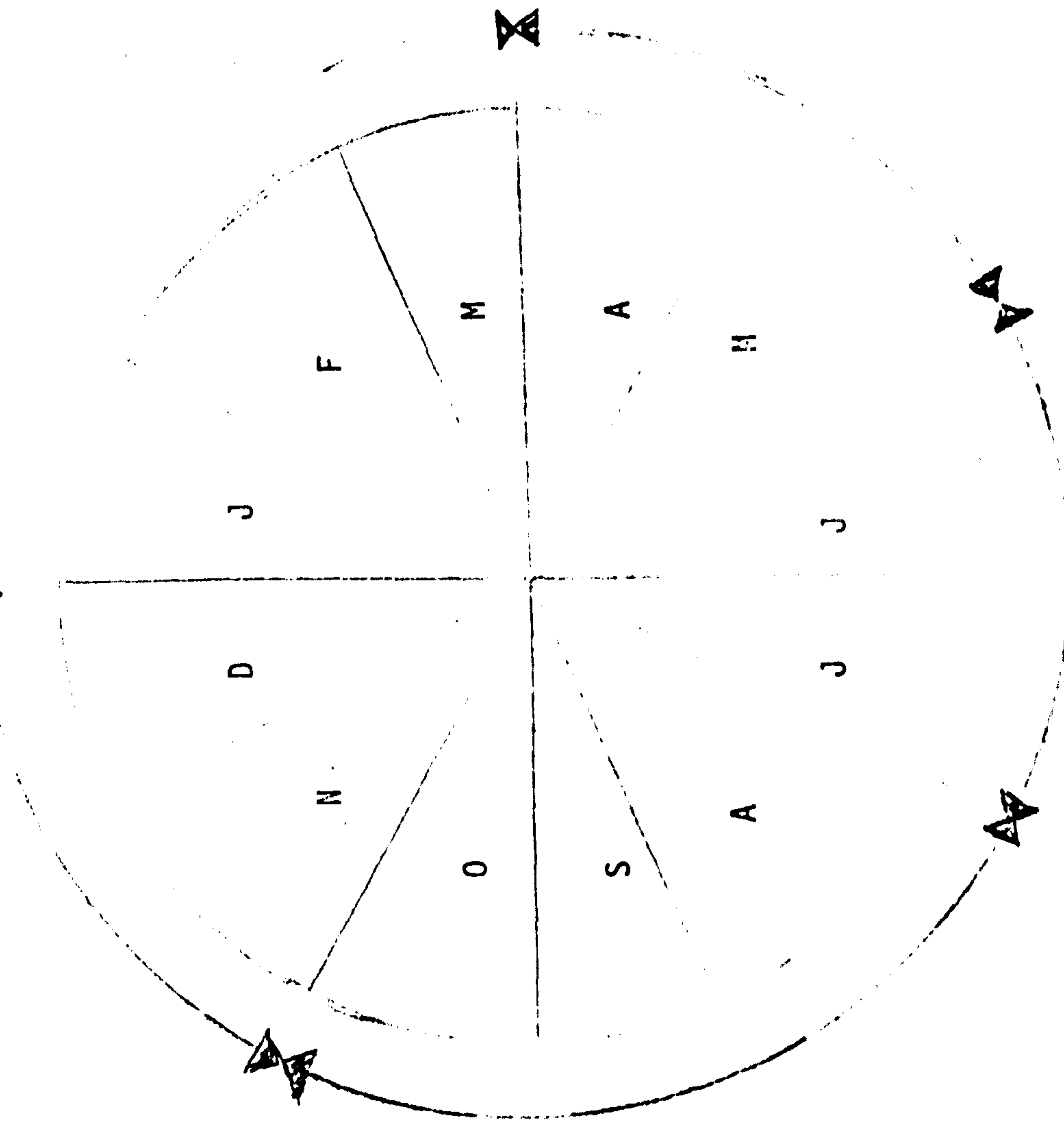
STRATEGIC AND OPERATIONAL PLANNING

Top Down and Bottom Up



STRATEGIC AND OPERATIONAL PLANNING

HQ Consolidation of Operational and Strategic Plans



Issue of Strategic Planning
 Letters or chief executive's "kick off" meetings
 (OPEN LOOP POINT 1)
 Management audits
 Marketing audits
 SWOT analyses
 Objectives, strategies
 Budgets (proposed)
 5 years

Preparation of short term operational plans and budgets
 1 year

HQ Review
 Revise and Agree
 5 year Objectives
 Strategies, Budgets (OPEN LOOP POINT 2)

in small, undiversified companies, and there is less need for formalised procedures than in large, diversified companies, the fact is that exactly the same framework can be used in all circumstances with only minor amendments, and that this approach brings very similar benefits to both.

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 synthesised information flows from the bottom upwards, which facilitates useful comparison of performances 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 optimisation 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, whilst the damaging effects of interaction are mitigated.
- Place: substantial gains are made by rationalisation of the logistics function.
- Promotion: duplication of effort and a multitude of different platforms/company images are avoided. 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 planning system and planning skills that such benefits will be achieved, and that discussions such as those about the standardisation of marketing strategies in the absence of some form of standardised process are largely irrelevant. Any standardisation that may be possible will become clear only if a company can

successfully develop a system for identifying the needs of each market in which it operates, and for organising resources to satisfy those needs in such a way that optimisation of resource utilisation results worldwide. Such a system as that described in this thesis will enable a company to take account both of similarities and differences between countries and operations, so that the key determinants of international success are controlled centrally, allowing for local deviations where necessary. In order to achieve this balance, a complete marketing planning system is necessary. The smaller the degree of control which it is possible to exercise over a marketing programme, as for example, when operating through agents and distributors, the greater is the reason to find a way of controlling what happens.

15.0. FINAL COMMENTS

Although this research into the marketing planning practices of industrial goods companies has been relatively limited in its scope, it is possible to conclude on the evidence collected that Professor Leslie Rogers' view, that marketing as a business philosophy has not stormed the citadels of British business management is correct.

However, the problem is not that the philosophy of marketing is not believed, but that most industrial goods companies just cannot make it work. Once companies take their marketing programmes abroad, a further complication arises. When one surveys both the literature on this subject and the courses that are available to practising managers, it is hardly surprising that in spite of Britain's technological competence, we perform so badly in overseas markets.

The implications are twofold:

- Firstly, there is the problem of ignorance on the part of many British companies about the inadequacy of what they are currently doing in the area both of corporate and marketing planning. Pointing out the basic facts quickly brings enthusiastic support for the whole idea of marketing planning.
- Secondly, in those cases where the need for better planning procedures manifested itself through some crisis in the business, there was the difficulty experienced by management of knowing exactly what to do about it.

It would seem, therefore, that there is a need for better communication with industry at large on both these issues, probably through the remaining Industry Training Boards, trade associations, universities, professional bodies, such as the Institute of Marketing, and so on. The need is to develop programmes and learning materials that will actually teach practising managers planning skills, and help them to integrate marketing planning into a company-wide system. These need to be in sharp contrast to many of the current offerings on marketing planning, which appear to be little more than bits about market research, product development, advertising, sales promotion, and so on, joined together to make up yet another programme. And, as is so often the case, managers are little wiser than before about what they should do to make marketing a reality in their companies.

This is a problem which is being tackled at Cranfield School of Management, where a modest start has been made with the introduction of a short course designed to teach managers how to go about marketing planning.

But this approach is not enough, because of its severe limitations. What is also needed, perhaps, is the formulation of suitable distance teaching materials to enable self development work to be carried out within companies. Unfortunately, this requires time and money, and the active support of the kinds of bodies that can communicate effectively with industry. The writer of this thesis will continue to make efforts in this direction, one of which will be the writing of a textbook on marketing planning to help students and teachers with this most complex of subjects.

In the meantime, it is hoped that this PhD thesis describing what has been discovered to date will goad at least some of our major business institutions into encouraging the practice of marketing planning in industrial goods companies operating both at home and overseas.

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Appendix I

Part I Descriptive and Classificatory Data

- A Company
- B Parent (where applicable)
- C Address
- D Telephone number
- E Respondent
- F Title
- G To whom reporting
- H Would you characterize your company organisation as:

Centralized	<input type="checkbox"/>
Decentralized	<input type="checkbox"/>
* Unsure	<input type="checkbox"/>
* Other	<input type="checkbox"/>

*Expansion

- I How is your company organised: (chart, plan schema)
(PROBE)
- J (where appropriate)
How is your parent group organized, especially in relation
to its contacts with and control over your company?
(PROBE, particularly for degree of autonomy)

K Company history

Sales:			£ (to nearest £10,000)
	1974	YR	I
	1975		II
	1976		III
	1977		IV
	1978		V
or	1973/4		I
	1974/5		II
	1975/6		III
	1976/7		IV
	1977/8		V

- L Profits
- | | | | |
|--|----|-----|---|
| | YR | I | £ |
| | | II | |
| | | III | |
| | | IV | |
| | | V | |

- M Probe market growth rates for major products over past five years.
Probe market shares for major products relative to biggest competitor for past five years.

Questionnaire

(To be personally administered)

Part 2

- (i) Does your company have a marketing planning system?
Why does your company have a marketing Planning system?
- (ii) Can you describe what you mean by marketing planning?
- (iii) What is the difference between forecasting, planning and budgeting?
- (iv) What time scale do your marketing plans cover and what is the purpose of each?
How do you decide on the range of time for your planning?
- (v) Do you believe there is a need to have defined boundaries for your company-wide activities, and if you do, how does this apply to marketing planning?
In what circumstances do you decide to change these boundaries?
- (vi) How detailed is your marketing planning?
e.g. Is it at many levels?
Are goals set for each level?
How do you determine the controlling factors?
What are these goals?
- (vii) Does the chief executive take part in marketing planning?
What part?
- (viii) What specific things do you do in your process of marketing planning? And who does them? And in what order?
- (ix) Taking each activity in turn:
 - (a) Marketing Audit/Situation Analysis - what specific information do you require for planning?

- (b) Written review of past performance, with written statement of problems and opportunities. The first step in setting objectives is to define the problem
 - Do you agree with this?
 - What specific actions do you take to uncover strengths and weaknesses?
 - Do you agree that studying the company's capabilities is essential to setting objectives?
- (c) Written statement of planning assumptions
 - Why do you make assumptions?
 - What factors do you make stated assumptions about when planning?
 - Do you use economic consultants?
- (d) Sales forecasts
- (e) Written corporate plan
 - company mission and objectives
 - broad company strategies
 - long range profitability
 - Does this activity take place next?
 - Specifically what goes into your corporate plan?
 - What time scale does it cover and why?
- (f) Written overall marketing objectives and broad marketing strategies
 - In what areas do you establish objectives?
 - Who sets objectives?
 - Describe some marketing objectives.
- (g) Written specific sub objectives for separate markets, products, functions, or geographical areas, as appropriate
 - Who sets these objectives?
- (h) Written details of strategies, together with tasks, responsibilities, timing and costs
 - Who carries out this function?
- (h) Written consolidated marketing plan and appropriation budgets
 - Who does this?
- (j) Measurement/review of performance against plan
 - What procedures are followed to review goals and progress towards them?

- (x)
 - (a) Describe your method of setting objectives overseas (e.g. Agents, Distributors, Licensing, Subsidiary, etc)
 - (b) What are the concepts that govern the relationship of your corporate office to your various worldwide businesses?
 - (c) What specific things do you do to plan your marketing effort overseas (ask specifically who controls Product, Price, Place, Promotion)?
 - (d) What are the organisational arrangements for planning your company's marketing activities abroad?

- (xi)
 - (a) How do you go about ensuring that you have a corporate marketing plan with which all subsidiary plans can be consistent?
 - (b) Specifically, how do you establish the corporate direction and policy of the company through your planning process?
 - (c) How do you determine which areas/products are to be "pushed"?

- (xii) How do you manage the consideration of fields not currently engaged in?

- (xiii)
 - (a) How did you go about initiating marketing planning in your firm?
 - (b) What were the problems you encountered?
 - (c) What actual steps did you take?
 - (d) What are some of the specific things that have to be "sold" before planning is successful?
 - (e) What do you see as the major inadequacies of marketing planning?

- (xiv) What do you see as the most readily identifiable benefits you have obtained from marketing planning?

- (xv)
 - (a) Do you have a planning department?
 - (b) If yes. Why do you have a planning department?
 - (c) What kind of work is uniquely appropriate to the planning department?
What kind of work, (with examples), do you do?

- (d) Do you coordinate plans from divisions?
- (e) Do they have a clear and precise role?
- (f) Do you operate planning committees?
Are they useful?

(xvi) Do you agree with the following statement about the planning procedures of an international American based organisation?

"In order to have successful management throughout the organisation, it is necessary to reach agreement throughout the organisation on the following factors:-

- (1) the nature of the business;
- (2) current capabilities, including strengths and weaknesses;
- (3) the environment in which we are operating - this includes everything from the state of international relations to the general economy, to the health and growth of the industries we serve, relative positions in markets, competitive situation, internal environment, etc;
- (4) the potential of the organisation as it exists;
- (5) objectives;
- (6) the projects that must be carried out to achieve the objectives;
- (7) agreement on the resources necessary to carry out the projects.

(xvii) Would you agree with a hypothesis that stated that those companies which operate in overseas markets are unlikely to be "successful" without a full understanding of and practical application of the marketing planning concept?

Dear Sir,

The Sector Working Parties for both the Rubber and Plastics Processing Industries have put forward the proposition that the level of marketing expertise in our Industry could be improved.

The Board, in examining ways in which it might contribute towards bringing about any such improvements, has discovered a pertinent study of marketing conducted by one of our leading business schools, the Cranfield School of Management.

This study, carried out on firms outside the scope of our Industry, shows that most industrial companies do not have a structured approach to planning their marketing effort. This was true of both large and small companies. It goes on to suggest that the lack of a structured approach is at the heart of many operating problems, leading to business opportunities being missed and profits being lost.

All those taking part in that particular research project agreed on the need to adopt a systematic approach for identifying a range of business options, making them explicit in writing and scheduling and costing out what has to be done to achieve the desired results.

If we call such a systematic approach "MARKETING PLANNING", we should like to help Cranfield to establish the extent to which marketing planning is carried out in our Industry, and to determine its relevancy to our problems.

In order to do this, we should be grateful to receive your help, and we wonder whether you would be kind enough to complete and return to us the enclosed simple questionnaire. Your replies will be treated in total confidence and will be used only in combination with those of other companies in the industry.

How will you benefit from helping us? Firstly, you are welcome to receive a free summary of the findings of this survey when completed. Secondly, the Board intends to develop a range of services to help with whatever problems the survey reveals.

I am sure that you appreciate the importance of this work to the development of our Industry, and I would like to thank you in anticipation of your generous co-operation.

Yours sincerely,

Kevin Aldridge

KEVIN ALDRIDGE
Development Supervisor

POSTAL QUESTIONNAIRE

PART 1

IMPORTANT - PLEASE READ THIS BEFORE COMPLETING THIS QUESTIONNAIRE

There is no 'right' or 'wrong' way implied in the following questions. The purpose of this questionnaire is merely to establish the actual processes by which companies in the Rubber and Plastics Processing Industry market their products.

The following definition is given in order to minimise the risk of ambiguity.

A WRITTEN MARKETING PLAN is a written document which contains objectives, strategies and detailed programmes covering major tasks, responsibilities, timing and costs for specific products and/or services and markets or groups of customers.

SALES FORECASTS AND BUDGETS, although often included in written marketing plans, do not by themselves constitute a marketing plan.

Some companies operate successfully on a fairly informal basis, preferring not to prepare written plans. This is often the case in very small companies, where the Chief Executive has a detailed knowledge of the total business, especially of the customer.

Other companies manage their businesses preparing and issuing detailed marketing plans, particularly when several executives carry out important functions in the chain of command.

-
1. In accordance with the above definition, would you say that your company prepares a WRITTEN marketing plan?

Please tick

YES	NO
<input type="checkbox"/>	<input type="checkbox"/>

2. Eighty five percent of companies in the Cranfield Survey did not have written marketing plans. In general these companies had only sales forecasts and budgets.

Those fifteen percent of companies that did have written marketing plans carried out the following steps:

STEP 1 Review of past performance using some formal procedures and a written statement of strengths, weaknesses, problems and opportunities.

STEP 2 Written statement of planning assumptions (there are certain key determinants of success in all companies about which assumptions should be made before the planning process can proceed).

STEP 3 Written marketing objectives. (Marketing objectives are written statements about what a company wants to achieve in terms of market share etc. for individual products or product groups. Sales forecasts by themselves are not marketing objectives.)

Written marketing strategies. (Marketing strategies are the means by which marketing objectives will be achieved through pricing policies, service policies, advertising policies, and so on.)

STEP 4 Written programmes containing sub-objectives, sub-strategies, details of tasks, responsibilities, timing and costs, for separate products, markets, functions, or customers, as appropriate, together with detailed sales forecasts.

STEP 5 Written corporate plan which includes company financial objectives, the principal means of achieving these through marketing, production, finance and personnel policies, and long range profit and loss accounts and balance sheets.

N.B. In general, those companies engaging in marketing planning prepared a detailed marketing plan for one year ahead, whilst the corporate plan covered periods of up to ten years ahead and contained only broad marketing objectives and strategies, together with the associated sales forecasts and budgets.

Using the above model as a guide, would you please describe in as much detail as possible the ACTUAL marketing planning process in your company. For example, how does your company deal with each of the above steps, if at all? If you produce only sales forecasts and budgets, how are these arrived at?

It would be helpful if you could send an actual example of one of your marketing plans (need not be current). This will be treated in total confidence and the contents will under no circumstances be divulged to any third party.

3. In the Cranfield Survey, all those companies which engaged in marketing planning claimed that their disciplined approach had gone a long way towards alleviating many of their major operational problems.

Would you please describe in as much detail as possible, what you consider to be your major operational problems. What we particularly want to establish is whether or not you believe there may be any relationship between any of these problems and your current approach to marketing planning. Alternatively, if you already have a fairly structured and disciplined approach to marketing planning, has it helped in any way to alleviate the problems you used to suffer, or has it made no difference at all?

PART 2

Below are a number of statements which reflect the views held by certain individuals. Please indicate your personal reaction to each by placing a tick in the appropriate box. Please add any explanation/mitigating comments you wish.

4. "All companies consist of individuals who hold a variety of different views about business. Therefore, if the contributions of these individuals are to have any force or meaning, plans must be made to guide their decision-making."

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Further comments:

5. "A number of major Government and University-sponsored investigations during the last decade have shown that many British companies fail to compete successfully in foreign and home markets because they fail to implement the marketing concept rather than because of any technological disadvantage."

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Further comments:

6. "There can be no implementation of the marketing concept without marketing planning which is geared to the market, integrated with other business functions, and based on facts."

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Further comments:

7. "Realistic marketing objectives will follow from a comprehensive knowledge of the economics of the business, trends in markets, how markets are structured, where value is added by competitors, and so on. Thus, marketing objectives are based on market-

centred opportunities, not on vague hopes of 'doing better'."

