The impact of market and organisational challenges on marketing strategy decision-making: a qualitative investigation of the business-to-business sector

Denise Jarratt\textsuperscript{a,*}, Ramzi Fayed\textsuperscript{b,1}

\textsuperscript{a}School of Marketing and Management, Charles Sturt University, Bathurst 2795, Australia
\textsuperscript{b}International Marketing Institute, Level 8, 25 Bligh Street, Sydney 2000, Australia

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Abstract

Technological advances, global competition, re-alignment of organisational processes with the markets they serve, new rules of corporate strategy and outsourcing to access or to extend organisational capabilities are influencing the nature of the client/organisational interface and are changing the nature of competition in today’s market place. This research describes how marketing strategy is evolving within the context of this new competitive and organisational environment. Specifically, it explains how those responsible for marketing activities in the firm view marketing strategy and how they approach strategy development.

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1. Introduction

The generic marketing strategy options of low cost, differentiation, and focus (Porter, 1985) remain the dominant influencing strategy decision models presented in a range of frameworks for guiding strategy decisions (e.g., Aaker, 1994; Day, 1990). More recently, Sudharshan (1995) defines marketing strategy as a function of an organisation’s marketing relationships (with particular emphasis on customers and channel members), the nature of the product offer, the timing of the offer to the market and the resources that will be provided to effect market delivery. Others (e.g., Day and Wensley, 1988; Kohli and Jaworski, 1990; Narver and Slater, 1990; Bharadwaj et al., 1993; Jaworski and Kohli, 1993, 1996; Slater and Narver, 1994) have directed marketing strategy decision-makers to adopt a “competitive advantage,” organisational “market-orientation” foundation to developing marketing strategy, supporting marketing strategy decisions based on information management and dissemination, organisational skills and resources, and current competitive comparisons. It is postulated that a focus on existing value created through current business partnerships and client relationships, and current competitive strengths is likely to place an organisation at a disadvantage in a future competitive environment for three important reasons.

1. The exponential changes in information technology (IT) is revolutionising the nature of business performance both within organisations and between organisations and their various stakeholder groups. The competitive advantages of today will become the barriers for entry, with new sources of advantage to be identified and developed.

2. The ability of global players to rapidly enter markets and emergence of network organisations “consisting of large numbers of functionally specialised firms tied together in co-operative exchange relationships” (Achrol, 1991, p. 56), bring to life in a devastating way Michael Porter’s (1980) model of the five forces of competition through the consequences of new competitive entry.

3. The recent history of downsizing and a more flexible approach to structural reconfiguring can create an environment that facilitates competitive re-positioning.

No research to date has investigated how those responsible for marketing are coping with marketing strategy development within this new environment. This study ex-
plans how those responsible for marketing activities in the firm view marketing strategy and how they approach strategy development. It describes the role that emerging market and organisational challenges play in shaping marketing strategic decision-making and identifies methods that those responsible for marketing adopt to incorporate those challenges in their decision-making process. Data are collected from persons responsible for marketing strategy decisions in 48 organisations (cases) falling into four broad categories within the business-to-business market sector.

2. Marketing strategy and its foundations

2.1. The role of marketers in strategy decision-making

Confirmation of middle management’s increasing influence on strategic direction has been provided by Schilit (1987), with resultant positive influence on organisational performance; however, little evidence has been provided on the nature of those strategic roles. Floyd and Wooldridge (1992) describe the role of middle management (including market and product management) in championing initiatives (Hutt et al., 1988), synthesising information (Nonaka, 1988), facilitating adaptability (Burgelman, 1983), and implementing deliberate strategy (Nutt, 1987).

In studying the process of marketing strategy formation, Hutt et al. (1988) confirmed the role of marketers within the strategic planning process, highlighting the entrepreneurial role of marketing managers in large, complex firms. They identified the interaction between the different levels of planning hierarchy in the firm and the role of marketing in the strategic dialogue. Their research supported the importance of facilitating the exchange of information among functional areas and business units of the organisation in supporting autonomous strategic initiatives.

