

ORGANIZATION & MARKETING

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PREFACE

My interest in the important links between organization and marketing developed through the normal course of academic life, practical experience in marketing management and numerous consultancy assignments. It frequently turned out to be the case for instance that problems described by consultancy clients were mere symptoms of more fundamental difficulties. These were often not recognized in the first stages of investigation; they only became apparent once the full nature of the causes giving rise to the symptoms had been uncovered. Market opportunity studies, investigations into failed ventures of one kind or another, even assignments looking into such apparently mundane concerns as the correct design of promotional tactics, often led to conclusions with significant organizational content. An advertisement or a brochure, after all, is not merely a means of communicating information; it also presents an image and establishes the kind of proposition and set of promises that an enterprise makes. Failure to deliver those promises because of organizational infelicities can cause a venture to fail.

Some of the studies undertaken have been directly to do with organization for marketing; and they were commissioned by clients who from the outset recognized the importance of the links between structure and successful performance. To four of them in particular I owe a debt of gratitude; the Cable and Wireless Group, Charles Letts, the British Council and Charles F. Thackray.

Organization seems to be an area of study neglected by marketing academics, although not to such a degree by consultants. I think it is the academics who are wrong, not the consultants! Beyond a few studies of product management and related structures

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we seem to have neglected ideas and work of the organizational researchers almost totally. Some of this work is modern, but much of it is not. For that reason I have, unashamedly where I thought it relevant, drawn on sources that go back some years - especially in areas to do with the study of conflict, in which modern organizational writers seem to have lost interest for some reason. Perhaps they feel that there's little new to say, and are as guilty as we marketing academics of what a colleague of mine, George Long, calls the "slash and burn" model of research with its obsession with the new to the neglect of consolidation and the synthesizing of all useful ideas of whatever age. It seems to me that many of the more serious problems concerning marketing and organization are timeless and arise more out of the nature of things rather than because of the latest fashionable or technical development in, say, Information Technology, the Boston Box or Systems Theory. At least this book will try to argue the case for such an assertion.

To George for commenting on the manuscript, to Robin Wensley of the London Business School who also offered useful advice, and especially to Judith Feltham and Anne Stubbins who coped womanfully with my most appalling handwriting when it came to typing the manuscript, I owe many thanks.

All our effort will have been worthwhile if the book proves useful to you. Needless to say I hope it does, because that is why it's been written!

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"We trained hard . . . but it seemed that every time we were beginning to form up into teams we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralization."

Petronius Arbiter 210 A.D.

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INTRODUCTION

There is no need for a large programme of research to establish the plainly observable fact that there exists a great variety of organizational forms by which the marketing function in modern industry and commerce is executed. Planning decisions of roughly identical type, for instance, may be made by individuals or by groups; at the top of an organization or lower down; in divisions or centrally; by a variety of marketing specialists or even by executives who are not labelled marketing managers at all. Sometimes indeed they may be made by people who strictly speaking do not even belong to the formal organization. Of the groups of people concerned, they may be large or small; permanent or *ad hoc*; representative of one specialism or many; heavily proscribed or free; formal or informal and working at one hierarchical level or many.

If to this variety of decision-making practices and structures are added dimensions to do with style, values, objectives, personality and processes, it can easily be seen that to begin a discussion on organization and marketing is no easy task. To attempt even a positive description of what happens on the ground, so to speak, and then through the use of appropriate contingent paradigms to explain the patterns that emerge, one may say with some confidence is difficult. Yet if an attempt to be prescriptive is to be made, then that task must be begun. With the certainty that a degree of failure is almost inevitable, this book starts the attempt. At least in the journey, though, it may be possible to see the problems in greater detail and perhaps to point some directions.

Quite apart from the sheer problem of complexity in the relationship between marketing and the organization by which it is carried out, one other justi-

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fication for studying the subject is perhaps even more significant. Marketing failure is frequently caused by a mismatch between task and organization. Inappropriate structures cause inappropriate action; indeed they frequently lead to a lack of action altogether because they fail to pick up important signals, cause them to be misinterpreted or generate such internal stresses that inaction often seems the preferable alternative.