Strongly Agree

Agree

Undecided

Disagree

Strongly Disagree

Further comments:

8. Please place a tick against that statement which you consider best reflects your company's approach to foreign trade.

If you do not trade abroad, please tick this box:

Statements	Please tick as appropriate
Overseas operations are viewed as a means of disposing of surplus production.	
Overseas operations are viewed as secondary to domestic operations.	
Overseas operations are viewed as being as important as domestic operations.	
The domestic market is viewed merely as one of many world markets.	

PART 3

We should be very glad if you would provide the following important factual data for us.

9. Name of Company:

10. Address of Company:

11. Telephone Number:

12. Are you:

a subsidiary company?
a controlling company?

(please tick)

N.B. If a controlling company, would you please answer the following questions for your polymer processing business only. For a definition of 'business', please see the note at the foot of this paper.

13. What are your total sales? (Nearest £1,000)

1969
1972
1975
1978
latest year

14. What are your profits before tax ?

1969
1972
1975
1978
latest full year

15. Would you please list the principal categories of products/services

16. What is the % of your turnover sold directly abroad?

17. To how many countries outside the U.K. do you directly sell your products?

*A 'business' is defined as a division, product line, or other profit centre selling a distinct set of products and/or services to an identifiable group of customers, in competition with a well defined set of competitors and for which meaningful separation can be made of resources, operating costs, investments and plans.

18. Please indicate the Market Growth rate for your major product or product lines by ticking the appropriate box below. If you cannot answer this question, please tick this box:

Market Growth	Declining	0-5%	5-10%	10-15%	15-20%	20% +
5 years ago						
Today						

19. Please indicate your market position relative to your biggest competitor by ticking the appropriate box below. If you cannot answer this question, please tick this box:

N.B. A "market" can be defined as the total sales of all other brands that satisfy the same customer wants and which are, therefore, in competition with your own.

Market share of your biggest competitor (5 years ago)

Your market share (5 years ago)

Market share of your biggest competitor (now)

Your market share (now)

	1-10%	10-20%	20-30%	30-40%	50% +
Market share of your biggest competitor (5 years ago)					
Your market share (5 years ago)					
Market share of your biggest competitor (now)					
Your market share (now)					

Appendix 3

A SUMMARY AND DISCUSSION OF SOME
KEY CONCEPTUAL FRAMEWORKS AS AIDS
TO DEVELOPING MARKETING OBJECTIVES:

PRODUCT LIFE CYCLE ANALYSIS;
MARKET SEGMENTATION;
PORTFOLIO MANAGEMENT.

(i) The Product Life Cycle

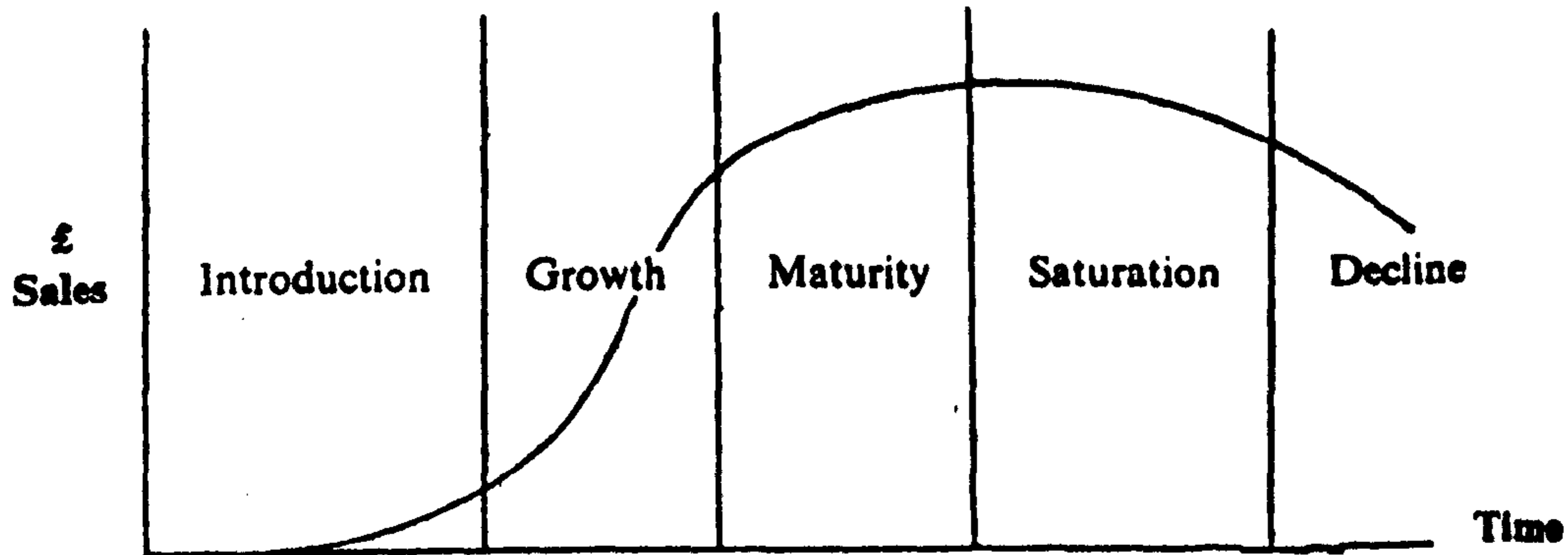
Historians of technology have observed that all technical functions grow exponentially until they come up against some natural limiting factor which causes growth to slow down and eventually to decline as one technology is replaced by another. There is universal agreement that the same phenomenon applies to products, so giving rise to the concept of the Product Life Cycle, much written about in marketing literature during the past three decades.

The product life cycle postulates that if a new product is successful at the introductory stage (and many fail at this point), then gradually repeat purchase grows and spreads and the rate of sales growth increases. At this stage competitors often enter the market and their additional promotional expenditures further expand the market. But no market is infinitely expandable, and eventually the rate of growth slows as the product moves into its maturity stage. Eventually a point is reached where there are too many firms in the market, price wars break out, and some firms drop out of the market, until finally the market itself eventually falls into decline.

The diagram in figure I illustrates these apparently universal phenomena.

Figure I

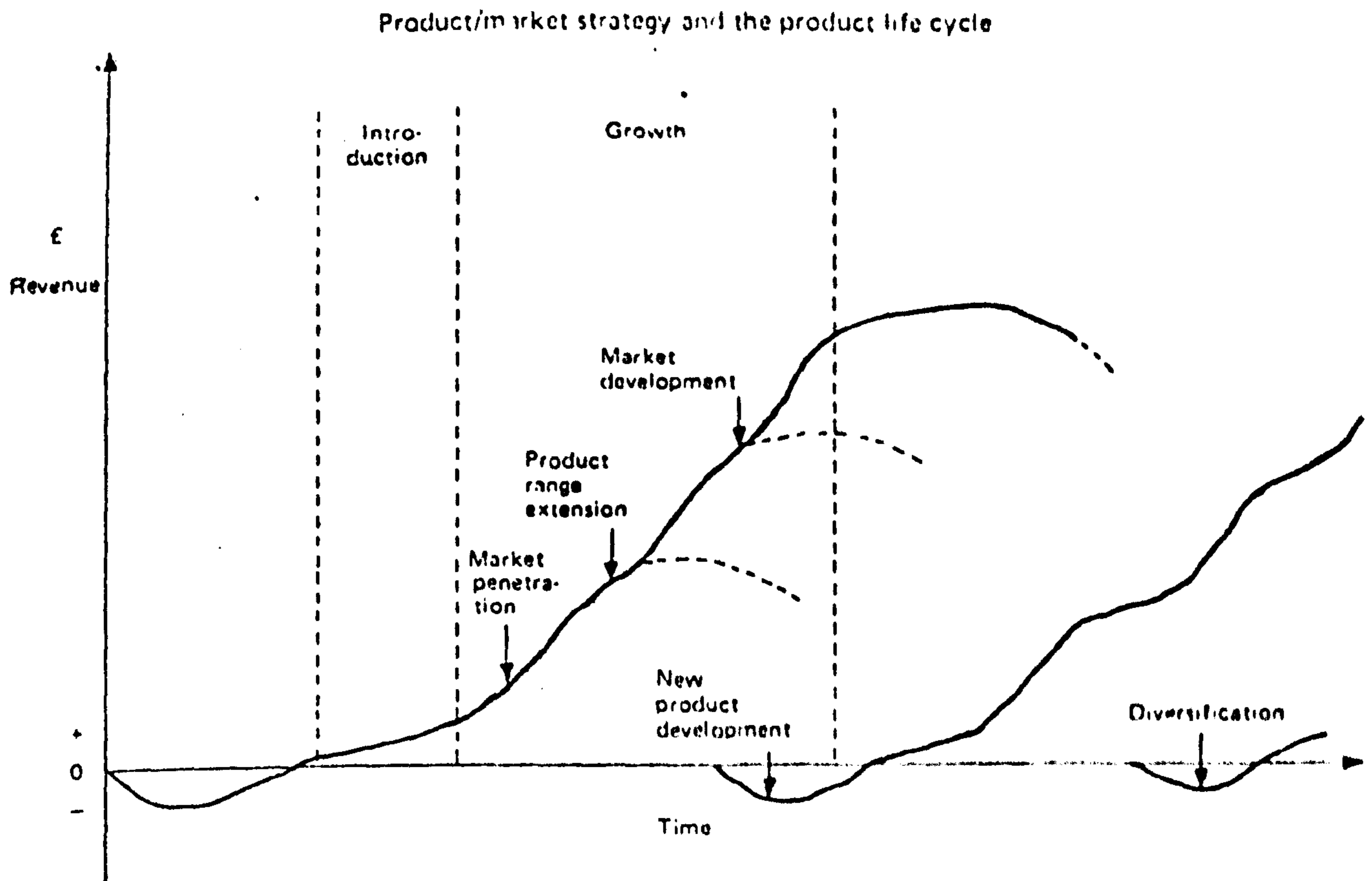
Product Life Cycle



Nevertheless, whilst the product life cycle may well be a useful practical generalisation, it can also be argued that particular product life cycles are determined more by the activities of the company, than by any underlying "law".

From a management point of view, the product life cycle concept is useful, in that it focuses attention on the likely future sales pattern if no corrective action is taken. As mentioned above, when considering the product/market matrix, there are several courses of action open in order to maintain the profitable sales of a product over its life cycle. Figure 2 illustrates some of the actual courses available using the concepts of the product/market matrix. In this hypothetical example of the history of a product, it can be seen that as sales growth began to slow, policies of product range extensions and market development were followed, which successfully took it into additional stages of growth. At the same time new products were being sought.

Figure 2 Product/Market strategy and the product life cycle



Even more important, however, are the implications of the product life cycle concept on every element of the marketing mix. Figure 2 also gives some guide as to how the product has to change over its life cycle. In addition to this, however, every other element also has to change. For example, if a company rigidly adhered to a premium pricing policy at the mature stage of the product life cycle, when markets are often overcrowded and price wars begin, it could well lose market share. Whilst such a policy may well enable a company to maintain or even increase its profitability, it could be regretted later on when the market has settled down, for it is often at this stage that products provide extremely profitable revenue for the company. It will become clearer later on in this section why this is often so and why market share is an important marketing objective in certain circumstances.

The same applies to promotion. During the early phase

of product introduction, the task for advertising is often one of creating awareness, whereas during the growth phase the task is likely to change to one of creating a favourable attitude towards the product. Neither can policies towards channels often remain fixed over the life of a product. At first distribution for the product in the most important channels is often a key task, whereas during the growth phase, ways of reaching new channels that begin to demand the product have to be considered. In spite of this, there is a substantial body of case histories which shows that commercial failure can often be traced to companies pursuing the same marketing policies for a major product throughout its life, irrespective of the changed circumstances which obtain at different stages in the cycle.

There is also a substantial body of evidence to show that the offer a company makes to its customers, as manifested in the particular way in which the marketing mix elements are organised, needs to change over time to take account of changed circumstances. The degree to which a company is successful in doing this, and in developing new products and finding new markets, will therefore be a function of its understanding of, and the use which is made of, the concepts underlying the product life cycle.

Drawing a product life cycle can be extremely difficult, even given the availability of some form of time series analysis. This is connected with the complex question of market share measurement.

Firstly, a firm needs to be concerned with its share (or its proportion of volume or value) of an actual market rather than with a potential market.

However, in order to measure an actual market, great care must be taken to ensure that a company is measuring the right things. Take the example of the company manufacturing a nylon carpet for institutional markets. It is clearly nonsense to include concrete in their measurement of the floor covering market, because concrete, although a floor covering, does not satisfy the needs that customers have for warmth and colour, and therefore this is not a part of their market. But neither, probably, should linoleum, nor woollen carpets be included.

To help with this, the following definitions are useful:

- Product class - e.g. carpets
- Product form - e.g. nylon rolls
- Product brand - e.g. "X"

"X" as a brand, for the purpose of measuring market share, is concerned only with the aggregate of all other brands that satisfy the same group of customer wants.

Nevertheless, the manufacturer of "X" also needs to be aware of the sales trends of other kinds of carpets and floor covering in the institutional market, as well as of carpet sales overall.

One of the most frequent mistakes that is made by companies that do not understand what market share really means, is to assume that their company has only a small share of some market, whereas if the company is commercially successful, it probably has a much larger share of a smaller market segment.

(ii) Market segmentation

The substantial body of literature on marketing makes frequent reference to market segmentation as one of the key concepts of marketing management. Market segmentation is the means by which any company seeks to gain a differential advantage over its competitors. Markets usually fall into natural groups, or segments, which contain customers who exhibit the same broad characteristics. These segments form separate markets in themselves, and can often be of considerable size. Taken to its extreme, each individual customer is a unique market segment, for they all are different in their requirements.

However, it is clearly uneconomical to make unique products for the needs of individuals, except in the most unusual circumstances. Consequently, products are made to appeal to groups of customers who share approximately the same needs.

It is not surprising, then, to hear that certain universally accepted criteria concerning what constitutes a viable market segment have been developed:

- segments should be of an adequate size to provide the company with an adequate return for its effort;
- members of each segment should have a high degree of similarity, yet be distinct from the rest of the market;
- the criteria for describing segments must be relevant to the purchase situation;
- segments must be reachable.

Whilst many of these criteria are not intellectually difficult to understand, in practice market segmentation is one of the most difficult of marketing concepts to turn into a reality. Yet a company must succeed, otherwise it can easily become just another company selling what are sometimes referred to as "me too" products. In other words, what a company offers

the potential customer is very much the same as what any other company offers, and in such circumstances, it is likely to be the lowest priced article that is bought. This can be ruinous to profits, unless the company happens to have lower costs, hence higher margins, than its competitors.

The substantial body of literature on market segmentation indicates that there are basically two approaches to market segmentation:

- analysis of customer responses or behaviour;
- analysis of customer characteristics or attributes.

(a) Analysis of customer behaviour

This is essentially the manifestation in the market place of the way customers actually behave, and falls into two parts:- firstly, what is bought; secondly, why.

In respect of what is bought, this is the actual structure of markets in the form of volume, value, the physical characteristics of products, place of purchase, frequency of purchase, price paid, and so on.

This indicates whether there are any groups of products (or outlets, or price categories, etc), which are growing, static, or declining, i.e. where the opportunities are and where the problems are. For example, if the carpet company referred to above were suffering from declining sales, analysis might reveal that although the market in total is rising, the particular outlets which they had traditionally sold to, are now accounting for a declining proportion of total market sales. Furthermore, that demand for higher priced products is falling, as are the particular fibre types manufactured by this company. All this could explain the decline in sales and profitability, and could lead the company to change its emphasis towards some of the growing sectors of the market.

Although this is market segmentation at its most elementary level, it does give an indication of why it is important not to rely on sophisticated budgeting systems which are based on little more than crude extrapolations of past sales trends and which leave the marketing strategies implicit. Such systems are usually the ones which cause serious commercial problems when market structures change, as in the case of the hypothetical carpet company.

The second part of analysing customer behaviour is trying to understand why customers behave the way they do, for if a company can explain the behaviour of its customers, it is in a better position to sell to them.

The most useful and practical way of explaining customer behaviour has been found to be benefit segmentation, i.e. the benefits sought by customers when they buy a product. For example, some customers buy products for their functional characteristics, (product), for economy (price), for convenience and availability (place), for emotional reasons (promotion), or for a combination of these reasons- (a trade off). Understanding the benefits sought by customers helps a company to organise its marketing mix in the way most likely to appeal to its target market.

(b) Analysis of Customer attributes

This seeks to find some way of describing the customer groups located in the kind of analyses referred to above, for the purpose of communicating with them. For clearly, however successful a company has been in isolating segments, unless it can find some way of describing them such that it can address them through its communication programme, its efforts will have been to no avail.

Demographic descriptions have been found to be the most useful method for this purpose. For industrial markets, S.I.C. (Standard Industrial Classification) categories, number of employees, production processes, and so on have been found to be useful demographic descriptions.

The purpose of market segmentation studies is to aid a company's understanding of its markets, and to help it determine appropriate marketing policies, so as to give it a competitive edge.

To summarise, the objectives of market segmentation are:

- to help determine marketing direction through the analysis and understanding of trends and buyer behaviour;
- to help determine realistic and obtainable marketing and sales objectives;
- to help improve decision-making by forcing managers to consider in depth the options ahead.

(iii) The Product Portfolio

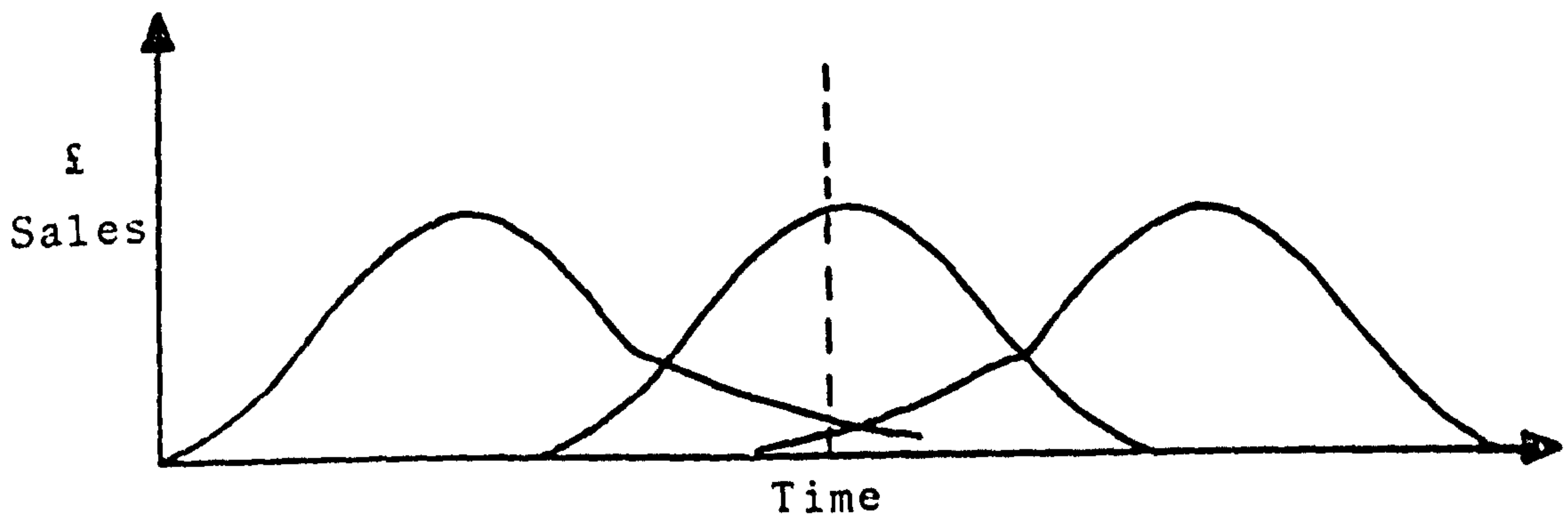
This is closely linked with the notion that to be profitable over time, a company must balance its portfolio of products in the sense that some products will be in the early stages of their life cycle, some will be enjoying rapid growth, some will be suffering the problems of overcrowded markets, where the actual rate of growth is beginning to decline,

and some will be in either low growth or declining markets.