2.2. The link between marketing strategy and corporate strategy

There has been general acceptance in the management and marketing literature for a hierarchical model of strategy decision-making, where interdependent strategy is formulated at different levels of an organisation, categorising decisions as corporate, strategic business unit, and functional (Boyd et al., 1995). An analysis of the literature reveals that strategy resolves the fit between an organisation and its environment, and that strategic decision-making “is the crucial link in the organisation’s environmental adaptation process” (Varadarajan and Clark, 1997, p. 94).

It would appear, however, that in practice, decisions do not readily fall neatly into corporate, business, or functional level strategies, with some corporate decisions encompassing issues that are clearly within the realm of marketing decisions. Varadarajan and Clark (1994) posit the level of decision-making for marketing and other decisions may vary depending on the extent and nature of the products and markets the organisation serves.

2.3. Foundations of strategy development

Organisations have created links to provide access to the resources and capabilities that are critical for effective market competition. Stalk et al. (1992) identified the importance of a company distinguishing itself from its competitors in the market place, with resources and capabilities becoming paramount in a company’s fight for market share, and strategic alliances providing an avenue through which required resources and capabilities can be accessed. Recent literature (see Prahalad and Hamel, 1990; Stalk et al., 1992; Markides and Williamson, 1994) suggests that organisations and researchers alike must rethink strategy in terms of the key capabilities they can access through strategic alliances.

Managers today are encouraged to evaluate their colleagues and senior managers in terms of their ability to understand how industry might change in the future (Hamel and Prahalad, 1994; McClelland, 1994). Concern is raised about current managers’ preoccupation with restructuring and reengineering as opposed to energetically focusing their attention on the outward and forward. “Any company that is a bystander on the road to the future will watch its structure, values, and skills become progressively less attuned to industry realities” (Hamel and Prahalad, 1994, p. 124). The current inward focus toward “divest and downsize” is certainly making an impact on asset productivity; however, are proponents of this de-layering attuned to the opportunities of the future and has this focus positioned the organisation to take advantage of the opportunities that might arise?

The dynamic nature of the environment is reflected through the changing nature and number of competitive configurations, each with the ability to access an expanding set of specific competencies and capabilities that an organisation must consider when shaping strategy (Chakravarthy, 1997). In high technology industries such as the information communications industry, traditional entry and mobility barriers have been lowered through technological advances and deregulation policies, and competitive advantages are rapidly created and eroded (Chakravarthy, 1997). Within this environment of technological change and changes in ethnic and culturally diversified market segments caused by innovation intensity, competition, and IT, “windows of opportunity will be narrower and more transitory” (Achrol, 1991). Traditional bases of competition through low cost and differentiation (Porter, 1985) are constantly challenged through technological innovation, driving costs down whilst facilitating innovation to deliver superior features. In the information and communication industry, e.g., “traditional barriers built around switching costs and captive distribution are being challenged by an open information architecture and access to a broadband commu-
nication utility” (Chakravarthy, 1997, p. 73), and access to large financial resources appears no longer a source of competitive advantage.

Michael Porter’s framework has been adopted widely by business strategists. Chakravarthy, however, only supports its adoption where there is stability within a particular market network and players remain independent within that structure. Where rapid technological change exists, barriers of economies of scale, differentiation, switching costs, and distribution access become obsolete, and strategy frameworks that address the fleeting nature of competitive advantage should play a more dominant role (Chakravarthy, 1997). The development of core competencies and capabilities must be shaped by the future, which presupposes that senior managers have a view about the future, and that view is shaped through understanding all the relevant and appropriate developments that will affect the future. Hamel and Prahalad (1994) propose that developing a point of view about the future should be an ongoing continuous debate within a company, not a massive one-time effort, and that strategy should change rather than accommodate existing industry structure. However, in practice, this process more and more involves outside “expertise,” both in forecasting skills and strategy development process skills.

An alternative framework for marketing strategy development is proposed by Jarratt (1998). Although the framework defines the strategic intention of business alliances, theories of corporate competition (e.g., Stalk et al., 1992; Hamel and Prahalad, 1994) support the proposition that the three strategic dimensions of defending market position, building current business capability, and creating new value described through this research are consistent with dimensions considered by managers when examining the broader context of where and how their business should compete.