The book unashamedly attempts to put across a point of view, and for that reason cannot really be regarded as a text; rather it is a monograph that is a mixture of insight and theory. Its point of view derives from a study both of marketing and organizational theory and practice. It is important therefore that elementary knowledge of both these fields of activity and study is already possessed in sufficient detail to provide a framework for understanding what follows. Such detail need not be great, but it should at least be enough to appreciate the debate.

The particular point of view that is taken can best be summarised as follows:-

- . The long-term creative task of marketing is to bring about innovation and change in the way an enterprise deals with its market environment. At the same time its short-term maintenance function is to serve well whatever markets the enterprise has itself already chosen as significant.
- . An organization whose purpose is to serve a market is therefore an instrument both for bringing about adaptive innovation as well as for maintaining an efficient operation. At the same time, though, it represents a set of constraints that either prevent change or at least condition it to take certain directions.
- . The major task of a marketing planner when confronting the need to design or redesign his own organization and its links with other units (or a chief executive when deciding upon the way a total organization should be structured so that its marketing activities are effective) is to select the correct patterns from among a variety of choices. This choice is only seldom made independently of a wide range of constraints and does not necessarily follow from autonomous analysis. More frequently it is *ad hoc* and severely pragmatic. Nevertheless, choices are available and a decision problem therefore does arise.

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- . The correct pattern finally selected depends upon a variety of factors or contingencies. There is never one best answer to suit all environments and firms. It is all a matter of trading off the relative costs and benefits of each pattern in relation not merely to each other but in relation to whatever the present pattern happens to be at the time that any reorganization is being considered.
- . Whatever pattern is finally chosen, however, the twin concepts of conflict and integration permeate the entire structural solution for carrying out the overall tasks of marketing. For that reason they need special attention in any organizational design or redesign involving the marketing function. All the more so because the patterns of conflict that emerge, whatever their cause, are ultimately acted out through people. Integration and the various choices about organizational structures that are settled upon are also determined by the willingness of people to accept them and to make them work. Abstract theoretical models are too depersonalized to be of much use.
- . The open nature of any marketing system, both within and outside the organization, makes the difficulty of managing conflict and integration between all the component parts particularly acute; more acute indeed than any other function within an enterprise.
- . At the same time the system's very openness coupled with its dependence upon human factors militate against there ever being a simple relationship between cause and effect when making an organizational decision designed to improve marketing performance.
- . For much the same reason, in anything other than a perfectly stable system, there is little possibility of harmonizing all elements of what can be called 'organization'.
- . That being the case, theorizing about organization and its links with marketing is by nature tentative. Didacticism reflects lack of understanding of the very nature of long-term organizational adaptation and survival.
- . Therefore the exponent of theory as well as the practitioner grappling with the complexities of establishing the 'correct' organizational design for marketing are, and indeed can only be, guided by pragmatism. The certainty and luxury of the one correct answer is denied to both of

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them.

- . That is why this book is a monograph and not a text. Its objective is to illuminate the complexity of its subject rather than artificially to seek simplicity and the golden rule.

To the practising manager immersed in the detail of day-to-day decisions to do with his organization, wondering why, for instance, his colleagues often obstruct his team's ideas, how he can fit another salesman into his sales force with minimum disturbance and maximum effect, or whether or not he should reorganize his administrative unit, the book may at first sight appear a little unhelpful. Yet all of those day-to-day problems have their origin in the strategic decisions taken much earlier which respectively set the original pattern of his own unit's relation with others, the organizational logic determining the structure of his sales force and the need to have his own administrative capability. It is to the strategic end of organizational thinking that this book addresses itself rather than the tactical.