At any one point in time, a review of a typical company's different products would reveal different stages of growth, maturity and decline. This is illustrated in figure 3.

Figure 3

The Product Portfolio



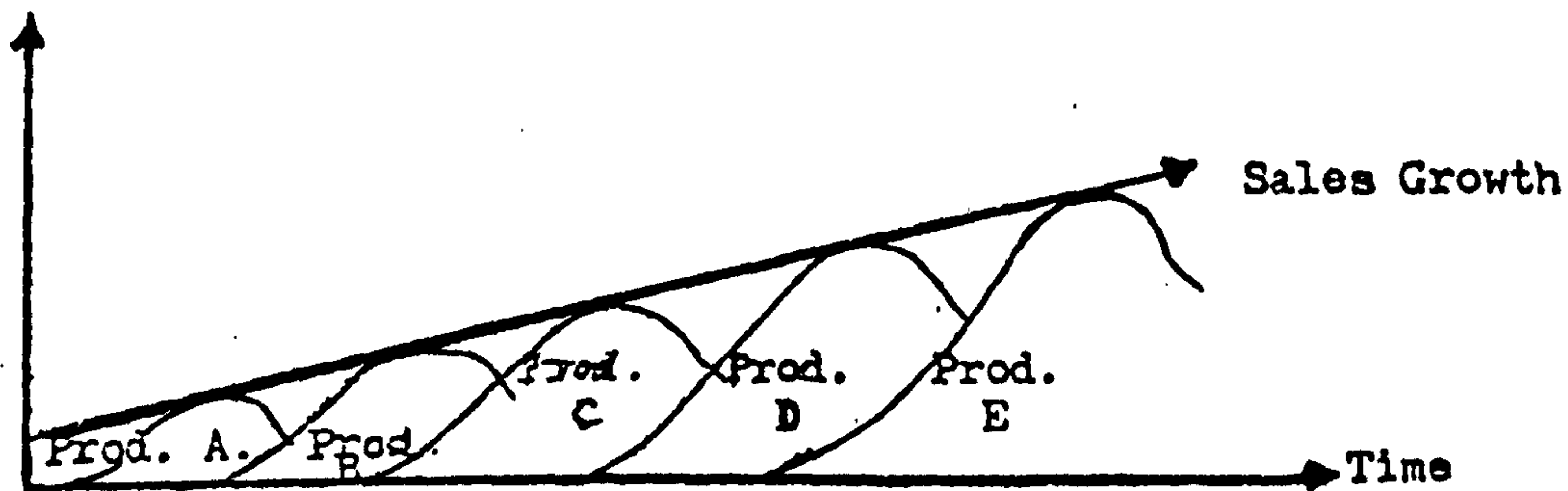
In this theoretical example, the dotted line represents the time of analysis, and this shows one product in severe decline, one product in its introductory stage, and one in the saturation stage.

If a company's objective is to grow in profitability over a long period of time, this analysis of its product portfolio should reveal a situation like the one in figure 4, in which new product introductions are timed so as to ensure continuous sales growth.

The idea of a portfolio is for a company to meet its objectives by balancing sales growth, cash flow and risk. As individual products progress or decline, and as markets grow or shrink, then the overall nature of the company's product portfolio will change. It is therefore essential that the whole portfolio is regularly reviewed and that an active policy

towards new product development and divestment of old products is pursued.

Figure 4



In this respect, the work of the Boston Consulting Group over the past decade has had a profound effect on the theory of the way in which a company should think about its product/market strategy.

There are basically two parts to the thinking behind the work of the Boston Consulting Group. One is concerned with market share; the other with market growth.

It is widely accepted that, in many instances, doing something frequently tends to improve performance in carrying out that function. This phenomenon is known as the learning curve.

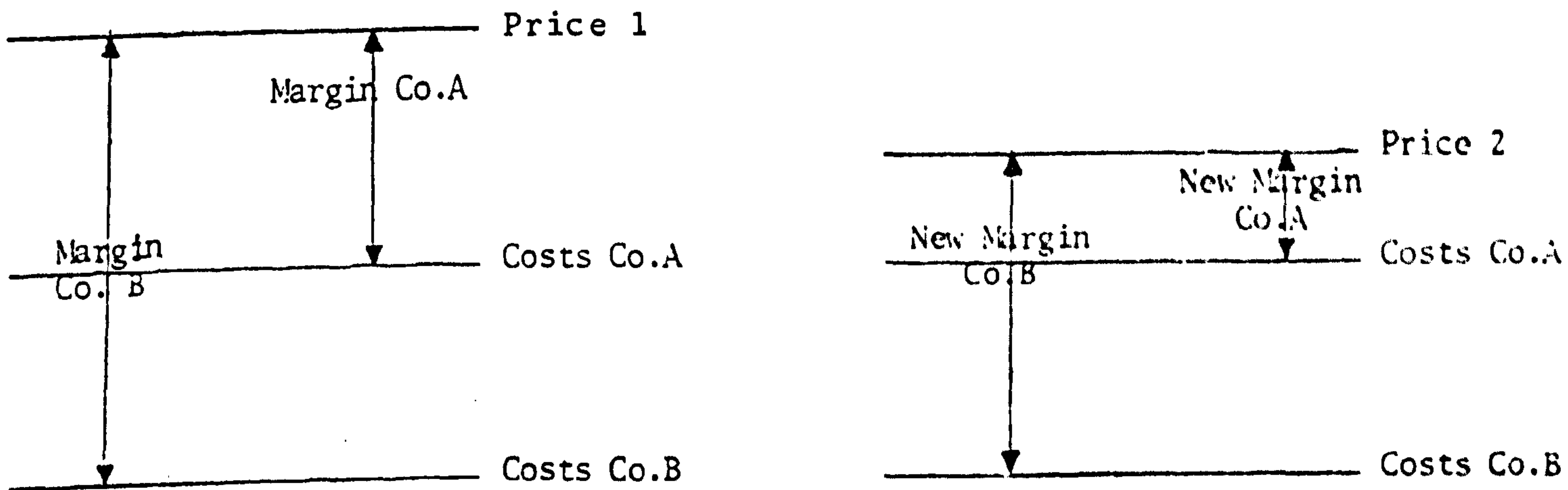
This phenomenon manifests itself especially with items such as labour efficiency, work specialisation and methods improvement. Such benefits are themselves a part of what is known as the experience effect, which includes such items as process innovations, better productivity from plant and equipment, product design improvements, and so on.

In addition to the experience effect, and not necessarily mutually exclusive, are economies of scale, that come with growth. For example, capital costs do not increase in direct proportion to capacity, which results in lower depreciation charges per unit of output; lower operating costs in the form of the number of operatives; lower marketing, sales, administration

and research and development costs; lower raw materials and shipping costs, and so on.

The Boston Consulting Group provide an impressive body of evidence to show that this is so, in which case it follows, so their reasoning goes, that the greater a company's volume, the lower its unit costs should be. Thus, irrespective of what happens to the price of a product, providing a company has the highest market share (hence the biggest volume), it should always be relatively more profitable than its competitors. This is illustrated in figure 5.

Figure 5 The price/margin relationship



Thus market share per se is stated to be a desirable goal. However, a company has to be certain that it has carefully defined its market or segment. This explains why it is apparently possible for many small firms to be profitable in large markets. The reason is that in reality they have a large share of a smaller market segment.

It would be unusual if there were not many exceptions to the above "law", and whilst what these might be are fairly obvious, nevertheless the evidence provided by the Boston

Consulting Group shows that in general these "laws" apply universally, whether for consumer, industrial or service markets.

Turning now to market growth, they observe that in markets which are growing at a very low rate per annum, it is often extremely difficult and also very costly, to increase market share. This is usually because the market is in a steady state (possibly in the saturation phase of the product life cycle) and is dominated by a few major firms who have probably reached a stage of equilibrium, which it is very difficult to upset.

In markets which are going through a period of high growth, it is fairly obvious that the most sensible policy to pursue would be to gain market share by taking a bigger proportion of the market growth than competitors. However, such a policy is very costly in promotional terms, so many companies, it is claimed, sit tight and enjoy rates of growth lower than the market rate. The natural outcome of this approach, is that in adopting such a policy, they are in fact losing market share, which gives cost advantages (hence margin advantages), to their competitors.

Since the product life cycle phenomenon makes it inevitable that eventually the market growth rate will fall, they argue that when this stage is reached and the market inevitably becomes price sensitive, a product will begin to lose money and will probably be forced out of the market. Indeed, seen in this light, they claim that it becomes easier to understand the reasons for the demise of many British industries, such as the motor cycle industry, in which the output of the Japanese increased from thousands of units to millions of units during a period of market growth, whilst the output of the British remained steady during the same period (around 80,000 units per annum). When the market growth rate started to decline, the inevitable consequences described above occurred.

The Boston Consulting Group combine these ideas in the form of a simple matrix, which has implications for the firm, especially in respect of cash flow. They use cash flow because they claim that profits are not always an appropriate indicator of portfolio performance, as they will often reflect changes in the liquid assets of the company, such as inventories, capital equipment or receivables, and thus, do not indicate the true scope for future development. Cash flow, on the other hand, is a key determinant of a company's ability to develop its product portfolio.

The Boston Matrix classifies a firm's products according to their cash usage and their cash generation, along the two dimensions described above - i.e. market share and market

growth rate. Market share is used because it is an indicator of the product's ability to generate cash; market growth is used because it is an indicator of the product's cash requirements. The measure of market share used is the product's share relative to the firm's largest competitor. This is important because it reflects the degree of dominance enjoyed by the product in the market.

This is summarised in figure 6.

Figure 6

The Boston Matrix

Market Growth
(annual rate
in constant
relative to
GDP growth)

HI	<p>"Star"</p> <p>Cash generated +++</p> <p>Cash use ---</p> <hr/> <p>0</p>	<p>"Question mark"</p> <p>Cash generated +</p> <p>Cash use ---</p> <hr/> <p>--</p>
	<p>"Cash cow"</p> <p>Cash generated +++</p> <p>Cash use -</p> <hr/> <p>++</p>	<p>"Dog"</p> <p>Cash generated +</p> <p>Cash use -</p> <hr/> <p>0</p>

LO

HI

LO

Relative Market Share

(Ratio of company share to share of largest competitor)

The somewhat picturesque labels attached to each of the four categories of products give some indication of the prospects for products in each quadrant. Thus, the "question mark" is a product which has not yet achieved a dominant market position and thus a high cash flow, or perhaps it once had

such a position but has slipped back. It will be a high user of cash because it is in a growth market.

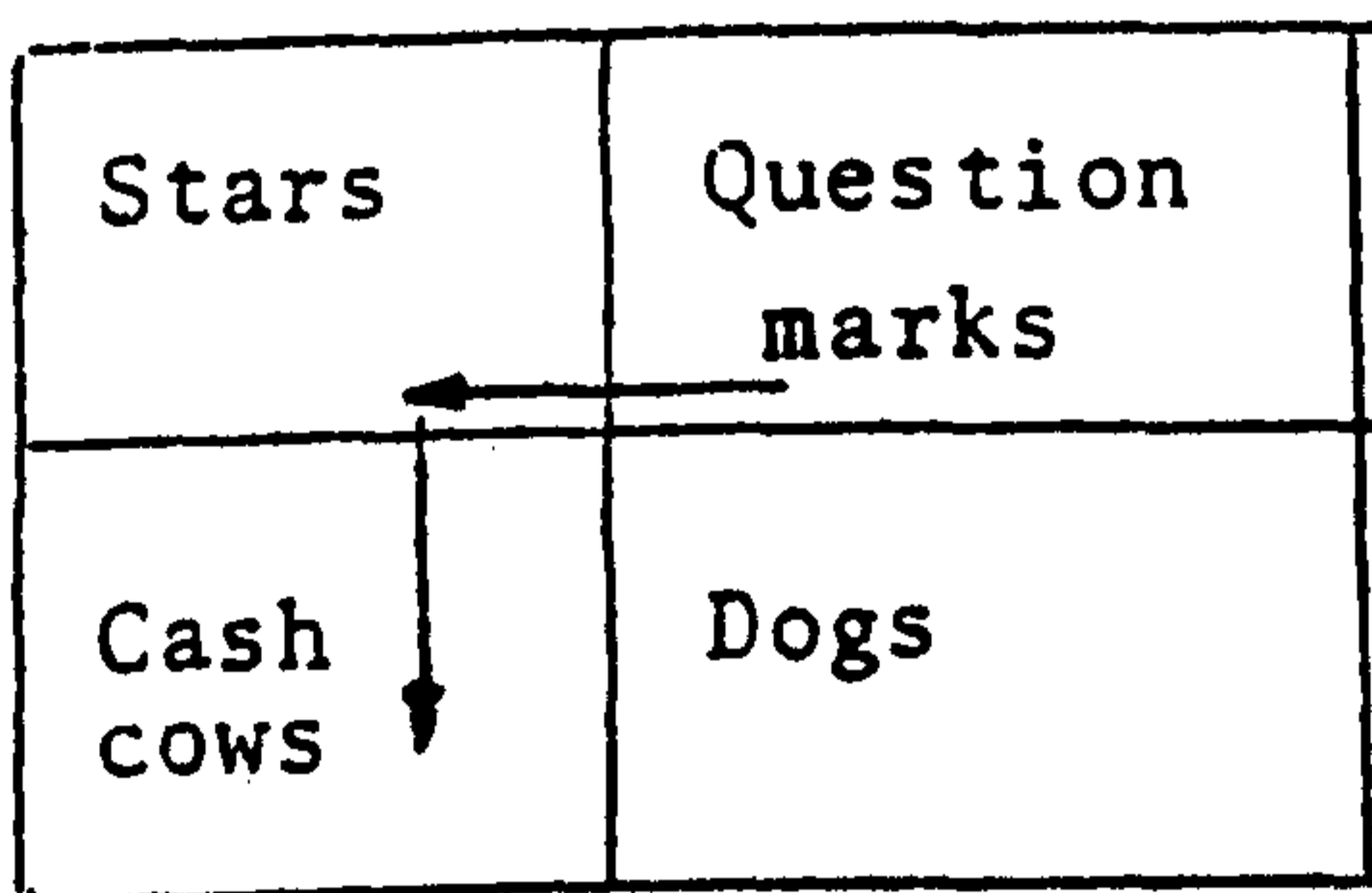
The "star" is probably a newish product that has achieved a high market share, and which is probably, on balance, more or less self financing in cash terms.

The "cash cows" are leaders in markets where there is little additional growth, but a lot of stability. These are excellent generators of cash, and tend to use little because of the state of the market.

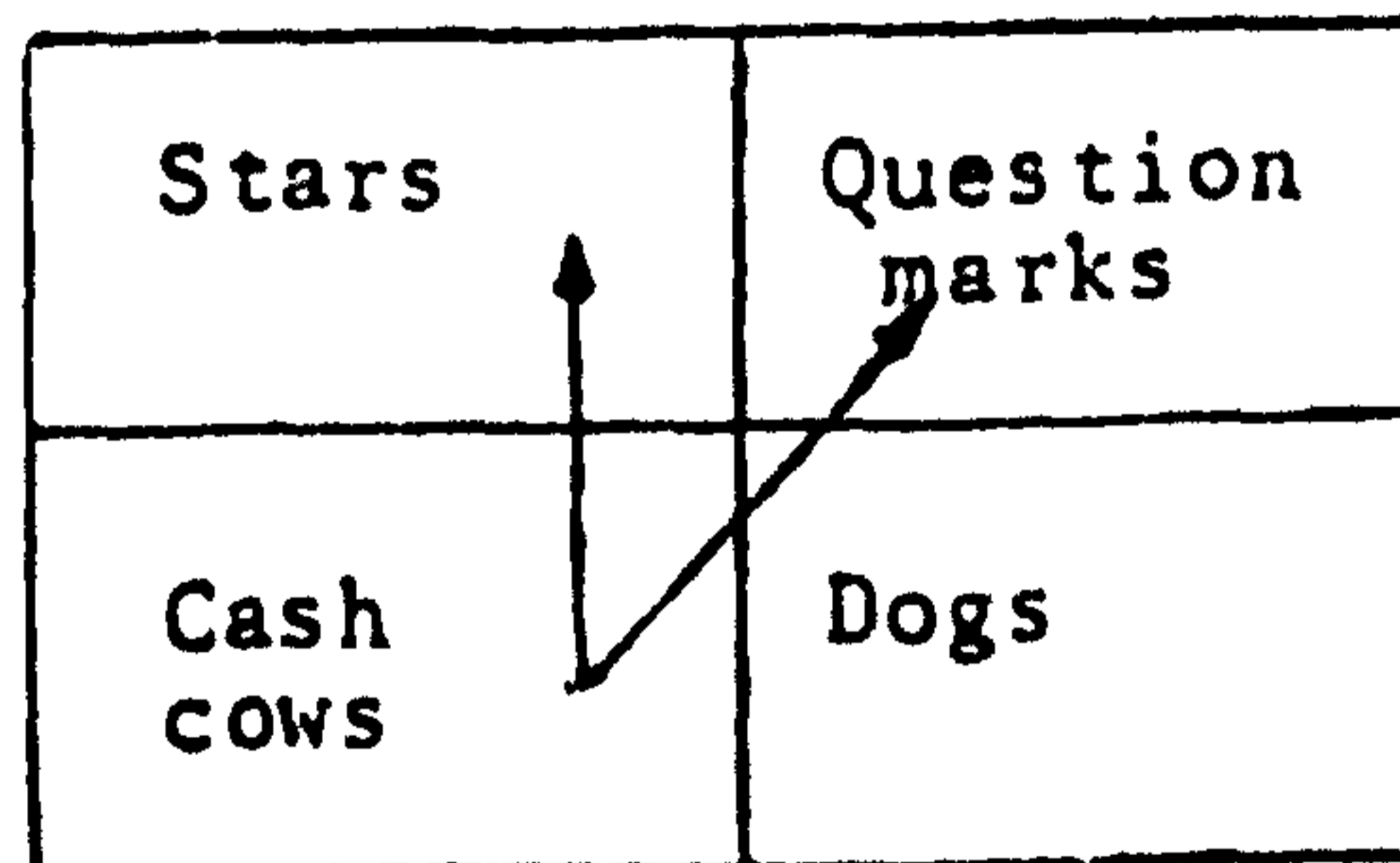
"Dogs" have little future, and are often a cash drain on the company. They are probably candidates for divestment.