2.4. Relationships as part of the strategy to create customer value

Theory supporting business relationships has moved from descriptions of long-term contractual commitments to building a series of bonds that facilitate information, technology, planning, social, legal, and economic exchanges (Holmlund and Kock, 1996). However, relationship marketing theory has not yet been examined within a life cycle concept, with continuous innovation stimulating diversification and growth of the relationship, recognising the need in certain circumstances to discard and seek new relationships.

In addressing challenges associated with optimising an organisation’s competitive position, some researchers propose that customer relationships must become the key resource of any organisation and, at this point, organisational and marketing strategy will merge, with strategy taking shape in the determination to create customer value (Webster, 1992; Pitt and Morris, 1995). Pitt and Morris posit that new organisational forms suggest an evolving role for marketers embracing all activities that influence the inter-dependence of the organisation and its customers.

Advances in IT, the infrastructure of the organisation and its environment are reshaping the customer/organisation interface. As technology changes the nature of the interaction between the organisation and its customer base, services and transactions can be delivered electronically, and the distinction between marketer and corporate strategist becomes blurred. Clearly, from both the marketer’s and corporate strategist’s viewpoint, the development of an IT infrastructure to deliver and account for the service becomes a capability that is integral to service delivery and distinctly part of the service offer.

2.5. Approaches adopted to analyse complex environments

Market turbulence, producing multiple challenges for strategy decision-makers, is evident where “the environment intrude(s) into the firm’s operations in ways that are unpredictable” or where one’s assumptions about the nature of the emerging market place are violated (Glaser, 1994, p. 33). Ansoff (1965) proposes to tackle this dilemma by detecting signals and adapting the organisation’s operations accordingly; however, Glaser raises the issue of “who detects what signals?” and, is adapting the organisation the only response in turbulent environments?

Another approach to formulating strategy in complex environments is through the application of structured frameworks or mental models that isolate specific aspects of competitive advantage. Day and Nedungadi (1994) identified four different “mental models” of markets that frame a manager's approach to strategy development. The Self-Centred model reflects a lack of responsiveness to either competitor activities or customer requirements, and supports generation of strategy from past performance and the organisation’s access to new technologies and capabilities. Under Competitor-Centred models, strategies are formulated to defend competitive position, while Customer-Centred models define strategy around their customer’s needs. Market-driven models build strategies around enhancing competitive position through a market orientation perspective that captures and disseminates information on competitors and customers for decision support.

A market orientation is defined as one that places priority on generation of profit through the creation of customer value within the context of the needs of all major stakeholder groups and is “made manifest by the development of firm’s skills for acquiring knowledge about customers and other market participants, sharing that knowledge widely through the organisation, achieving consensus on its meaning and taking action to deliver superior customer value” (Slater, 1997, p. 165). It is argued that a market orientation is an important determinant of performance, irrespective of market turbulence, competitive intensity or technological turbulence in which an organisation operates. Studies by Narver and Slater (1990) and Jaworski and
Kohli (1993) suggest that various degrees of market orientation exist within organisations. As a marketing orientation should prove to be highly advantageous (Achrol, 1991), it can be concluded that a high degree of market orientation is not a priority of the majority of organisations in today’s market, again highlighting a lack of strategic input from those responsible for marketing within the organisation.

In response to the challenge of planning in a turbulent environment with exponential technological change and deregulation, Chakravarthy (1997) proposes a strategy framework, which calls for: (i) reconceptualising strategy through changing the rules of the game repeatedly, not just once, building customer networks and continual innovation to retain those customers, being flexible and knowing when it is prudent to exit and to realign with changing market forces; (ii) sharing responsibility for strategy, where a guiding philosophy as opposed to a more clearly defined “strategic intent” provides a vision that guides employees towards identifying opportunities and creates an environment of bottom-up entrepreneurship; and (iii) focusing on organisational capabilities rather than its distinctive competencies.