Acknowledging, too, the idea that thoughts about organization encompass thoughts about personnel, philosophies, cultures and beliefs, systems and procedures, tasks and knowledge, and that all these must be in harmony with each other if the organization is to work, the book takes a rather more structuralist view than psychological. It also holds to a perspective of the individual enterprise, where strategic decisions are actually taken, rather than one of organizations in the mass or relationships between formal organizations that comprise a network extending beyond the individual firm. At least in taking this view it is hoped that the fellow academics, advanced students and senior managers for whom the work is intended will gain insights into ways that strategic organizational decisions can be improved in areas more or less under individual control.

In contrast to the sections in most marketing texts labelled "Organization" and which go on to discuss in a few short and shallow paragraphs one or two examples of organizational matters (usually accompanied by the ritual charts and job specifications), this book aims to generate a deeper understanding of some of the major principles and concepts determining an ideal structure for marketing. Traditional theoretical notions as well as practical ideas can contribute to the attainment of this aim and both sources of knowledge are therefore used whenever and wherever they prove useful. The book, however, does

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leave the reader with the problem of designing the organization for any particular marketing context with which he or she might be involved simply because, as will be seen, there are so many determinants peculiar to each enterprise and its market. This is no mere prescriptive handbook, peddling simplistic nostrums therefore; that indeed, is why the title is what it is, and why it is not "Organization for Marketing" or "Marketing Organization".

The major focus of discussion will centre on the assumption either that the marketing function is being set up for the first time in any degree of sophistication or that a major review of an existing structure is being planned. By choosing that particular focus the strategic principles and problems inherent in something as complex as determining the proper structural outcome in any particular circumstance stand out rather more clearly. Conflict and the exercise of power when legitimized patterns of integration and dependency are threatened by such major changes are thus highlighted.

Since an organization, ignoring its purely social and psychological purposes, is essentially an instrument for systematically structuring decisions necessary to carry out certain tasks, the book begins with a discussion of what the tasks of marketing can be seen to be. Some are inherent in the very nature of the role of marketing and others are more freely determined by market demands interacting with the intentions of the organization itself.

Chapter Two, "Organizational Choices", attempts to map some of the possible ways in which an organization can be structured, together with the rationale for their selection. Together the choices form the set of dependent variables which are determined by the contingency factors comprising the substance of Chapter Three.

Chapter Four introduces the concept of organizational logic and the paradigms or views of the world that result and which are held by key personnel influencing the ultimate internal structures chosen for marketing. It stresses the often hidden factors that condition success and failure in that powerful link between purpose and structure. The need for a mutually supporting relationship between the two is emphasized. So is the extreme importance of the links between history, people and action.

In arriving finally at the "correct" organizational solution it is always necessary to achieve a balance between mutually incompatible interests. Inevitably such solutions are the result of compro-

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mise between conflicting forces, and it is to a study of such conflict and the achievement of desirable integration that the final chapter is dedicated. In spite of what has just been said about the focus of the book being upon the individual enterprise, however, this chapter could also provide thoughts that are relevant if the reader wishes to gain insights into the network of relationships not just between marketing and other activities within one enterprise but also into those that might exist between enterprises themselves. Such relationships are becoming more significant as organizations, temporarily or even permanently, have to extend themselves beyond merely their established legitimized boundaries by building working relationships or dependencies upon other enterprises that nevertheless fall short of full institutional integration. In industrial marketing, as well as at the distribution end of consumer marketing where manufacturers and large retail groups are becoming more permanently attached, such trends are clear. Chapter Five, then, asks the reader to bring with him, as it were, a context within which to slot the notions presented. That context can be either the single enterprise or the "extended" organization comprising a network of single enterprises.

Chapter One

THE TASKS OF MARKETING

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Marketing, as one sage put it, is concerned with making it easy and profitable for potential customers to do business. While this definition has superficial appeal and would probably go down well at the annual sales convention, it provides only a partial view of the complex nature of the marketing task. Even Kotler's definition that it is "a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others"¹ lacks any understanding of the feel for what constitutes that process or how it varies from context to context.

Yet if any sense is to be made of the relationship that exists between the way an organization is structured and the objectives which people in that organization have set themselves in the market-place, then at the same time an attempt must be made to identify the essential tasks of marketing. It is also necessary to plot the variations in those tasks that might exist over time and space. Only then does it become possible to begin to link organizational choices with marketing activities.