They now go on to explain the art of product portfolio management, using this matrix as a management tool. What a company should be seeking to do is to use the surplus cash generated by the "cash cows" to invest in their "stars", and to invest in a selected number of "question marks". This is indicated in figure 7.

Figure 7



1. Ideal product development sequence

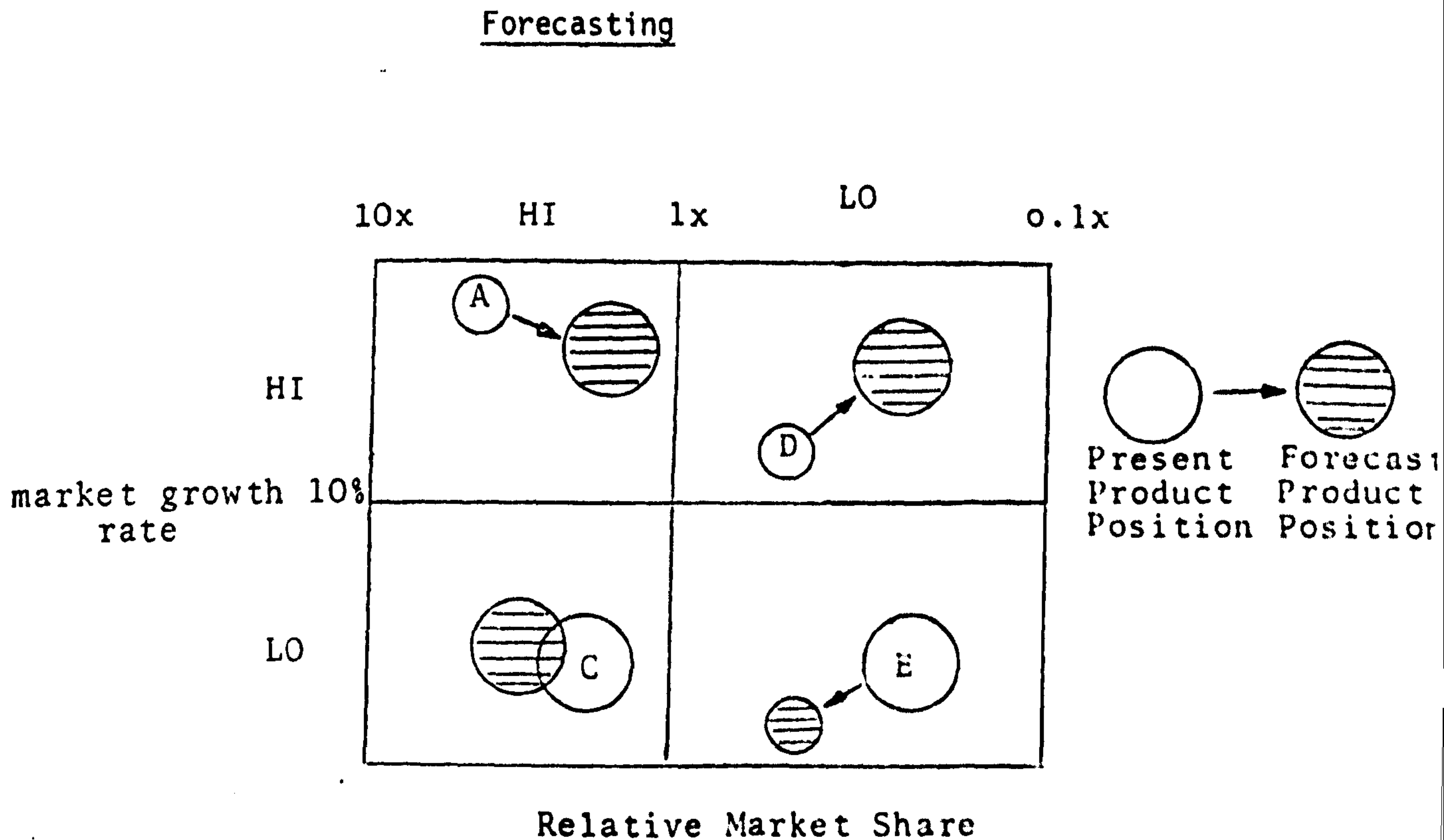


2. Internal flow of funds

They also show how the matrix can be used to forecast the market position of a company's products at some time in the future if it continues to pursue current policies. Figure 8

illustrates this process. The area of each circle is proportional to each product's contribution to total company sales volume.

Figure 8



The definition of high relative market share is taken to be a ratio of 1 or more. The cut off point for high as opposed to low market growth should be defined according to the prevailing circumstances in the industry, but this is often taken as 10 per cent.

In the case of this hypothetical company, it can be seen that they are following what could well prove to be disastrous policies in respect of their principal products.

Such a framework also easily helps to explain the impracticability of marketing objectives, such as "to achieve a ten per cent growth and a twenty per cent return on investment." Such an objective, whilst fine as an overall policy, if applied to individual products in the portfolio clearly becomes a nonsense and is totally self-defeating. For example, to accept a

ten per cent growth rate in a market which is growing, at say, fifteen per cent per annum, could well prove disastrous in the long run. Likewise, to go for a much higher than market growth rate in a low growth market could well lead to unnecessary price wars and market disruption.

Thus, it can be seen that there are some interesting frameworks available to management to help them to determine appropriate objectives and strategies for their products range.

Appendix 4

Case history I2.2.3.

Overall Direction and Aims (1980-1985)

Introduction

Over the last 10 years we have striven to keep up with demand for our high technology products. In the process we have built a company with particular skills, attitudes and technical/financial strengths. We have now got time, at the least, to start worrying about how to hold what we've got, but, above all, to decide where we deliberately want to go in the next five to ten years. We are changing from the period of creating a company to a new period of developing the company.

Overall Aim

To develop the Company's stability through growth in new market segments within specific guidelines.

Overall Guidelines

We seek to be :-

1. highly profitable - because profit creates flexibility and opportunity;
2. high technology within our areas - to keep up with market needs and conditions and to be lowest cost producers in our markets;
3. specialists - to maintain or develop dominance in market segments;
4. a high performance, high calibre group of people.

Function Guidelines

1. Sales and Marketing

We seek growth through :

1. increased sales volume of current products in current markets, or undeveloped export markets;
2. specialised applications of existing products further along the manufacturing chain (e.g. specialised filling);
3. specialised custom-designed requirements which fall within specified commercial criteria;
4. the development or acquisition of new products for new markets by whatever means are appropriate providing they conform to the following criteria:-

- opportunity for market leadership;
- precision engineering;
- specialised manufacturing processes;
- high volume;
- specialised market segment;
- high profit potential;
- high R.O.I.;
- prestige image;
- reachable through specialised trade channels.

2. We seek a growth pattern such that, when turnover is doubled, 30% of turnover is new business.

i.e. existing business	£5m	£7m	(7% p.a. growth over 5 years)
new business	0	£3m	
	<hr/>	<hr/>	
	£5m	£10m	

We seek to increase turnover such that profit is doubled in five years time with the same number of people as at present.

3. We are particularly interested in:-

1. medical/pharmaceutical devices;
2. new applications for high flow aerosol valve systems.

We would consider opportunities which combined our skills with needs in the electronics field or other compatible high technology areas.

4. We favour organic growth, but would consider acquisition, particularly to obtain new skills - such as in electronics.
5. We do not favour areas which do not meet two or more of the criteria listed in I.4. above.
6. We favour steady growth towards doubling profit over five trading years.
7. We do not want any one customer to account for more than 20% of our turnover.

2. Financial

We seek to:-

1. achieve minimum 15% pre-tax profit on total turnover and to increase real pre-tax profit to £2m in five years (1984/5).
2. generate cash flow to meet our investment requirements.
3. be financed by trading profit, bank loans, finance house loans, hire purchase. We would consider other methods of raising finance if exceptional opportunities arose.

4. to continue development of asset base.
5. lodge surplus funds so that they are accessible for re-investment during the present period of developing manufacturing technology (at least five years).

3. Technology

We seek to develop/purchase high precision, skilled/intelligent machines to increase output of skills and replace repetitive/unskilled labour - constrained by relationship of machine/system cost to produce cost limitations. Capital intensive/automatic processes will develop high added value per employee and therefore the means to high earnings (although not high employment). We seek to develop our manufacturing know-how and technology.

1. Manufacturing - develop automatic moulding, assembly and material control systems.
2. Toolmaking - develop facilities to at least double effective output of skilled designers and toolmakers.
3. Control Systems - develop intelligent control systems.
4. Product Development - develop/install sophisticated test and measurement equipment to accelerate development programmes.

4. People

We aim to be a company in which people enjoy employing their skills. We recognise the equality of technical and management skills and seek to reward high performance accordingly. We seek to provide constant opportunities for our people to enhance their skills - for the unskilled to become semi-skilled, for the semi-skilled to become skilled and for the skilled to become more so. We seek to become a high investment, high skill, high earnings company. We will become a company of technicians, engineers and managers.

5. Image

We seek to be regarded by:-

1. Company members - as a secure, interesting, involving, demanding, high paying company. Firm but fair.
2. Customers - as an efficient, high quality, reliable and friendly company. Good value for money.
3. Suppliers - as a competent, reliable and cooperative company. Demanding but a steady source of income.

The marketing audit

Figure 1 shows the starting point as being the setting of corporate objectives, which on the basis of the evidence provided in this thesis would seem to be illogical. This question will be considered later. For the purpose of this discussion, it is assumed that there are already some corporate objectives in existence, and that the planning cycle begins with the setting of some financial objectives. The next step in the process is the marketing audit.

Any plan will only be as good as the information on which it is based, and the marketing audit is the means by which information for planning is organised in a particular way at a particular time in the planning cycle.

Auditing as a process is more often associated with the financial side of a business, which, because it is conducted according to a defined set of accounting standards, therefore lends itself readily to a formalised review by means of well documented and widely understood procedures.

The total business process, although more complicated, is still nevertheless susceptible to some kind of systematic review.

Basically, an audit is the means by which a company can understand how it relates to the environment in which it operates. It is the means by which a company can identify its own strengths and weaknesses as they relate to external opportunities and threats. It is thus a way of helping management to select a position in that environment based on known factors.

Expressed in its simplest form, if the purpose of a corporate plan is to answer three central questions:-

- where is the company now?
- where does the company want to go?
- how should the company organise its resources to get there?

then the audit is the means by which the first of these questions is answered. An audit is a systematic review and appraisal of the environment and of the company's operations. A marketing audit is part of the larger management audit and is concerned with the marketing environment and marketing operations.

To summarise the audit is a structured approach to the collection and analysis of information and data in the complex business environment as an essential prerequisite to problem-solving.

The form of the audit

Any company carrying out an audit will be faced with two kinds of variables. Firstly, there are variables over which the company has no direct control. These usually take the form of what can be described as environmental and market variables. Secondly, there are variables over which the company has complete control. These can be described as operational variables.

This provides a clue as to how an audit should be structured. That is to say in two parts:

- the external audit;
- the internal audit.

The external audit is concerned with the uncontrollable variables, whilst the internal audit is concerned with the controllable variables

The external audit starts with an examination of information on the general economy and then moves on to an examination of the specific markets served by the company. Its purpose is to assess the extent to which economic and market factors do actually indicate what the course of the business should be.

The purpose of the internal audit is to assess the organisation's resources as they relate to the environment and vis a vis the resources of competitors.

The place of the marketing audit in the management audit

In the last section it was seen that a central feature of all audits is the external audit and the internal audit. The purpose of the internal audit is to help assess the relative importance of the organisation's internal resources vis a vis the external environment, and in particular vis a vis the market in which the company operates and vis a vis the resources of competitors.

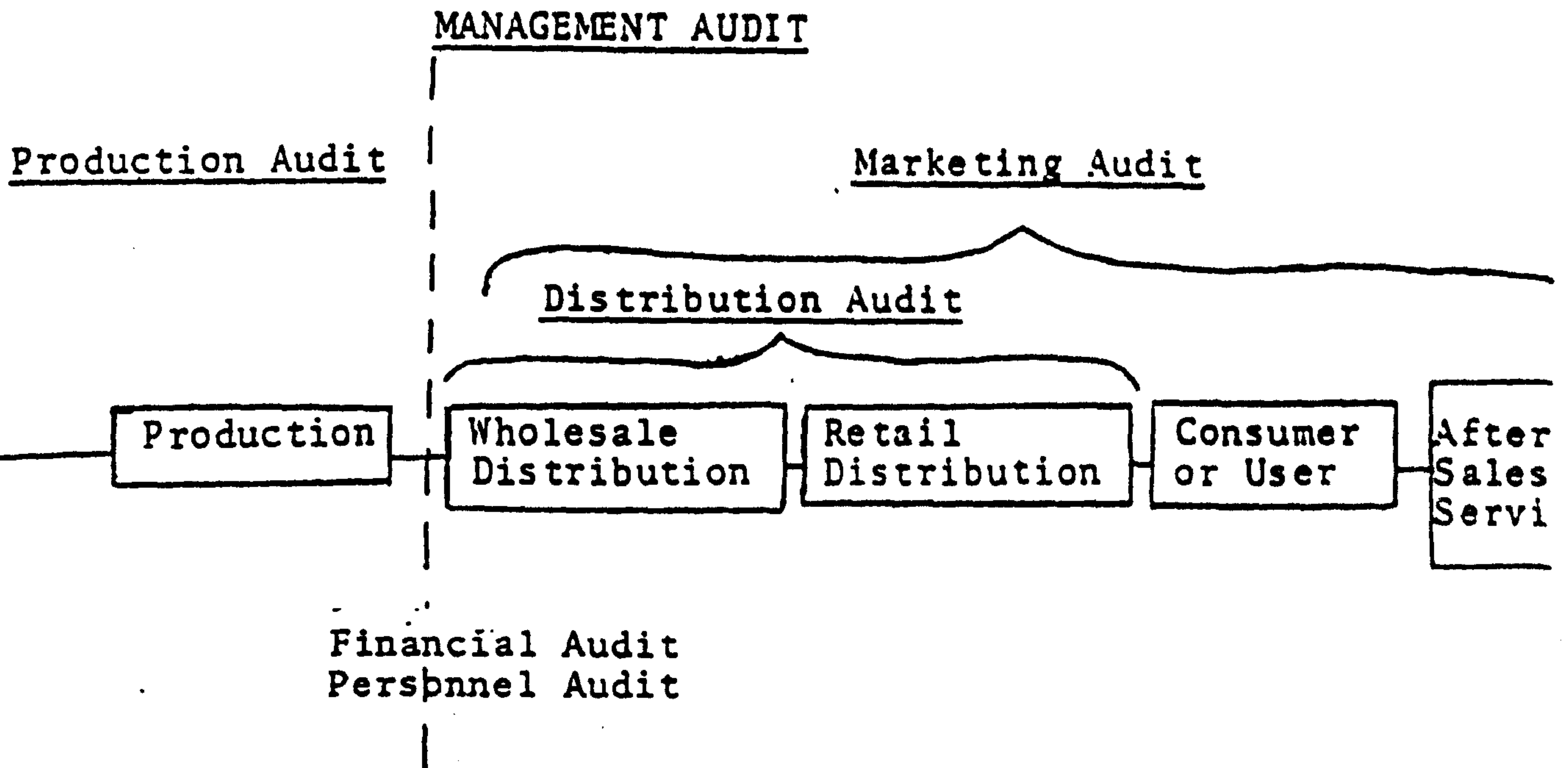
This means that whether reference is made to a marketing audit, a distribution audit, a production audit, or any other kind of audit, internal resources should always be assessed relative to key external factors.

The term "management audit" merely means a company-wide audit which includes an assessment of all internal resources vis a vis the external environment. In practice, the best way to carry out a management audit is to carry out a separate audit for each major business function. Thus the marketing audit is merely a part of a management audit, in the same

way that a production audit is part of a management audit.

This principle is illustrated in figure .1.

Figure 1



Before going on to describe the marketing audit in detail, it is necessary to stress that although it is easier to carry out a management audit by breaking it down into discrete parts based on the major functional areas of a business, it would be completely wrong to imply that this means that each of the constituent audits is mutually exclusive. In practice, this can never be the case. because everything that happens in each major business area has an indirect influence on sales and therefore they are all interdependent.

From figure 1 it can be seen that the marketing audit is concerned with the way in which the company relates to its markets.

A checklist of the major headings to be included in the marketing audit is given in figure 2.

Figure 2

SUMMARY

THE MARKETING AUDIT CHECK LIST

EXTERNAL AUDIT

BUSINESS AND ECONOMIC ENVIRONMENT

Economic
Political/fiscal/Legal
Social/Cultural
Technological
Intra Company

INTERNAL AUDIT

MARKETING OPERATIONAL VARIABLES

Own Company

Sales (total, by geographical location, by industrial type, by customer, by product)
Market Shares
Profit Margins/Costs
Marketing Procedures
Marketing Organisation
Marketing information/Research
Marketing Mix variables as follows:

- Product Management
- Price
- Distribution
- Promotion

THE MARKET

Total market, size, growth and trends (value/volume)
Market Characteristics, developments and trends

- Products
- Prices
- Physical distribution
- Channels
- Customers/Consumers
- Communication
- Industry Practices

COMPETITION

Major Competitors
Size
Market Shares/Coverage
Market Standing/Reputation
Production Capabilities
Distribution Policies
Marketing Methods
Extent of Diversification
Personnel Issues
International Links
Profitability
Key Strengths and Weaknesses

MARKETING AUDIT CHECKLIST

EXTERNAL (Opportunities and Threats)

BUSINESS AND ECONOMIC ENVIRONMENT

Economic

Inflation, unemployment, energy, price volatility, materials availability, etc.

as they affect your business

Political/fiscal/
Legal

Nationalisation, union legislation, taxation, duty increases, regulatory constraints (e.g. labelling, product quality, packaging, trade practices, advertising, pricing, etc.)

as they affect your business

Social/cultural

Education, immigration, emigration, religion, environment, population distribution and dynamics (e.g. age distribution, regional distribution, etc.), changes in consumer life style, etc.

as they affect your business

Technological

Aspects of product and/or production technology which could profoundly affect the economics of the industry (e.g. new technology, cost savings, materials, components, equipment, machinery, methods and systems, availability of substitutes, etc.)

as they affect your business

Intra Company

Capital investment, closures, strikes, etc.

as they affect your business

THE MARKET

Total market

Size, growth, and trends (value, volume).

Market characteristics

Developments and trends.

- (i) Products: principal products bought; end use of products; product characteristics (weights, measures, sizes, physical characteristics, packaging, accessories, associated products, etc.)