Here, it is argued that, in some industries, competencies are undifferentiated and, in others, companies can build new competencies through importing skills, knowledge, and assets from other firms and discarding their current basis of business activity. “In such an environment, what gives a firm a competitive advantage are its organisational capabilities for leveraging, strengthening and diversifying these resources” (Chakravarthy, 1997, p. 81). The author places responsibility for competence strengthening with top-level functional committees; responsibility for competence leveraging with business unit managers; and responsibility for competence diversification with those in charge of product development. The role of top management is to balance the relative emphasis of these three activities. Where marketing strategists occupy senior roles within areas of product development and business unit management, it could, therefore, be argued that their responsibilities would include developing strategies for competence and capability leveraging and competence diversification.

3. Research plan, methods, and techniques

This qualitative research examines how those responsible for marketing activities in the firm view marketing strategy—how they approach strategy development describes the role that emerging market and organisational challenges play in marketing strategic decision-making, and identifies methods that those responsible for marketing adopt to incorporate those challenges in their decision-making process. A qualitative rather than a quantitative research method was selected as there is a void in research in this area and, the research objectives—to describe how those respon-
Initially, eight unstructured interviews were completed by the principal researcher (two in each category), using a "means–end–chain" technique (Reynolds and Gutman, 1988), asking the respondent to recall their most recent strategy development experience and probing for external and internal challenges affecting this process. Each of these interviews lasted approximately 2 h and explored several organisational and market challenges, the strategy development process and methods adopted to incorporate those challenges within the strategy decision process. From these interviews, a structured interview guide was prepared, addressing the key issues raised through the unstructured approach. A person responsible for determining where and how an organisation competes in its various markets was interviewed in a further 40 organisations using the structured interview guide, each interview lasting approximately 1 h. Data were collected through tape recording and transcribed, categorising data on each transcription. Emergent themes were shaped from the data, compared to prior established theoretical positions, then revisited, reviewed with the second researcher, and revised or rejected. Further cases were categorised, examining for consistency with developed themes, adjusting, and then examining for consistency with those cases categorised first (Marshall and Rossman, 1989, pp. 140–142; Dey, 1993, pp. 193–198). This process follows that proposed by Wollin (1996, p. 7), and combines both theory generation and theory imposition approaches to data analysis. "The process adopts the basic model of building theory . . . , but with the sequential and iterative processes of analytic induction, . . . within a scientific realist epistemology."

Starting from the premise that the world exists independently of it being perceived (Hunt, 1990), and the philosophical position that knowledge is real, but capable of being mistaken (Wollin, 1996, p. 2), it is important to consider information not only within the "research participant’s world as they construct it" (Jones, 1985, p. 56), but also within the context of the theoretical frameworks and relationships represented within the bodies of knowledge underpinning the research objective(s).

### 4. Results

#### 4.1. Processes and roles in marketing strategy development

Of those identified within the firm as being responsible for where and how an organisation competes in its various markets, few have job titles that include the word “marketing” (cases 7, 11, 15, 20, 22, 25, 27, 28, 38, 39, 40, 41). In many organisations, the person responsible for marketing decision-making was identified as the senior partner, senior consultant, general manager, director of the company, regional manager, business development manager, and state manager, confirming a strong top management association with marketing activities. Delineation of marketing as a separate function was evident in companies operating in both business-to-business and consumer market sectors (cases 1, 19, 20, 21). There were few traditional marketing departments, with product management or matrix structures supporting the marketing function. Traditional forms of marketing management are more likely to exist in consumer markets where there is emphasis on protecting and leveraging brands.

There were few examples of hierarchical systems dominating traditional planning processes, with most respondents emphasising team participation, drawing together members with broad functional skills and selecting from various management levels within the organisation. As Hamel and Prahalad (1994, p. 127) point out, “concern for the future, a sense of where opportunities lie, and an understanding of organizational change are not the province of any group; people from all levels of a company can help define the future.”