The correct design of the organization for marketing which unites the disparate needs of the total enterprise, the people within it and the tasks which confront it and which at the same time provides scope for adaptation as things change over time, is one of the most important strategic decisions confronting senior management. Since an organization is a mechanism for getting things done, it follows that what needs to be done may form a major input conditioning the final choice that is made. This chapter therefore examines the major dimensions of the marketing task as it may be defined in a variety of situations that an enterprise might face over its

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lifetime.

Kotler's Typology of Marketing Tasks

Before leaving Kotler, though, it is worth recalling what he has to say about the marketing task in his text.

Stemming from his definition of marketing management as "the analysis, planning, implementation and control of programs designed to create, build and maintain mutually beneficial exchanges and relationships with target markets for the purpose of achieving organizational objectives", Kotler states that one of the tasks of marketing management is to regulate "the level, timing and character of demand". He constructs a table, reproduced below, and elaborates each of the eight different classes of marketing task that result from a typology based upon demand states

Figure 1.1: Kotler's Classification of Basic Marketing Tasks

Demand State	Marketing Task	Formal Name
1. Negative demand	Reverse demand	Conversional marketing
2. No demand	Create demand	Stimulational marketing
3. Latent demand	Develop demand	Developmental marketing
4. Faltering demand	Revitalize demand	Remarketing
5. Irregular demand	Synchronize demand	Synchromarketing
6. Full demand	Maintain demand	Maintenance marketing
7. Overfull demand	Reduce demand	Demarketing
8. Unwholesome demand	Destroy demand	Countermarketing

- Conversional Marketing has the task of converting antipathy towards a product to a liking for it. The task confronting a tour operator with a franchise in a politically troubled area of the world where violence has broken out would be a case in point.
- Stimulational Marketing is not quite as difficult a task since it involves merely creating wants or intentions to purchase by turning apathy into action. Apathy, in this sense, can be caused by ignorance, irrelevance of an appeal, or a scale of values that places the acquisition of the product low down the list of priorities.
- Developmental Marketing is still less difficult because the task is merely one of providing easy access to a new product for which a need and a want

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- exist and which faces no serious competition.
- Remarketing involves rejuvenating and revitalising existing demand for a product by relaunching, reformulation and imaginative remedial programmes designed to restore popularity to previous levels.
 - Synchromarketing merely means that there exists a task of retiming demand to, for instance, even out troughs and peaks or to create demand only during times or in places where the product is available for purchase. This is particularly important in the marketing of services because services cannot by their nature be stored.
 - Maintenance marketing, perhaps the easiest of all tasks confronting the marketing manager, involves merely the effective maintenance of the *status quo*. At most it implies the need for defensive measures against the predations of future competitors or other sources of threat. It also necessitates the running of an efficient operation with plenty of attention being given to service, productivity and customer contact. Other than these, the only kind of innovation that assumes any importance is that involving the fine-tuning of marketing propositions to meet small changes occurring in the market-place so as to secure the maximum advantage from the strong position already enjoyed.
 - Demarketing tasks arise when there is a need to cut back demand for a product. This may occur, for instance, when there are uncontrollable shortages of supply. Maybe existing levels of demand place too much strain on limited resources. The Location of Offices Bureau was one manifestation of this when a few years ago London as a commercial centre was being demarketed in favour of the Provinces. This was because of the social and economic pressures being created in the Capital by too much commercial property development.
 - Countermarketing involves actually destroying demand, perhaps because of the harmful effect some products are suddenly found to have. Blue asbestos, high tar cigarettes, sniffable glue and certain harmful agrichemicals provide recent UK examples of these.

Now it is quite possible, of course, that a firm may be marketing a range of products each designed for a particular and differing market and facing a variety of competitive environments. To say therefore that the tasks in Kotler's terms facing a product are synonymous with those facing an entire enterprise is true only of the single-product firm. Most firms do