- (ii) Prices: price levels and range; terms and conditions of sale; normal trade practices; official regulations, etc.
- (iii) Physical distribution: principal methods of physical distribution.
- (iv) Channels: principal channels; purchasing patterns (e.g. types of product bought, prices paid, etc.); purchasing ability; geographic location; stocks; turnover; profits; needs; tastes; attitudes; decision-makers, bases of purchasing decision; etc.
- (v) Communication: principal methods of communication, e.g. sales force, advertising, direct response, exhibitions, public relations, etc.
- (vi) Communication: principal methods of communication, e.g. sales force, advertising, direct response, exhibitions, public relations, etc.
- (vii) Industry practices: e.g. Trade Associations, government bodies, historical attitudes, interfirm comparisons; etc.

COMPETITION

- (i) Industry structure: make-up of companies in the industry, major market standing/reputation; extent of excess capacity; production capability; distribution capability; marketing methods; competitive arrangements; extent of diversification into other areas by major companies in the industry; new entrants; mergers; acquisitions; bankruptcies; significant aspects; international links; key strengths and weaknesses.
- (ii) Industry Profitability: financial and non-financial barriers to entry; industry profitability and the relative performance of individual companies; structure of operating costs; investment; effect on return on investment of changes in price; volume; cost of investment; source of industry profits; etc.

INTERNAL (Strengths and Weaknesses)

OWN COMPANY

Sales (total, by geographical location, by industrial type, by customer, by product)

Market Shares

Profit Margins

Marketing Procedures

Marketing Organisation

Sales/Marketing Control Data

Marketing Mix Variables as follows:

- Market Research
- Product Development
- Product Range
- Product Quality
- Unit of Sale
- Stock Levels
- Distribution
- Dealer Support
- Pricing, Discounts, Credit
- Packaging
- Samples
- Exhibitions
- Selling
- Sales Aids
- Point of Sale
- Advertising
- Sales Promotion
- Public Relations
- After Sales Service
- Training

OPERATIONS AND RESOURCES

(a) Marketing Objectives

Are the marketing objectives clearly stated and consistent with marketing and corporate objectives?

(b) Marketing Strategy

What is the strategy for achieving the stated objectives?

Are sufficient resources available to achieve these objectives?

Are the available resources sufficient and optimally allocated across elements of the marketing mix?

(c) Structure

Are the marketing responsibilities and authorities clearly structured along functional, product, end user, and territorial lines?

(d) Information System

Is the marketing intelligence system producing accurate, sufficient and timely information about developments in the market place?

Is information gathered being used effectively in making marketing decisions?

(e) Planning System

Is the marketing planning system well conceived and effective?

(f) Control System

Do control mechanisms and procedures exist within the group to ensure planned objectives are achieved?

e.g. Meeting overall objectives, etc.?

(g) Functional Efficiency

Are internal communications within the Group effective?

(h) Interfunctional Efficiency

Are there are problems between marketing and other corporate functions?
Is the question of centralised vs. de-centralised marketing an issue in the Company?

(i) Profitability Analysis

Is the profitability performance monitored by product, served markets, etc., to assess where the best profits and biggest costs of the operation are located?

(j) Cost Effectiveness Analysis

Do any current marketing activities seem to have excess costs?
Are these valid or could they be reduced?

A more detailed list of issues that may need to be considered as part of an audit is also included. Although this list is quite comprehensive, it is provided more as an example of the kind of logic which lies behind the idea of a marketing audit. No such list could expect to be both totally comprehensive and practicable. This particular list is based on the kind of issues that were most frequently of concern to those companies that were carrying out marketing audits

Even a cursory examination of the audit in this appendix shows a number of vital issues which are central to the process of marketing planning and which the literature does not deal with adequately. For example, there is a striking similarity between the proposed audit content and what a company would require to find out, probably by means of a market research study, were it to contemplate entering a new market. The fact is, however, that these are precisely the kind of things that any company needs to be aware of under any circumstances, if it wishes to trade successfully. The only difference is that for a market extension strategy, less would be known about all the listed factors and a special exercise would have to be mounted, probably by means of market research, to enable the company to make a go/no go decision and to develop appropriate programmes. In the case of an ongoing situation, all the listed items will mutate to a greater or a lesser degree during any fiscal year. Consequently, the company's marketing information system should be geared to monitoring how they change throughout the year. This will entail various monitoring routines, and probably also some one-off market research studies for special cases. This raises the question of the frequency of the audit, who should complete it, how, and what should happen to the results of the audit.

Marketing audit frequency

Many companies resort to the marketing audit as a desperate attempt to define their problems when things start to go badly wrong, and often it is something completed by a firm of consultants.

However, those companies with a complete planning system recognise that since marketing is such a complex function, it is illogical not to carry out a thorough audit at least once a year, at the beginning of the planning cycle. These companies, as well as using normal information and control procedures and marketing research throughout the year, also start their planning cycle each year with a formal review through an audit type process of everything which has had an important influence on marketing activities. In these companies, as in many leading consumer goods companies, the annual self-audit approach is a well tried and tested self-discipline

which is built into an integrated management process.

Usually, the really key factors which affect performance do not change significantly from year to year, and in practice a company's marketing information system is geared to gathering, analysing and synthesising information about them throughout the year. In practice, therefore, if a company's marketing information system has been designed to produce information which is needed and used by managers in the key decision-making areas of the business, the marketing audit is not a major exercise and merely involves a formalised review of this body of knowledge at a particular time in the year.

Occasionally it may be justified to hire outside consultants to carry out a marketing audit to check that a company is getting the most out of its resources. However, it seems an unnecessary expense to have this done every year. The answer, therefore, is to have an audit carried out annually by the company's own managers on their areas of responsibility.

Objections to this usually centre around the problems of time and objectivity. In practice, these problems are usually overcome by institutionalising procedures in as much detail as possible, so that all managers have to conform to a disciplined approach, and secondly by thorough training in the use of the procedures themselves. However, even this will not result in the achievement of the purpose of an audit unless a rigorous discipline is applied from the highest levels down to the lowest levels of management involved in the audit. Such a discipline is usually successful in helping managers to avoid the sort of tunnel vision that often results from a lack of critical appraisal.

What makes a good auditor?

There are many difficulties facing the auditor in a management situation, three of the most important of which are:-

- data are either incomplete or not available in a form in which they can be used;
- there are many differing opinions which form the main body of information;
- relationships between variables are often difficult to establish.

There are, of course, many other difficulties facing the auditor, particularly those connected with people and human relationships, but this discussion concerns only the question of data and information.

Initially, the auditor's task is to screen the enormous amount of data and information for validity and relevance. There is nearly always a surplus of data and information which is inaccurate

or just not relevant.

So it can be seen that the mark of a good auditor is the skill with which he is able to apply judgement to this screening process.

Some of the data and information will have to be re-organised into a usable form, and the auditor will also have to apply judgement to decide what further data and information is necessary to a proper definition of the problem. This entails deciding which factors are critical to success.

The final difficult task involving judgement is to determine what relationships exist between variables and which are important in the problem-solving process.

Only experience and flair can improve this important judgmental element in the auditing process, although there are a few tips which are useful to those new to the auditing approach to problem definition.

Reference has already been made to the abundance of data and information which any auditor will find in a company. Published data from abstracts, trade associations, consultants' reports, and the like have to be treated with great care, especially as much data and information is often interpreted in a certain way by organisations with vested interests in that particular interpretation, whilst government departments rarely collect data in a form which is usable by individual companies.

Opinions are even more difficult to cope with and the mark of the skilful auditor is an ability to use the screened factual data which he has collected and analysed as a backcloth for assessing which opinions have the most validity. How is this done? Well, there is no straightforward answer, but the auditor's task in this connection will be made a lot easier if he can first attempt to isolate the main forces and influences that control and are controlled by the business. For this will help him to screen out irrelevant data and to discard information which merely confuses the central issues. This will ease the task of relating data and opinions in such a way that possible solutions begin to suggest themselves.

Nonetheless, the quality of the conclusions drawn from this process will vary from being very near the truth to very far from the truth, depending on the judgmental skills of the auditor.

However, the main point to bear in mind is that by adopting the kind of structured approach to this auditing process which is recommended in this thesis, the person carrying out the audit stands a much better chance of a reasonable definition of the key problems facing a company than he would if he relied entirely on a more intuitive approach.

Thus, there are basically two phases which comprise the auditing process:-

- the identification, measurement, collection and analysis of all the facts and opinions which impinge upon a company's problems;
- the application of judgement to uncertain areas which are remaining following this analysis;

The first step in the auditing process is, therefore, to list all the facts and opinions relating to the problems facing the company. Analysis of these facts and opinions and the application of judgement to help isolate those factors that are critical to success and the synthesising and sorting process then follows.

Since facts and opinions are bound to be over plentiful, it is better to use a structured approach in the above process, to which reference has already been made. The precise way in which this structured approach can be adopted and used within a company will be discussed later in this section. Before this, however, it is necessary to explain what should happen to the results of the audit.

How to organise the findings of the audit

A vital question which remains to be answered centres around what happens to the results of the marketing audit.

In the same way that some companies waste considerable time and effort developing marketing plans that cannot be used, so other companies consume valuable resources carrying out audits which bring very little by way of actionable results.

There is grave danger that at the marketing audit stage, which provides the foundation on which the whole planning edifice is built, insufficient attention is paid to the need to concentrate on analysis which determines which trends and developments will actually affect the company. The list in figure 33 merely demonstrates the completeness and logic of analysis. But whilst the auditor should consider every heading, he should discipline himself to omit from his plans all information that is unrelated to the company's specific problems. Inclusion of such things as brand switching analyses, or over detailed sales performance histories by company and product which lead to no logical actions whatever, only serve to rob the audit of focus and reduce its relevance. All analysis should be assessed on the basis of what it means in terms of the company's future development.

The purpose of the audit is to help the auditor to understand as much as possible about the dynamics of a business and its

markets and how they inter-relate. Unfortunately, it is easy for the objectives of all this thorough audit work to get lost in the activity itself. The end result all too often is merely the accumulation of a large amount of information, qualitative and quantitative, encompassing facts, opinions, assumptions, and so on.

In order to overcome this danger, some sort of sifting process is necessary which leads to the information being organised in a logical manner, followed by a review of the information to identify those factors and conditions that appear to be pertinent to the future of the company. In other words, situations, trends, facts, information, opinions and so on which appear to have a bearing on the problems which face the company in getting and maintaining markets. Judgement has to be used to omit anything which is not relevant, the end result being a condensed statement of information which is pertinent to the company's problems, with all extraneous information removed.

Since the objective of the audit is to help indicate what a company's marketing objectives and strategies should be, it follows that it would be helpful if some format could be found for organising the major findings of the marketing audit.

Indeed, the key to the successful completion of this stage of the marketing planning process is an ability to organise major findings into a logical and usable format as an aid to setting objectives, just as at the audit stage itself the task is made easier by adopting a structured approach to the task.

It will be recalled that the marketing audit begins with obtaining information on the general economic environment, and then goes on to examine the outlook for the industries served by the company, including a review of competitive activities. The internal audit of the company's own resources can then be made in the light of this background information on the economy, the market, and the competitors.

It has also been stated, however, that merely to record information of this kind is not problem-solving. This requires discovery of the extent to which these economic and other factors do actually indicate what the course of the business should be. Economic indicators, per se, cannot be used in plans in any direct way.

One way of writing down facts, information and conclusions in such a way that the task of reviewing marketing objectives becomes easier is by summarising the audit under the headings STRENGTHS, WEAKNESSES, OPPORTUNITIES and THREATS, often referred to as a SWOT analysis.

Expressed in its simplest form, this means listing the company's key internal strengths and weaknesses as they relate to external opportunities and threats.

It should be stressed that it is differential strengths and weaknesses that are important, otherwise it is easy to end up with long lists which do not form the basis of any meaningful action.

How the auditing process works

Reference has been made to audits which result in large amounts of valuable, but non actionable information. The SWOT analysis was suggested as a way of overcoming this problem.

One useful way of facilitating the composition of this SWOT analysis is to insert a series of codes in the margin of the marketing audit against items that the auditor believes are key factors. Thus, key strengths would have S1, S2, S3, etc. written in the margin, key weaknesses, W1, W2, etc., key opportunities, O1, O2, etc., and key threats, T1, T2, etc. It is a comparatively easy task to gather all of these together on completion of the audit for the purpose of compiling the SWOT analysis.

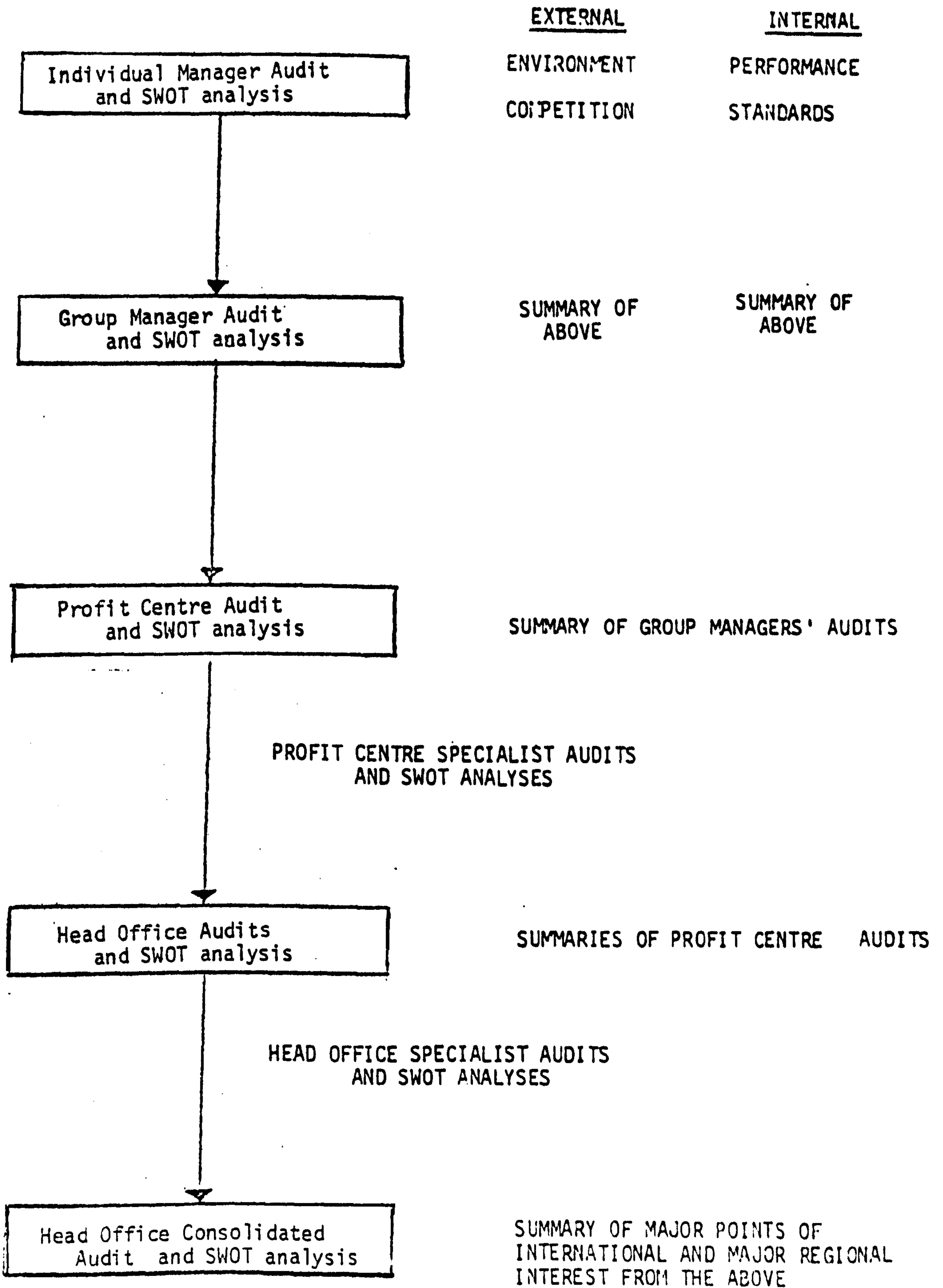
It has been suggested that each manager in the organisation should complete an audit and SWOT analysis on his own area of responsibility. The only way that this can work in practice is by means of a hierarchy of audits. The principle is simply demonstrated in figure 3 below.

This illustrates the principle of auditing at different levels within an organisation. The format summarised in figure 2 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 was required on capital investment schemes, foreign investments, economic growth rates, health and safety regulations (clearly important in this market), inflation rates, tariff protection, etc., 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 check list was provided which included, inter alia, international approvals from original equipment

HIERARCHY OF AUDITS



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, etc.

At each operating level, this kind of information can be gathered in by means of the hierarchy of audits illustrated in figure 34, with each manager completing an audit for his area of accountability. This way, whilst 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 recognised that information and data is 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.

How marketing planning relates to corporate planning

Reference has been made to the wider context of the management audit in which the marketing audit takes place. Before turning attention to the other important steps in the marketing planning process, it would be useful to discuss how marketing planning relates to the corporate planning process.

Figure 4. shows five steps in the corporate planning process. As can be seen, the starting point is usually a statement of corporate objectives for the long range planning period of the company. At the very least, these are financial, and are often expressed in terms of turnover, profit before tax, and return on investment.

More often than not, this long range planning horizon is five years, but the precise period should be determined by the nature of the markets in which the company operates. For example, five years would not be a long enough period for a glass manufacturer, since it takes that period of time to commission a new furnace, whereas in some industries, five years would be too long a period. A useful guideline in determining the planning horizon, is that there should be a market for the company products for long enough at least to amortise any capital investment associated with those products.

The next step is the management audit which has already been discussed. This is an obvious activity to follow on with, since a thorough situation review, particularly in the area of marketing, should enable the company to determine whether it will be able to meet the long range financial targets with its current range of products in its current markets. Any projected gap can be filled by various methods of product development or market extension, together with the concomitant development of appropriate human and physical resources.

The most important and difficult of all stages in the corporate planning process is the third step, objective and strategy setting, since if this is not done properly, everything that follows will be of little value.

In this section marketing objectives and strategies will be discussed in more detail. For now, the important point to make is that this is the time in the planning cycle when a compromise has to be reached between what is wanted by the several functional departments and what is practicable, given all the constraints that any company has. For example, it is no good setting a marketing objective of penetrating a new market, if the company does not have the production capacity to cope with the new business, and if capital is not available for whatever investment is necessary in additional capacity. It is also at this point that the chief executive plays a key role, for he is the only executive with both the authority and the necessary company-wide perspective to be able to make such trade-offs. Not surprisingly, in companies where this difficult step is not taken on the basis of the kind of information produced in the management audit, a climate in which interfunctional strife can take place is more likely. An illustration of just some of the kinds of issues that have to be resolved is given in figure 5.

At this stage objectives and strategies will be set for five years, or for whatever the planning horizon is.