There was evidence of two distinct approaches to planning. A traditional approach, where the corporate plan reflects an aggregate of functional plans, evolving through adaptive planning iterations (e.g., cases 13, 45). An alternative approach reflected movement away from the traditional functional foundations, with planning being built around issues critical to business development and relevant to the organisation’s stakeholder groups (cases 42, 45, 48). Critical issues (such as customer service, technology, in-
formation management, research and development, occupational health and safety) are determined through an iterative consultation process, capturing opinions from all levels of management, and become the focus of the initial phase of the planning process. Planning for each critical issue adopts a marketing strategy framework to clarify where and how the plan will be implemented. Critical issues planning moves a company outside traditional functional boundaries and addresses issues as they affect the entire organisation and its stakeholders.

A major role of those responsible for determining where and how their company or division competed was in generating initiatives (supporting Hutt et al., 1988), information synthesis (supporting Nonaka, 1988) and, as part of a team, contributing to the competitive strategy development for the company. The team acts as an initiatives’ filter, screening and prioritising issues and opportunities in the decision-making process. Those responsible for business growth adopted an entrepreneurial role (Hutt et al., 1988), and contributed to strategy development by identifying opportunities for new growth outside current business practice, critical dimensions of the client interface that might facilitate the delivery of new value for clients, and determining new areas for relationship building (relationship innovation). Those interviewed brought these ideas into the “strategic dialogue” where they were debated by the planning team within the context of the strategic vision of the firm and the critical issues and key success factors recognised as important for future growth.

The conclusions of Webster (1992) and Pitt and Morris (1995), relating to an evolving role for those within marketing to manage the range of activities at the organisation/customer interface and the integration of IT as an integral part of the total client offer, were supported through this study. This association was particularly evident in the standardised and customised services sectors, and in manufacturers whose products form part of the client organisation’s market offer. Information exchanges, and processes integrating IT and marketing strategy within an evolving marketing relationship provide the platform to deliver a range of customer value-adding services, creating a point of differentiation from other major suppliers.

Many organisations participating in this research do not formulate a separate “marketing strategy” or marketing plan. Marketing activities associated with the design, delivery and communication of the company’s market offer are integrated within their business strategy, combining with IT, human resources, innovation, and other capabilities that create and deliver customer value.

4.2. The nature of marketing strategy in business-to-business sectors

Traditional approaches to marketing strategy development were evident in some segments of the business-to-business sector. Marketing strategy for standardised services and value-added goods which do not form part of a client organisations offering was identified as being driven either through market segmentation and differentiation, and shaped by competitors’ marketing strategies (e.g., cases 12, 20, 24, 34, 39, 46) or contained by current production capacity, the ability of the organisation to implement flexible production systems and the organisation’s commitment to adopt technology to enhance production capacity (e.g., cases 2, 14, 25, 28, 45, 49). Where excess production capacity is available, the marketing role involved identifying new customers for their current market offering, and/or designing new services or goods around core competencies that can delivered through existing or newly accessed capabilities.

In other companies (particularly those whose goods form part of the client organisation’s market offering, provide customised services, or offer low value-added goods that are consumed in the production of a client organisation’s offerings), there appears to be a different emphasis in marketing strategy. These companies describe the creation of customer value through developing current and building new customer relationships as the major driver of marketing strategy development (e.g., cases 4, 7, 9, 10, 42, 43, 48).

Respondents linked these major thrusts of value creation and relationship marketing to organisational competencies and capabilities needed to compete effectively in an increasingly global environment. They identified critical capabilities required to support strategy development as information management, organisational change management, communication, supply, and customer relationship development and management. Others extended this list to include new product development skills, distribution capability and manufacturing capability. The need for capabilities in managing organisational change was evidenced in companies that had grown through mergers and acquisition (requiring an integration of structures and cultures to develop a customer/market orientation) (cases 6, 44, 45, 47), multi-divisional companies seeking to regain competitive advantage through horizontal strategy (case 4), and in companies seeking to reposition their business following changes in government policy that altered the nature of the competitive environment (case 8). Under these circumstances, the effectiveness with which companies implemented marketing strategy was linked to their managing change capability (cases 4, 8, 47) required to facilitate the linking of organisational processes with those of the client organisation.

Fig. 1 presents an outline of the overall strategy development process that integrates marketing strategy, and is reflected in proactive, market-oriented growth companies, which have an established market position. “Proactive” companies are defined here as organisations with the power and ability to forge new competitive space through aspects such as innovation, flexibility, a market orientation, extending current and acquiring new capabilities, having a drive to adopt new technologies, expanding competencies and able to quickly capture emerging opportunities.
Information management and innovation capabilities support the value created within marketing strategy at a number of levels within the strategy development and implementation system. “Crucial to our business is information technology management in that we collect vast amounts of data. How we integrate that is important, and our reliance on technology is accelerating all the time” (Case 8). To support decision-making and to provide new opportunities to create value for client organisations, proactive companies are building global client databases and databases on industry and social trends which can be accessed by personnel through intranet. “Marketing to me is all about sharing information and gathering information, growing in the marketplace together” (Case 42). Companies are building an innovation capability that stretches beyond application to their own organisation, developing efficient supply and distribution systems, and through creating new value opportunities within their relationship marketing strategy (e.g., cases 4, 42). Companies are integrating their organisation’s innovation capability with those of major client organisations, contributing substantially to the client organisation’s business development.

Process innovation creates client value through price competitiveness, reduced delivery times, and increased delivery efficiency, and facilitates information exchanges (used to identify further opportunities to create value) (e.g., case 45). Structural and IT innovation, aimed at building coordination within and across organisations, creates value through linking purchasing, delivery, and communication activities (e.g., cases 4, 15). Building innovation, in concert with client organisations, can be an important component of business partnerships and is evident in the customised services sector (e.g., cases 44, 47, 48), standardised services sector (e.g., case 45) and where goods form part of a client’s market offerings (e.g., case 42).

No data in this research were collected at the corporate level of multi-divisional corporations. In contrast to the environment described by Boyd et al. (1995), it appears that as functional boundaries disappear in the business-to-business sector, marketing strategy is merging with business strategy, integrating rather than separating the functional elements to provide a cohesive stance that will support the development of client-linked processes and support customer-focused product development. “The business plan is the marketing plan” (Case 47). The proposition of Varadarajan and Clark (1994) that the locus of strategy decisions will vary with the nature of the products and markets the organisation serves was not supported through this research.
Rather, the adoption of hierarchical vs. critical issues planning approaches influenced the locus of marketing strategy decision-making.

In response to environmental turbulence created through changes in government policy, new forms of competition and exponential changes in technology, including IT, growth organisations with established market share positions are concentrating on two overall strategies for survival and growth:

1. adopting global best practice in all aspects of business performance irrespective of whether their own business crosses national boundaries, “we’re benchmarking ourselves against the world’s best (Case 42).”
2. building business success through adding value to their client organisations’ business performance.

This strategy focus supports Woodruff’s (1997, p. 151) view that “customer value-based competition represents the next major shift in managerial practice, complementing but, at the same time, moving beyond the quality management focus of the past two decades.”

The adoption of these two strategies reflects the Market-Driven model described by Day and Nedungadi (1994). To implement the strategies identified above, companies are accessing and synthesising information to identify the critical resources, skills, and capabilities that they must develop to meet emerging client performance expectations, then either building capabilities internally or accessing them through strategic alliances. Strategic synthesis of information is the key driver of strategy in terms of directing where and how to compete (Case 46). However, this research indicates that the process emphasises the generation and synthesis of knowledge about best practice and capability performance, rather than generating information on the activities of individual competitors.

Those adopting a Self-Centred model (Day and Nedungadi, 1994) reflected one of the following situations:

1. demand was greater than supply (case 23), demonstrating lack of responsiveness to competitor gains in market share and lack of attention to information on changing market conditions;
2. the organisation had grown through acquisition and reflected a network organisation rather than a company committed to achieving a clearly articulated vision (case 45); or
3. those uncertain as to how to adapt to a changing environment (case 2).

A client organisation’s perceptions of the quality of market offerings and the efficiency of interactions with a supplier organisation, together with information gathered by a client organisation from biased and unbiased sources about the supplier organisation’s business performance, human resource management strategy and involvement in leading edge activities will contribute to the supplier organisation’s corporate brand position. Communication disseminated on an organisation “innovativeness” builds a corporate brand position to attract new business and reinforces current clients’ perceptions that they have built a relationship with a company at the cutting edge of its industry (cases 43, 46). These dimensions of corporate brand will move an organisation into the consideration set of potential client organisations, “but it comes down to the human element and relationships.”