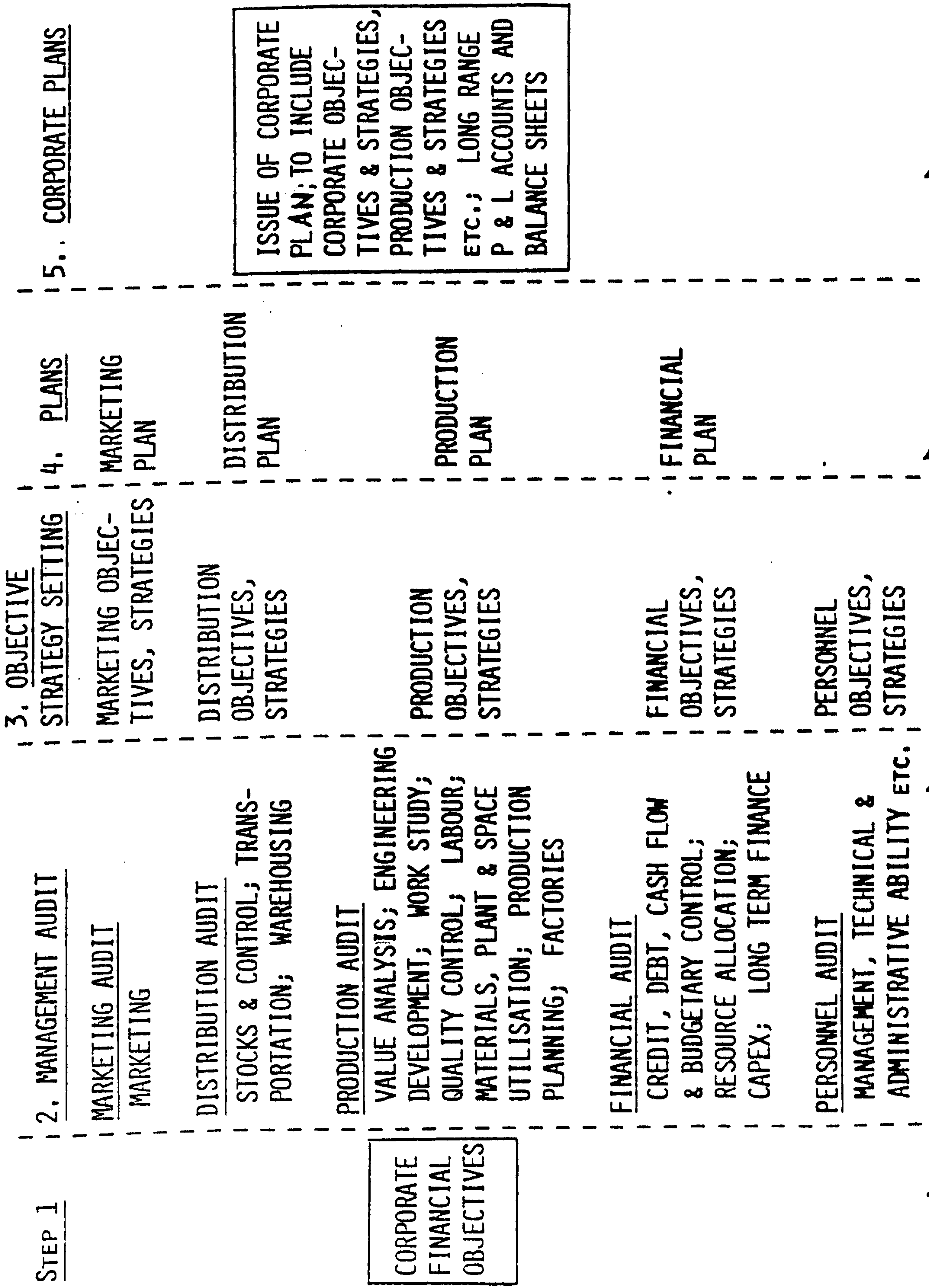
Step 4 involves producing detailed plans for one year, containing the responsibilities, timing and costs of carrying out the first year's objectives, and broad plans for the following years.

These plans can then be incorporated into the corporate plan, which will contain long range corporate objectives, strategies, plans, profit and loss accounts and balance sheets.

At this point it is worth pointing out that one of the main purposes of a corporate plan is to provide a long term vision of what the company is or is striving to become, taking account of shareholder expectation, environmental trends, resource market trends, and the distinctive competence of the company as revealed by the management audit. What this means in practice

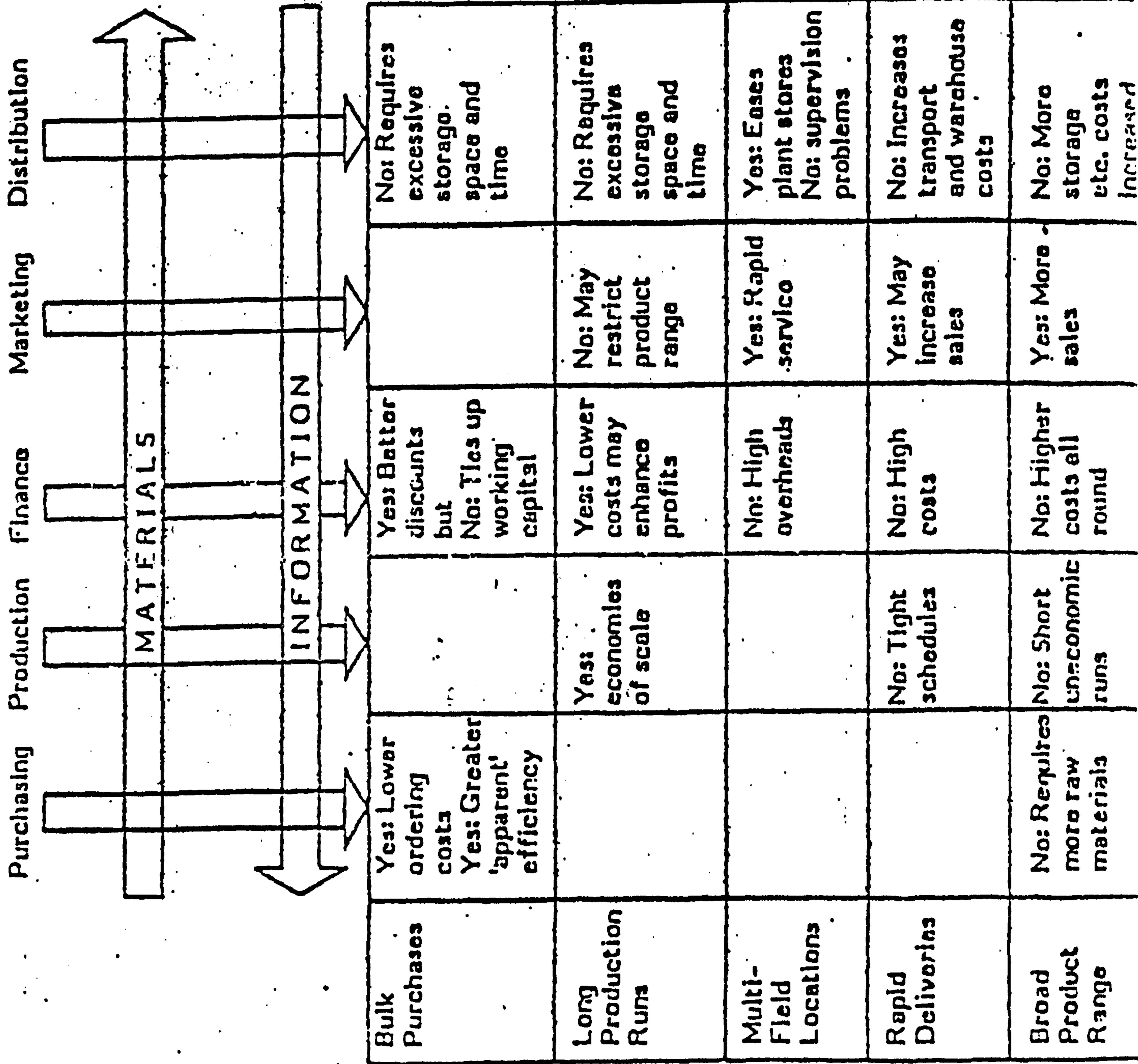
MARKETING PLANNING AND ITS PLACE IN THE CORPORATE PLANNING CYCLE

Figure 4



REVISION AND AMENDMENT (IF NECESSARY) OF OPERATING PLANS CONTINUOUS

COMPANY ORGANISATION WITH ASSOCIATED CONFLICT



Bulk Purchases	Yes: Lower ordering costs Yes: Greater 'apparent' efficiency		Yes: Better discounts but No: Ties up working capital		No: Requires excessive storage space and time
Long Production Runs		Yes: economises of scale	Yes: Lower costs may enhance profits	No: May restrict product range	No: Requires excessive storage space and time
Multi-Field Locations			No: High overheads	Yes: Rapid service	Yes: Eases plant stores No: supervision problems
Rapid Deliveries		No: Tight schedules	No: High costs	Yes: May increase sales	No: Increases transport and warehouse costs
Broad Product Range	No: Requires more raw materials	No: Short un-economic runs	No: Higher costs all round	Yes: More sales	No: More storage etc. costs increased

is that the corporate plan will contain the following elements:-

- DESIRED LEVEL OF PROFITABILITY
- BUSINESS BOUNDARIES
 - what kinds of products will be sold to what kinds of markets (marketing);
 - what kinds of facilities will be developed (production and distribution);
 - the size and character of the labour force;
 - funding (finance).
- OTHER CORPORATE OBJECTIVES, SUCH AS SOCIAL RESPONSIBILITY, CORPORATE IMAGE, STOCK MARKET IMAGE, EMPLOYER IMAGE, etc.

Such a corporate plan, containing projected profit and loss accounts and balance sheets, being the result of the process described above, is more likely to provide long term stability for a company than plans based on a more intuitive process and containing forecasts which tend to be little more than extrapolations of previous trends.

It can be seen that at the beginning of the next planning cycle, there is already in existence a corporate plan which is based on information and inputs from the operating units. This makes it possible for top management to initiate the next round of planning by the issue of something more than just financial objectives. This is why the marketing planning process is shown as beginning with the issue of corporate objectives.

The precise form in which these will be done will vary from company to company, depending on size and diversity. Nevertheless, with a continuous flow of information about the progress of operational plans, changes which have taken place during the current financial year and which have affected the current objectives and strategies will already be known to top management. This makes it possible for top management to initiate the next planning round with the issue of some objectives which are based on their overview of total company operations.

As already stated, these objectives will, at the very least, be financial in nature. But in order that the several levels of operating management can gain the benefit of the broader perspective possible at the top of a company, they need to be more than just financial.

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. As in the case of the audit, this would proceed from the broad

to the specific, and would become more detailed as it progresses through the company towards operating units. Figure 6 contains a list of the headings under which strategic guidelines would 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 micro processors on electro mechanical component equipment, leadership and innovation strategies, vulnerability to attack from the flood of Japanese and European products, and so on. At operating company level, it is possible to be more explicit about target markets, product development, and the like.

The point is that it is top management's responsibility to determine the strategic direction of the company, and to decide such issues as when businesses are to be milked, where to invest heavily in product development or market extension for longer term gains, and so on. If this is left to operating managers to decide for themselves, they will tend to opt for actions concerned principally with today's products and markets, because this 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 7 and 8, which show a similar hierarchy in respect of strategic planning letters to that illustrated in figure 3 in respect of audits.

Figure 9 is another way of illustrating the total corporate strategic and planning process shown in figure 4. 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. Thus, figures 3 to 9 should be seen as one group of illustrations showing how the marketing planning process fits into the wider context of corporate planning.

Figure 6

STRATEGIC PLANNING LETTER

(Objectives and Strategies)

Financial

Remittances
 Dividends
 Royalties
Gross Margin %
Operating Profit
R.O.C.E.
Debtors
Creditors
Bank Borrowings
Investments
Capex
Cash Flow Controls

Manpower and Organisation

Management
Training
Industrial Relations
Organisation
Remuneration - Pensions

Operations

Land
Buildings
Plant
Modifications
Maintenance
Systems
Raw Materials
 - Supplies
 - Purchasing
Distribution
Stock and Control
Transportation
Warehousing

Marketing

Target Markets
Market segments
Brands
Volumes
Market shares
Pricing
Image
Promotion
Market research
Quality control
Customer service

Figure 7

STRATEGIC AND OPERATIONAL PLANNING

Top Down and Bottom Up

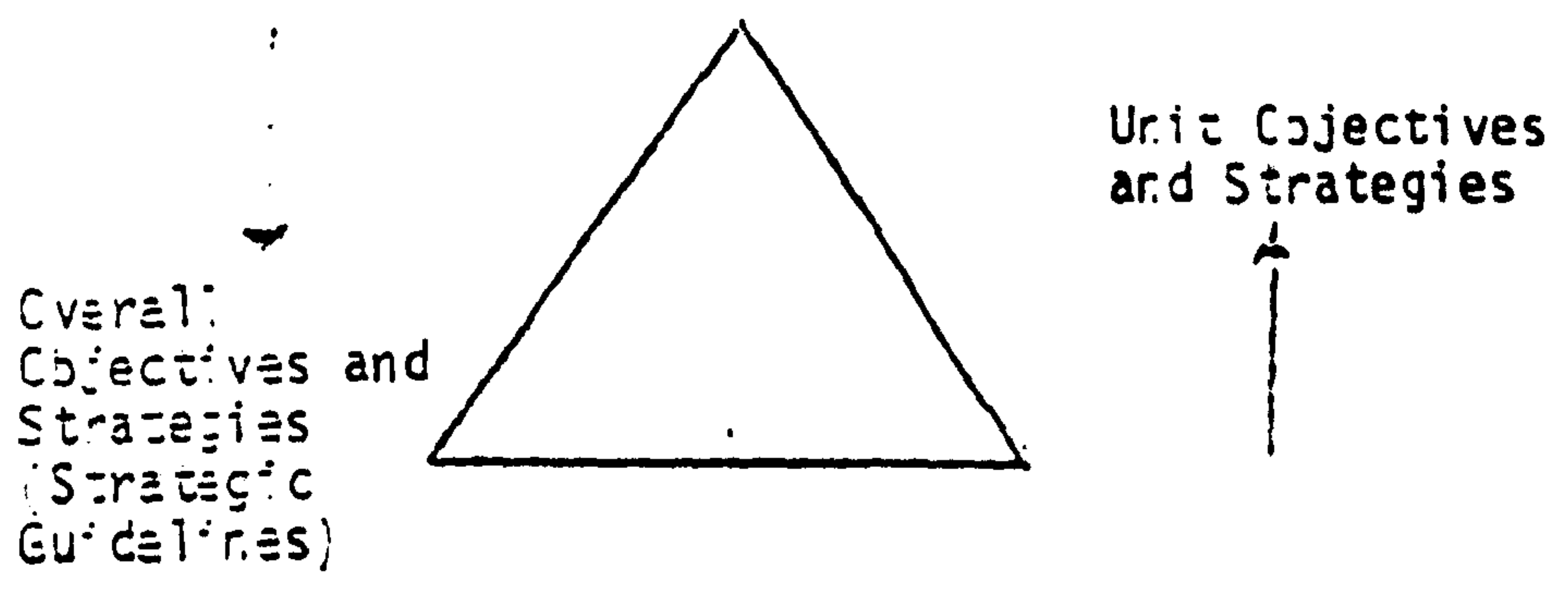


Figure 8

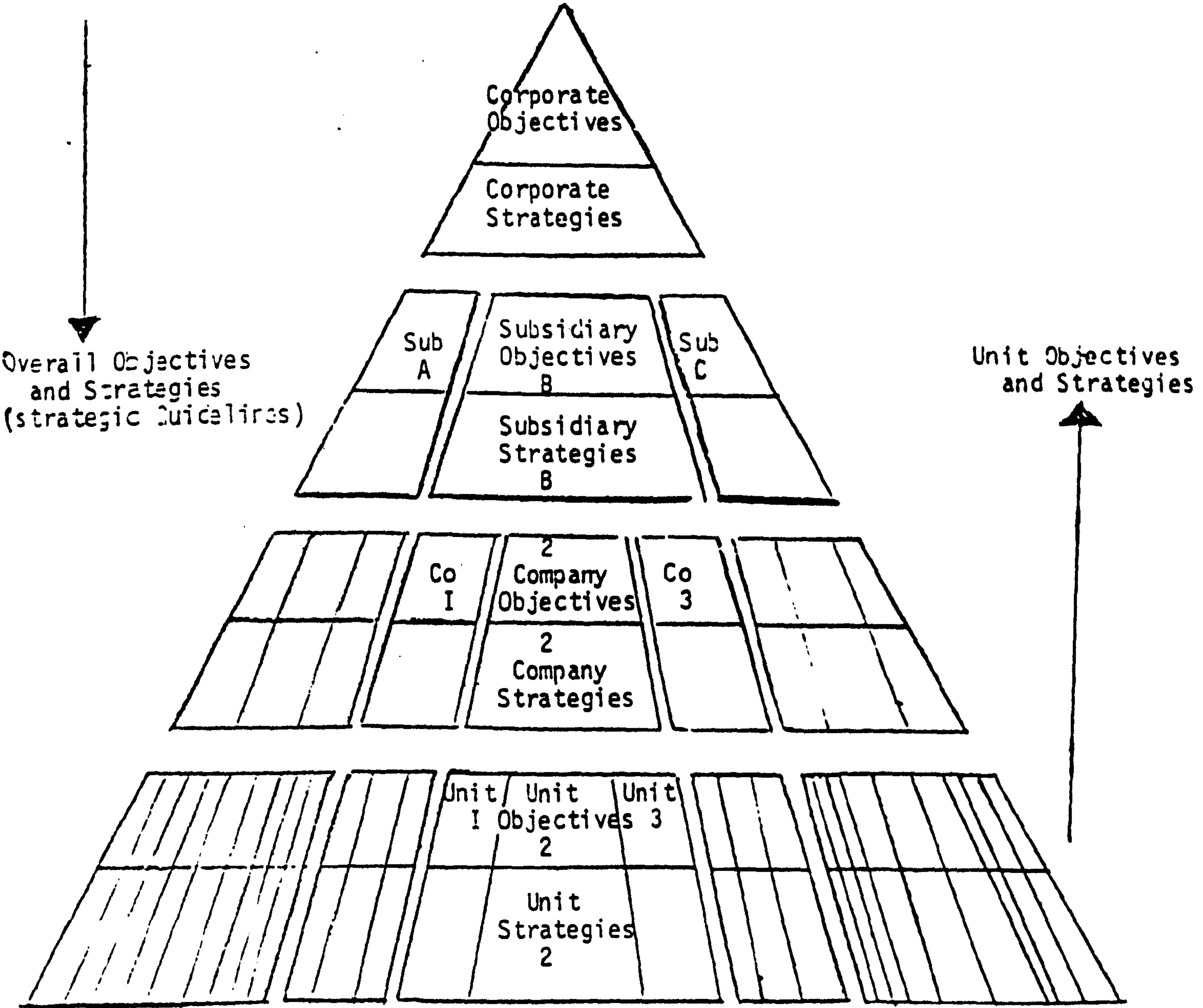
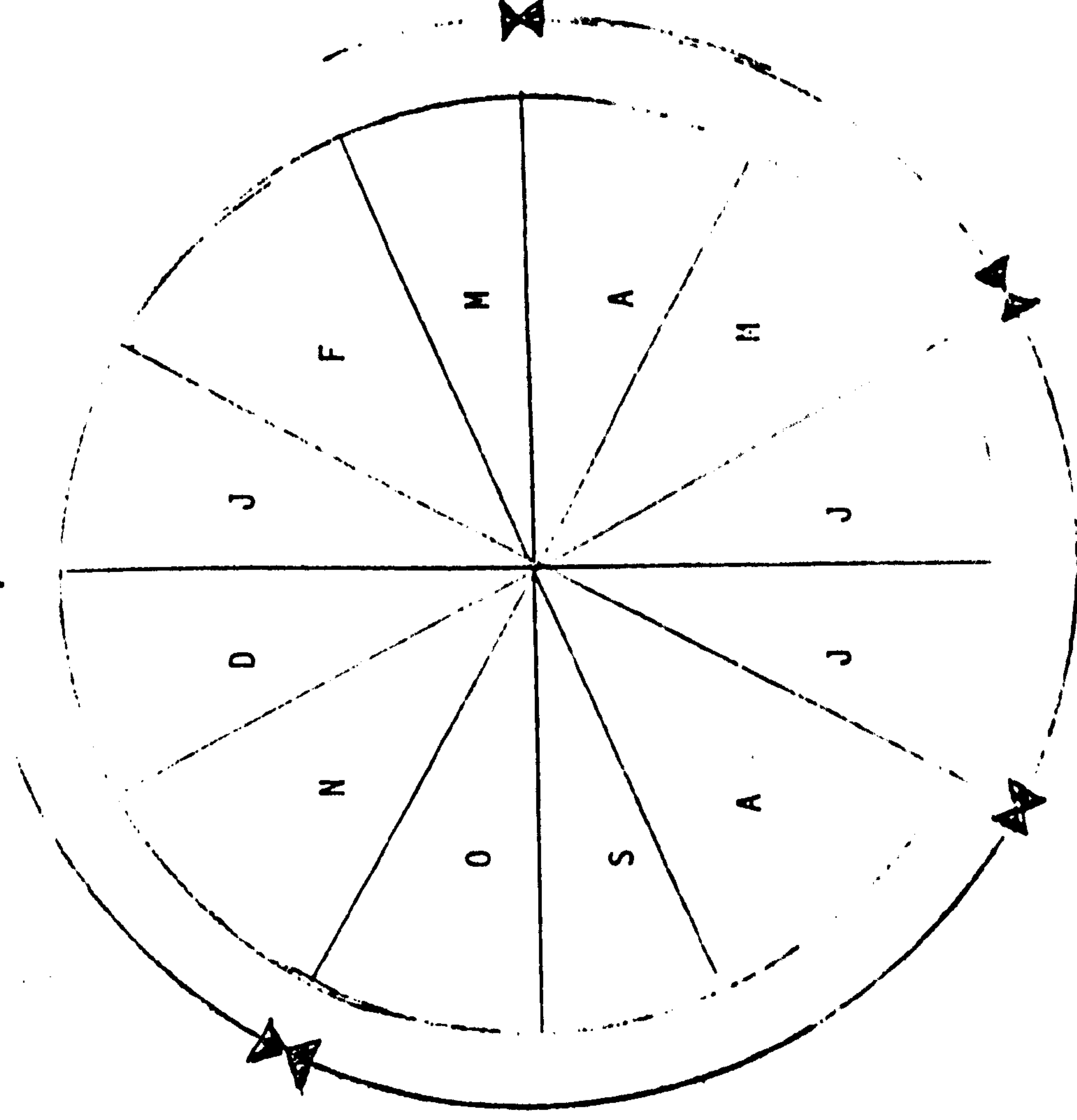