Organisations have limited resources, and the first level of marketing strategy decision-making will involve an explicit or implicit allocation of those resources to: (1) offset actions of competitors, (2) build position with current clients, and (3) create new business opportunities. “Business development if you take that in isolation, is . . . not only looking for new business . . ., but it’s also looking for development of existing clients.” “On the one hand, you want to put on new business, and on the other, you want to slam the back door shut” (Case 44). Fig. 2 reflects the organisational commitment to support each of those strategic options, with proactive organisations investing in erecting barriers such as supply networks or innovation and information-sharing agreements that will create new client value and, at the same time, block competitors.

4.3. Impact of new forms of competition on marketing strategy development

Corporations with dominant market share positions and limited potential to differentiate their product (particularly those which supply raw materials, low value added goods, or standardised services) are offsetting the impact of global competitors by building competitor alliances, extending operations beyond national boundaries to compete against global competitors in their “own backyard,” and erecting barriers through consolidating links with customers. These links are established not only through long-term contracts but also through extensive relationship marketing practices, demonstrating a drive to continually evolve current and develop new relationships. “Thinking about ideas for that business, how to drive that business forward, they’re challenging the client hopefully, working with the client, stimulating their client, and they’re not just waiting . . ., they are suggesting new ways of doing things” (Case 44).

There was little evidence from the organisations studied in this research that network organisations and virtual organisations were creating a strong competitive force in the business-to-business sector. Those who did comment on network organisations identified issues of lack of centrally-based systems and cultural norms that support the development of links with client organisations. Of those companies that mentioned these particular
4.4. Impact of cultural and structural change on marketing strategy development

Lack of compatibility between corporate cultures and organisational structures both within diversified organisations and between organisations and their clients (cases 45, 47, 4) is recognised as a key constraint in product delivery, developing and managing relationships, and information exchange. Organisations are restructuring to facilitate interactions between divisions, affiliated organisations and client organisations to create new opportunities for value creation. In many organisations, incremental restructuring appears commonplace and was not considered to significantly influence marketing strategy development.

Several companies, particularly those with dominant share positions and those operating in environments undergoing significant restructuring, are building superiority through implementing quality processes and placing emphasis on building employee skills, teamwork, a unified culture, building relationships with customers (to enhance their value creating capability) and with other stakeholders (to access new resources), and building innovation capability to enhance their current performance and to create new competitive space (cases 4, 8, 17, 29, 42, 43, 44, 47). These companies do not appear to fall readily into the “organisational cultural types” described by Deshpandé et al. (1993). Although the authors state that “most firms can and do have elements of several types of cultures,” they conclude that “over time, one type of culture emerges as the dominant one.” Examples of discourse on future directions are: “pulling together different resources,” “team leaders and teams working together,” “relationships will become closer,” “looking way beyond today’s new product . . . looking at how we are going to operate in the future,” “we are always moving ahead . . . we introduce new techniques, new products and new machinery and new technology,” “on-line delivery, new systems, “our customers will become global,” “we need to be as competitive as any manufacturer.” This discourse points to a drive by these organisations to merge
the positive elements of market, clan and adhocracy cultural types, with a culture emerging that produces commitment through teamwork and cohesiveness, has minimal structural hierarchy, has flexible, quality processes to build competitive superiority, has adaptability, and supports focused innovation to create new growth.

Respondents from divisionalised corporations or corporations built through mergers and acquisitions recognise that, across their different divisions, a variety of cultures are reflected in their interaction with client organisations. Organisations have recognised that these cultural differences create barriers to delivering a co-ordinated strategy and limit opportunities for market expansion and value creation. The problem is compounded where various divisions are dealing with the same client organisation.