Figure 9

STRATEGIC AND OPERATIONAL PLANNING

HQ Consolidation of Operational
and Strategic Plans



Preparation
of short term
operational
plans and
budgets
1 year

HQ Review
Revise and Agree
5 year Objectives
Strategies, Budgets

Issue of
Strategic
Planning
Letters

Management audits
Marketing audits
S:OT analyses
Objectives, strategies
Budgets (proposed)
5 years

Assumptions

It is now possible to return specifically to the process of marketing planning as illustrated in figure 28.

An important step, often omitted in books and papers on marketing planning, is the agreement and statement of assumptions.

In all companies, and at all levels, there are certain key determinants of success or failure about which assumptions have to be made before the planning process can proceed. It is really a question of standardising the planning environment. For example, the kinds of plan submitted by product managers would vary depending on whether a view was held that the economy was going to decline by 2 per cent, or increase by 2 per cent. It is clearly important, therefore, to reach agreement on issues such as this.

Key planning assumptions deal in the main with environmental and marketing trends and anticipated changes which would have a significant influence on the achievement of marketing objectives.

The assumptions made in respect of a long range plan will obviously be of a different nature from those made in a short term operational plan, and again there will be a hierarchy of objectives, which become increasingly more specialised and specific as operating level is approached.

Assumptions should be few in number and relate only to key issues. If it is possible for a plan to be implemented irrespective of the assumptions made, then those assumptions are not necessary and should be removed.

Marketing objectives and strategies

Following the identification and statement of key strengths, weaknesses, opportunities and threats and the explicit statement of assumptions about conditions affecting the business, the process of setting marketing objectives is made easier, since they will be a realistic statement of what the company desires to achieve as a result of market-centred analysis.

As in the case of objective setting for other functional areas of the business, this is the most important step in the whole process, as it is a commitment on a company-wide basis to a particular course of action, which will determine the scheduling and costing out of subsequent activities.

An objective is what the company wants to achieve. A strategy is how it plans to achieve it. Thus, there are objectives and strategies at all levels in marketing. For example, there can be advertising objectives and strategies, pricing objectives and strategies, and so on.

However, the important point about marketing objectives is that they should be about products and markets only,; since it is only by selling something to someone that the company's financial goals can be achieved. Advertising, pricing, and the other elements of the marketing mix are the means (the strategies) by which a company can succeed in doing this. Thus, pricing objectives, sales promotion objectives, advertising objectives and the like should not be confused with marketing objectives.

Given long range financial objectives, the market audit and SWOT analysis should reveal whether there is a gap between where the company wishes to be, say, in five years time, in terms of turnover and profits, and where it is likely to be if it continues to pursue its current policies.

The principle of gap analysis is illustrated in figure 10. Figure 11 illustrates the principle of gap analysis over a much longer period of time. Both indicate another manifestation in business of the product life cycle phenomenon and illustrate very clearly why it is essential for a company to have a marketing planning system, and why this should be firmly based within a company-wide corporate planning system. For if the processes outlined in this thesis are followed, it should be obvious that potential problems can be spotted well in advance and the necessary changes made over the planning period to take account of them.

If a gap is identified by the several levels of marketing management in the hierarchical chain, the product/market dimension illustrated by Ansoff in the form of a matrix (Appendix 3 of this thesis), describes the principal means of filling it.

In other words, a company can take one or more of the following four basic courses of action:-

- Sell more of its existing products to its existing markets;
- sell new products to its existing markets;
- sell existing products to new markets;
- sell new products to new markets.

The SWOT analysis is a very useful vehicle for helping to ensure that whichever of these courses is chosen to fill the gap is consistent with the company's capabilities. Figure 12 illustrates this point, which is further expanded on in figure 13.

ILLUSTRATIVE SALES GAP.....

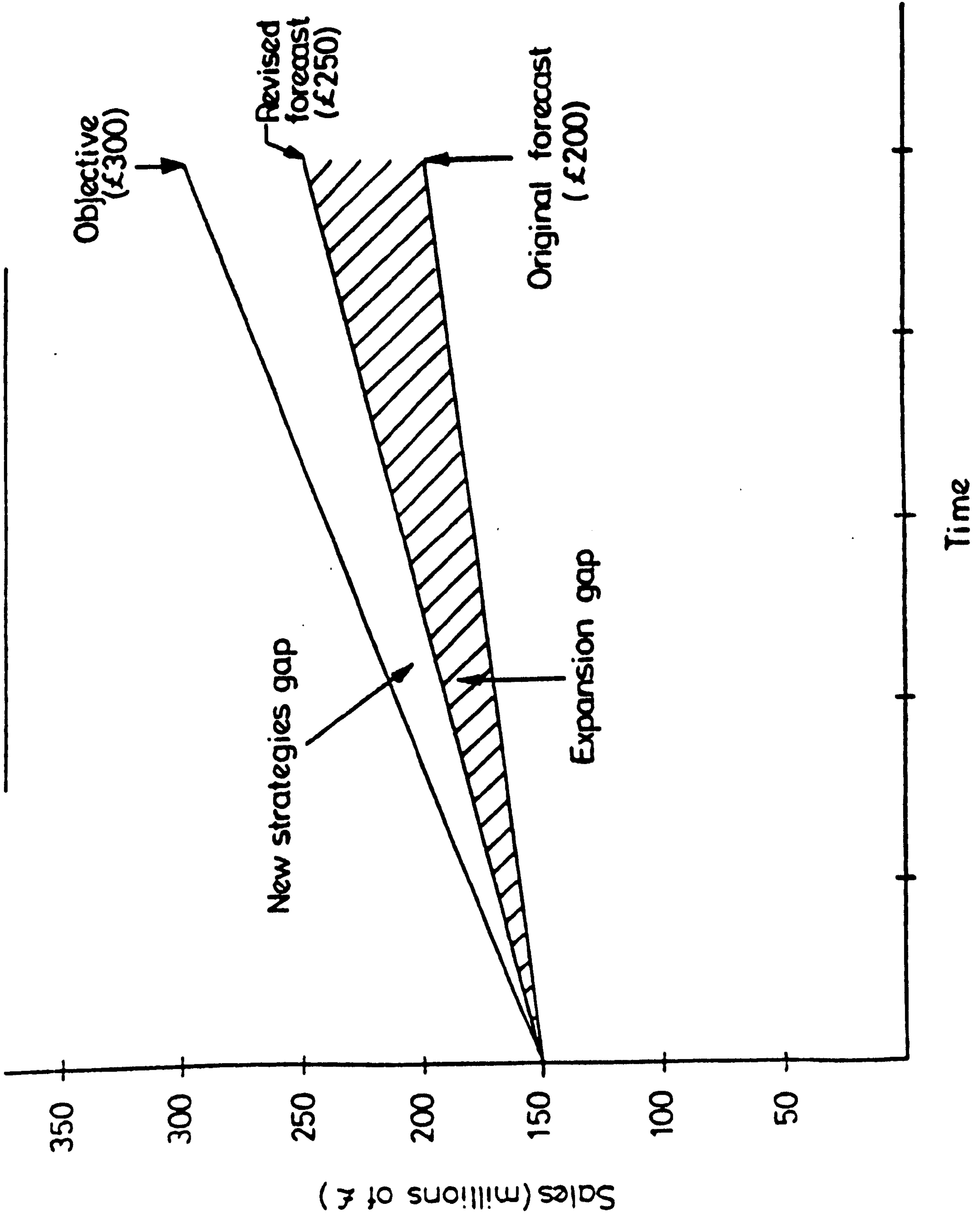


Figure 10

Figure 11

ILLUSTRATIVE SALES GAP

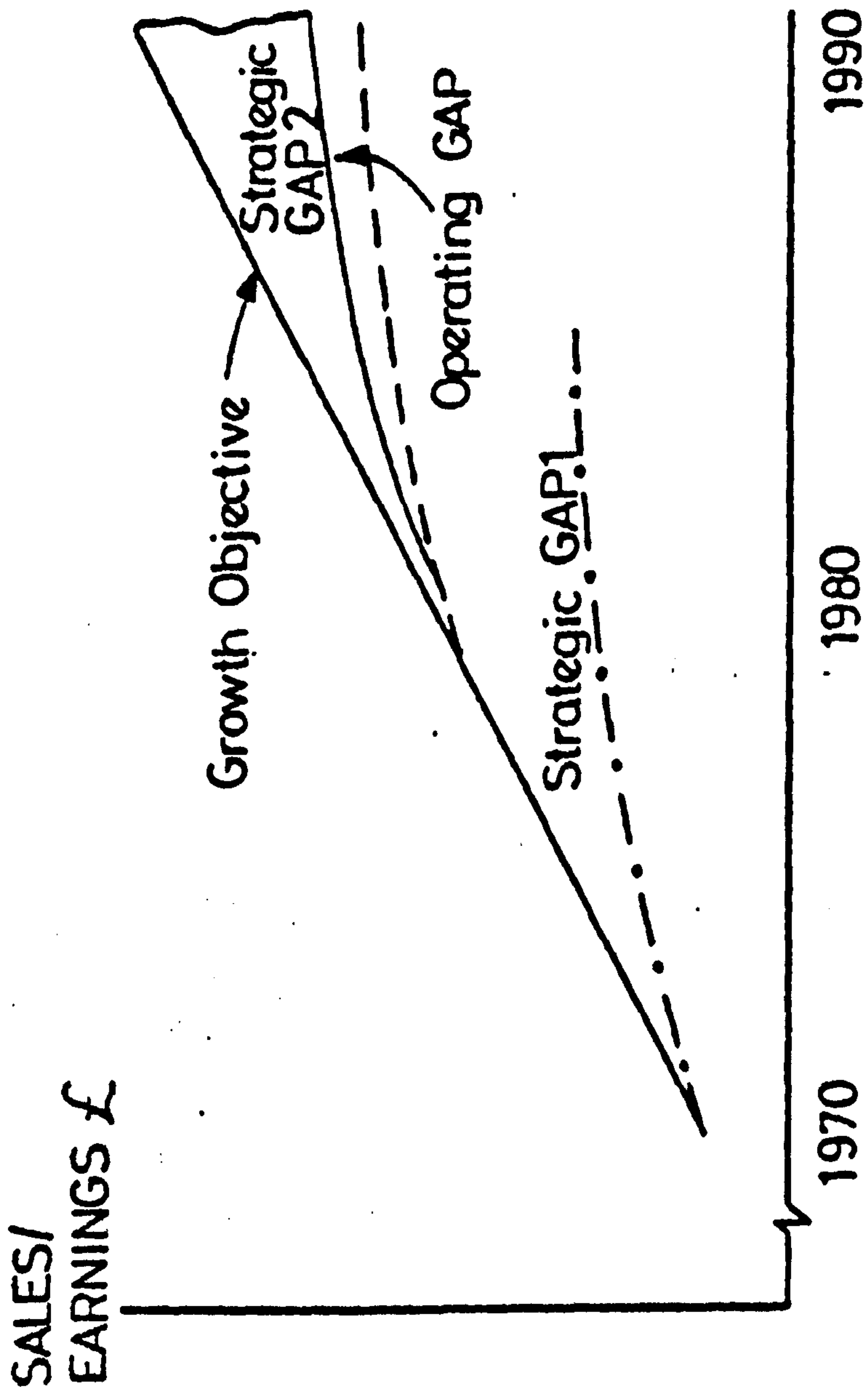
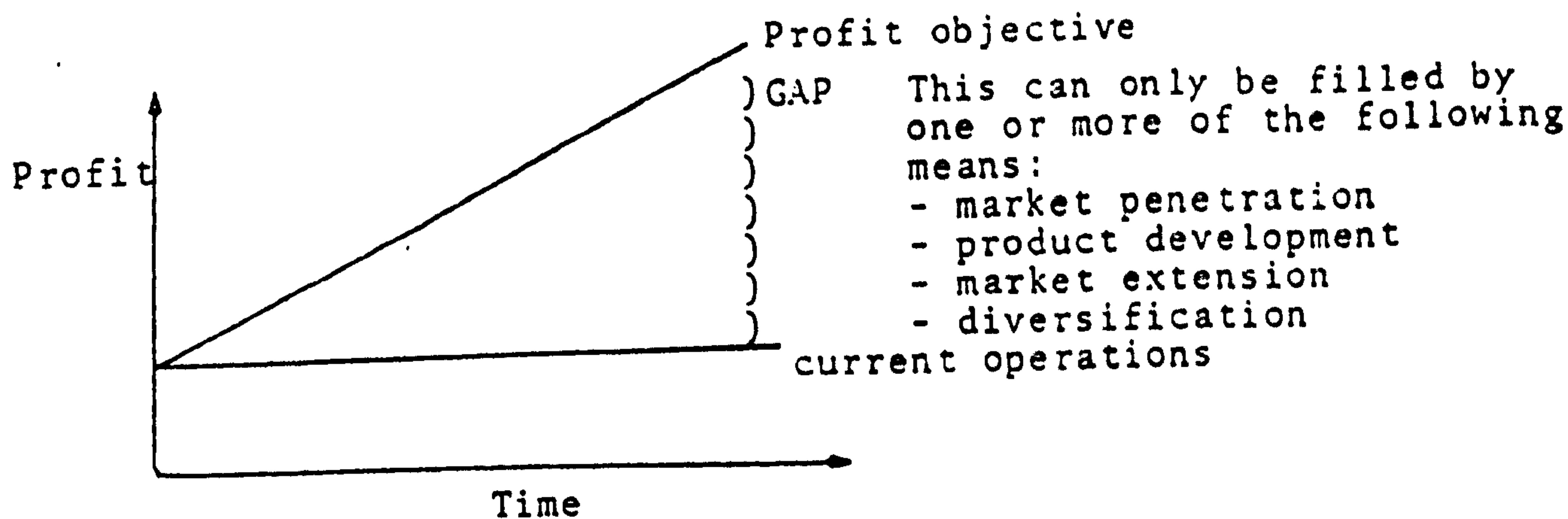


Figure 12

GAP ANALYSIS



What this process seeks to do is to maximise synergy, which has been described as the $2 + 2 = 5$ effect. For example, it would normally prove far more difficult for a manufacturer of high priced, high technology products, selling to specialised market segments to enter a market using associated technology, the characteristics of which were low prices, high volume, made for stock, widely purchased and requiring a complex distribution pattern.

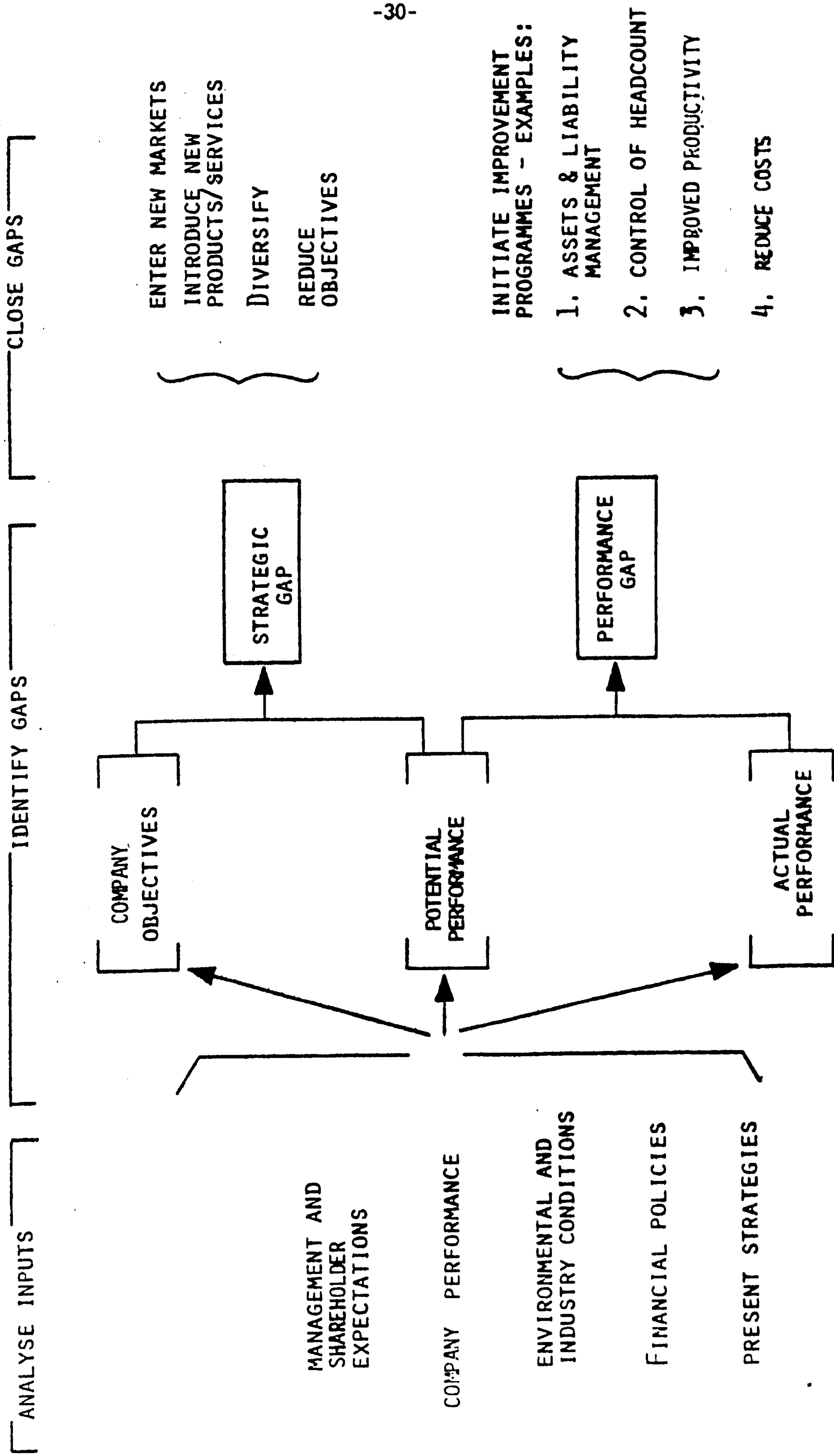
Likewise, if a new product could be sold to existing channels using the existing sales force, this is far less risky than introducing a new product that requires new channels and new selling skills.

Exactly the same applies to the company's production, distribution and human resources. Whatever new products are developed should be as consistent as possible with the company's known strengths and capabilities.

Likewise, the use of existing plant capacity is normally preferable to new processes. Also, the amount of additional investment is important. Technical personnel are highly trained and specialist, and whether this competence can be transferred to a new field must be considered. A product requiring new raw materials may also require new handling and storage techniques which may prove expensive.

Figure 13

GAP ANALYSIS



The philosophy of trying to bring about the best possible matching of the company's resources with market needs in no way detracts from the widely held belief that the key to long term success lies in innovation, leadership and the creation of added value. Indeed, business success within an organisation will come only to those companies that can encourage and harness the leadership and entrepreneurial skills of its management within its range of possible capabilities. In a sense, the process described seeks to find the right balance between stale, repetitive imitative strategies and wild ideas, which, however exciting and practicable are outside the resource capabilities of the firm. Alexander Pope, the 18th century poet, succinctly expressed the consequences of the two extremes in his "Essay on Man":

"Fixed like a plant on his peculiar spot.
To draw nutrition, propagate, and rot.
Or meteor-like, flame lawless through the void,
Destroying others, by himself destroyed."

Once this important analytical stage is successfully completed, the more mechanistic processes such as idea generation, product/market screening, business analysis, product development, test marketing and commercialisation can be started. The important point is that however thoroughly these subsequent activities are carried out, unless the objectives of a new product development or market extension are firmly based on an analysis of the company's capabilities, they are much less likely to be successful in the long term.

Wherever possible, objectives should be quantified and terms such as "maximise", "penetrate", "increase" and so on should only be used where they are capable of some kind of quantitative measurement over the planning period. Measurement should be in terms of sales volume, value, market share, percentage, penetration of outlets, and so on.

The different rates of market growth, life cycle longevity, and market shares of a company's products, make the setting of marketing objectives a most difficult task. These different circumstances need to be considered from three points of view:

- (i) the need to set objectives for each product or product group which reflects its position in the life cycle;
- (ii) the need to pursue strategies in respect of the marketing mix which are also appropriate to the life cycle stage;
- (iii) the need to ensure that overall the company's criteria for volume and profitability are met.

This will inevitably entail a difficult choice from a whole range of possible product/market objectives. However, without some framework for making such choices, marketing plans may

end up by consisting of little more than a series of loosely-connected, but separate product plans which are difficult to synthesise into an overall view for the purpose of marketing strategic decisions. This same reasoning applies to all levels in the company.

Such strategic choices can only be made by headquarters management if they have the appropriate information available for the purpose. Since such information has to be obtained from operating units, and since in order to make the right strategic decisions at the lowest operational levels, it is necessary to have an in-depth knowledge of local market conditions, it makes sense to start the whole process of planning by means of a "bottom up" process. This principle is clearly illustrated by the figures in this section.

Whatever universal framework is used, then, to facilitate such strategic analysis, has to start at operational levels within the company.

Operating managers with a responsibility for product management could include in the auditing process a life cycle analysis, which can be based on sales data. Since most companies carry out some kind of time series analysis, this can be used as the basis for constructing a life cycle for each major product. If these life cycles are used with the audit data and information, it is possible to draw some conclusions about the future length and shape of the sales curve, together with the associated strategy implications for product management, pricing, promotion and distribution.

They could also use some framework such as that proposed by the Boston Consulting Group in order to see more clearly how each product relates to the others for which they are responsible. By plotting their products on a matrix showing their relative market shares against market growth rates, they would be better able to determine overall objectives and strategies for their portfolio. If they then use the audit and the life cycle analysis data to project relative product positions and size into the future on the same matrix, it becomes easier to determine what has to be done now to secure both short term and long term products.

The advantage of building this kind of analysis into basic auditing procedures is that by using some kind of visual display together with sales and market data, the strategic implications of past, current and proposed marketing policies become clearer. Devices such as these force managers into thinking about the future and help them better to appreciate the way products relate to each other.

It is important, however, that rather than just providing sales forecasts, words should be used to define marketing objectives and strategies. If this is done at the lowest operational level for which there is responsibility for

products and/or markets, it becomes easier for succeeding levels of management to determine overall policies.

Finding some way of facilitating strategic thinking at operational levels is particularly advantageous in a large, multiproduct company, where often detailed individual product plans produce a complex and confusing picture of a company's markets. Too much confusing detail can easily rob the individual parts and the overall plan of the focus and clarity so vital in determining strategy. It is by no means essential that the particular devices used to facilitate such strategic thinking should be life cycle analysis and the Boston Matrix. This is clearly a matter of personal preference for individual companies. What is important, is that the appropriate analysis, synthesis, and subsequent objective setting should be completed at operational management levels and communicated upwards towards headquarters by means of the hierarchical process referred to earlier in this section.

The purpose of this vital part of the planning process is to identify meaningful target market segments and to develop appropriate marketing strategies for them. It is important that the words used in the objectives should reflect what appears in the product life cycle and Boston Matrices, if these devices are used. Any figures used, such as volume, value, market share, etc., should also reflect this.

If there is, say, a five year planning horizon, the five year marketing plan should contain overall marketing objectives with broad revenue and cost projections for the full five year period. This plan will be required for the long range corporate plan. The one year marketing plan should contain the same overall marketing objectives plus the specific objectives for the first year of the planning cycle. Thereafter, the detailed one year marketing plan should be about the next fiscal year only. Ideally, the one year and the five year plan should be separate, but not necessarily so.

Guidelines for setting marketing objectives can be summarised as follows:

- (i) Pursue opportunities and defend against threats
- (ii) Balance the product portfolio
 - invest to hold present position
 - invest to penetrate
 - focus to grow selectively
 - invest in diversification
 - harvest ("milk") gradually
 - exit
- (iii) Build on strengths and correct weaknesses

At an early stage in the planning process, it is likely that managers will have to discuss their major objectives and

strategies with their superior prior to final agreement, since he will probably have a better understanding of the broader company objectives.

Marketing strategies are the means by which marketing objectives will be achieved and are generally concerned with the major elements of the marketing mix as follows:

- the general policies for product deletions, modifications, additions, design, packaging etc;
- the general pricing policies to be followed by product groups in market segments;
- the general policies for channels and customer service levels;
- the general policies for communicating with customers under relevant headings such as advertising, sales force, sales promotion, public relation, exhibitions, direct mail, etc.

Estimate expected results. Identify alternative plans and mixes

Figure 3I shows two separate steps in the marketing planning process following the setting of objectives and strategies.

These are:

- estimate expected results
- identify alternative plans and mixes

These are included because they are central to the important and difficult stage in the marketing planning process of objective and strategy setting, since it is unlikely that these will be agreed exactly as written down. The dotted lines in figure 28 are intended to indicate that it is at this stage that debate occurs within a company and discussions are made about what trade-offs are necessary. It is rarely a neat, iterative process as many books indicate.

In order to formulate sensible budgets in terms of total expenditure and its allocation between the many options open to any company, some way has to be found of testing out the feasibility of the proposed objectives and strategies.

For example, research may have indicated that a major barrier to sales progress for a company in a particular market segment is a general lack of awareness. If it is decided that penetration of the segment is an important objective, and that a ten per cent market share is desired one of the strategies might be to create awareness of the company and product name by means of a national advertising campaign. However, it may well be that the actual cost of such a campaign to achieve,

say, a sixty per cent level of awareness, is more costly than the company can afford. In which case, either alternative strategies have to be considered, or the objectives changed.

There is no guaranteed way of determining the correct mix, other than by using judgement, analogous experience, field tests, and the company marketing information system. This is at the very heart of creative marketing, and it must be said that no amount of institutionalising of procedure will ignite this creative spark in a manager. What such procedures will do, however, is to encourage clarity of thought about the important determinants of success in any market.

At this stage it is also important to identify and delineate alternative marketing strategies and mixes, at least in outline form. A common characteristic identified in those companies not enjoying the benefits of formalised marketing planning was tunnel vision. This was born out of a naive belief that past successful strategies could be continued unchanged with equal success. However, the product life cycle phenomenon ensures that this approach rarely works. The really successful companies in the research were those whose managers considered possible responses by major competitors and who thought through possible alternative strategies of their own. In such companies these alternative plans were briefly spelled out in writing alongside the preferred plan.

In conclusion, it should be stressed that the vital stage of setting objectives and strategies is a highly complex process, which, if done badly, will almost certainly result in considerable misdirection of resources.

Programmes

Strategies which by now have been agreed by means of the hierarchical process referred to above are now developed into specific sub objectives, themselves supported by more detailed strategy and action statements.

It should be stressed that at this stage, the company's marketing planning process moves from the strategic to the operational level and is concerned with the detailed scheduling of what has to be done in the next fiscal year to achieve the first year's objectives that have been delineated in the long term plan.

As the size and complexity of a company grows, so corporate headquarters becomes less interested in this part of the process, since operational managers around the world are in the best position to plan for the detailed requirements of

their local markets. They are, however, particularly interested in budgetary control, and it is at this stage that budgeting and marketing information systems become particularly important.

Included in the more detailed operational marketing plans are appropriation expenditure statements setting out the timing and details of individual expenditure items so that, should amendments be required, there is a reference as to exactly where and how such amendments can be made.

Following this logical process will ensure that the whole budgeting process possesses a focus and a direction, so that variances can be more readily identified, and so that amendments can be made if necessary, in a more rational manner against the backcloth of an overall plan.

The hierarchy of objectives and sub objectives referred to above will ensure that every item of budgeted expenditure will be traceable back to the overall corporate objectives.

The important point about the measurable effects of marketing activity is that anticipated levels of expenditure should be the result of the most careful analysis of what is required to take the company towards its goals. The objective/task approach outlined in this thesis ensures that careful attention is paid to the rationale of major items of budgeted marketing expenditure in the long term, whilst, in the short term, all detailed items of expenditure are accounted for in a similarly rational manner.

The preparation of budgets and sales forecasts must reflect the marketing objectives, and the programmes must reflect the agreed budgets and forecasts.

The particular format for developing the agreed overall strategies into more detailed programmes is summarised very succinctly by Winkler, J. (op cit). Since the research indicated that no amendments of particular importance are required to his summary, this is repeated here, together with some minor additions and comments by the writer of this thesis.

- A Product Mix Plan: will show product deletions, modifications, additions, their timing, volume, turnover and profit, broken down by product groups and product items. Each product group may have its own objectives in terms of market share and penetration. Each plan will show the supporting operational facilities required.
- The Sales Plan: will show the strength and direction of the selling effort over time. It will have objectives related to levels of service for existing customers and

for new account penetration , split region by region. It may specify conversion rates of orders to calls; recall rates; the rate of introduction of additional products to existing accounts. It should also contain a subplan which relates specifically to the key accounts held by the company, showing where a defensive policy is required and where key accounts can be exploited for further business. The plan will show the deployment of the sales organisation related to journey cycles, sales promotion schemes and featured products.

- The Advertising Plan: in companies laying great stress on this activity, may be quite complex in its make-up. In other companies it may be merely a statement showing the timing, nature, weight and media to be used. The advertising plan could, however, be related to communications objectives in those companies to whom the data is available and for whom advertising is critical. For example, the objectives may relate to the description of the audience to be reached: the weight of the message upon different sectors of the audience, the increase in levels of awareness of the brand, the penetration of new users for each main brand.

- The Sales Promotion Plan: will be set according to the nature of the company operation and its markets. Many companies run promotions continuously to tie in with sales journey cycles. In such companies there may be one major promotion, perhaps related to the product user, plus two minor promotions, one perhaps related to distribution trade incentives, and the other to motivate the sales force itself. In mass marketing, the practice is to phase heavy promotion schemes with consumer advertising, the advertising to run in a pattern of bursts, while the promotion is used to force the trade and to counter competition in non advertising periods.

These are the four most common plans, but there are others which may be of equal importance, depending upon the type of company.

- Physical Distribution Plan: in a company with a high physical distribution cost, there will be a plan which outlines programmes for the more efficient handling of stock, involving measures of its level of stockholding, its speed of turnaround, its level of waste and breakage, or the handling cost.

Programmes may be evolved for improving or cutting the cost of customer service levels involving delivery lag time; for the relocation of distribution points and for the use of different methods of transportation. In transport, objectives

may be laid out for better utilisation of vehicles, reduction of drivers' costs, more efficiency in servicing, and re-planning of delivery routes for more efficient working.

- Market Research Plan: in a technically intensive company, producing numerous new product ideas, there may be a market research plan of some consequence. This will divide into three main areas:

- Gathering of establishment data relating to markets or other environmental factors.

- Consistent monitoring of operations, particularly in existing key markets and competitors' activity.

- A programme of testing products, markets, operations or concepts.

This plan is particularly important for companies in fast-changing markets or for companies in markets which are sensitive to changes in economic or other environmental conditions.

- Research and Development Plan: most companies with more than a shadow of a research and development unit will produce a plan for it. At some point this must be meshed with the marketing operation. This will show the programmes of work and estimates of the timings and contribution levels to be obtained from value analysis projects; from product modifications, from new product development, and from profit-stripping products which are to be phased out. Of necessity, this plan is essentially a series of projects laid out in order of feasibility and timing. In R & D several projects are run concurrently - but this plan needs constant updating during the year, with a consequent effect upon product mix and sales plans. Some projects will take longer than estimated, some will fail altogether, some will be completed earlier. So it is usual to keep a degree of flexibility about the latter end of the product mix and sales plans, only firming up as development projects are completed.

- Pricing Plan: some companies, notably those with a high material cost, those which exist on large contracts, and multiproduct companies, may also have a pricing plan. This is usually prompted and guided by management accounts, although the objectives are set and decisions are taken in marketing or at general management level. The pricing plan outlines the principles and objectives to guide pricing and discounting decisions. Future price changes are built in, often to coincide with product modifications or to relate to a predictable moment when material or labour costs make an industry-wide price change inevitable.

- Regional Plan: in a decentralised organisation, running its marketing operations from different geographical centres

while using central services, there will be a meshing of some of these plans at regional level. Particularly, this will be true of the sales plan, the sales promotion plan, and of physical distribution.

- Market Plan: in a market-structured organisation, there is less emphasis on product planning and more on the identification of separate market movements and opportunities. This is usual in a single product company. For example, a computer manufacturer can apply his product to a wide variety of uses in different markets. Each marketing manager will then produce a marketing plan for his sphere of responsibility, embracing all the operations he commands, and using the facilities of central services. The overall marketing plan is built up from this base.

This latter point acknowledges that there are many possible combinations in the way plans are actually constructed. Thus, there may be a market plan or product plan which includes in it strategies and tactics relating to pricing, promotion, packaging and so on.

The list of possible plans could be expanded to include a public relations plan, a training plan, and a dealer support plan. The most practical way of organising plans will, of course, vary from company to company depending on circumstances.

To summarise, a company organised according to functions might have an advertising plan, a sales promotion plan, a pricing plan, and so on.

A company, organised on a product line basis, might have product plans, with objectives, strategies and programmes for price, place and promotion as necessary.

A market or geographically based company might have a market or customer plan, with objectives, strategies and programmes for each element of the marketing mix, as necessary.

Any combination of these might be suitable.

It should be stressed, however, that the structure of a marketing plan is very important, since clarity of meaning will depend to a certain extent on its clarity of structure and layout.

Control

Just as there is a hierarchy of objectives, so there has to be a hierarchy of information and control data. For example, at the macro level in a company, information will have to be generated to show overall sales volume, whilst at the micro

level, varying degrees of individual account detail will have to be generated according to the needs of the company.

At the next level down, each department will need to generate its own special control data, so that, for example, if an advertising objective is to achieve an attitude change over a given period, then it may need to have an attitude survey conducted in order to ascertain whether this particular objective has been achieved. Or if an objective was to convey a particular piece of information to a specific target market, then it may need to find some way of establishing whether this objective was achieved. The same principle would also apply to the sales department, which would have a series of control data generated and distributed according to need, as well as establishing its own specialised control procedures when special circumstances demand information which cannot be generated by the general company information and control system. Any information system should be closely related to the company's organisation and objectives, so that relevant information for decision making can be presented to each level of management.

This is particularly important for the headquarters of companies with general management profit responsibility in their task of ensuring that duplication of effort and waste is minimised and that the synergistic benefits which can accrue to members of a large group are obtained.

The important fact which emerges from any review of information and control procedures is that their purpose should be to provide management with the necessary information to enable it to monitor its progress towards its predetermined objectives, thus providing the necessary loop in the planning cycle. The basic tool for controlling the marketing effort is the budget, which itself derives from the marketing plan.

Once the plan is being implemented and monitored, if performance is unsatisfactory, the implementation itself should be examined to establish whether this is at fault. If it is not, then the marketing objectives should be re-examined and revised in accordance with the facts available at the time and the whole cycle described above should begin again.