4.5. Relationship development and management with client organisations

The personality of individuals at that interface is described as a critical element in the success of the relationship and brings informal exchanges together with formal agreements to develop and maintain partnerships. Cultural alignment between an organisation and its clients is identified as a critical component of relationship development. Organisations are formally (case 45) or informally (case 43) categorising client interface employees by personality type and are assigning them to manage relationships where there is personality and work practice alignment. “Cultural alignment decreases the “aggravation factors” within relationships, facilitates information flow and understanding of the customer, and is an integral part of marketing strategy” (Case 45).

Business partnerships of the future were described as moving towards an “open-door” policy for client organisations, with direct access to operational costs, profit generation, and returns to shareholders (e.g., case 4). These business partnerships were described as providing extensive information through which the client organisation could readily determine whether they are being dealt with fairly and whether real value is being created for supplier and client organisations.

Given the emphasis placed on building new relationships, changing current ones through sharing information, and creating new opportunities in concert with client organisations, it was surprising that ethics was not raised as a critical issue associated with the planning process, and relationship management guided by a corporate ethics policy. Respondent in case 42 (a global company with dominant market share) defines marketing as “sharing information, gathering information and growing together in the market place” and builds relationships with companies who are in competition with each other. “We live and die by our ethics” is reflected in their relationship management practices, and information transfer is not considered an option even where all stakeholders might benefit as a result. Another organisation, which builds relationships with client organisations that are in competition with each other (case 48), did not find innovation transfer or information-sharing an ethical issue, as the value added by the service was visible and client organisations actively gather competitor intelligence. Case 10 identified that their business professionalism is tied to the market perception that they are independent from their parent company, “we’re not going to divulge what you’re doing, we’re just the academic side of the business.” This relatively new company is attached to a corporate brand whose major business might be considered to have a vested interest in the information collected and provided to clients through this new arm.

5. Conclusion

Changes in marketing practice within organisations competing in the business-to-business market sector is reflected through a decrease in functional emphasis and an increasing focus towards project management across functional boundaries. Past struggles to delineate marketing from a sales orientation, and the underpinning of marketing with consumer behaviour theory has moved the emphasis in marketing from tactics to strategy. This research has identified a change in emphasis for marketing, with the marketer of the future being involved in the management of relationships that underpin customer value creation, and directly involved in the strategic processes that create key capabilities underpinning competitive advantage. This change in emphasis is driven by the acceleration in marketplace change and the need by all those within the organisation to be better equipped to merge across previous functional barriers and to assume responsibility for the strategic and process development necessary to forge new competitive space.

This need to forge competitive space has taken marketing from a functional activity—carried out by marketing personnel within a marketing department—to activities guiding cross-organisational processes. This notion of a marketing emphasis across the organisation has developed through a need to engage all those involved in the customer interface, or managing activities that support the delivery of business activities, to adopt a customer focus and is highlighted through the body of knowledge on relationship marketing. These relationships will evolve through technological advances and information exchanges, and will develop a range of joint capabilities. Through its innovation and technology capabilities, an organisation can develop and deliver new sources of value to client organisations. By linking with a client organisation’s innovation capability, it can build new value for the client organisation’s customers, opening new business opportunities for the client.

Licensing agreements with major international suppliers and competitors facilitate the exchange of information—
building a global competitive position through adopting global best practice. As client organisations develop a global platform, they are exposed to new options in supply. Organisations not currently competing outside national boundaries will need to build their capability to demonstrate global best practice to retain those client groups.

Products and services are delivered to the market through a range of organisational capabilities that build competitive advantage. According to Karimi et al. (1996, p. 55) “new competitive strategies will be increasingly technology-based, global initiatives that are affected by the firm’s IT maturity.” Technology was identified through this study as driving relationship change through creating new windows of opportunity for adding value to current offerings, and facilitating information exchange and access, strengthening relationship commitment. IT systems linking supply chain networks create major opportunities for scheduling and planning improvements and cost saving that will be rewarded right throughout the supply chain system, moving client relationships towards a new dimension. The development of integrated supply systems moves competition into a new phase, with systems competing against systems to create efficiency and client value at each point within the system. Commitment to technology to improve a company’s ability to streamline its manufacturing and administrative systems, improve information access and dissemination, and build innovation capability, will provide multi-point value creation potential for client organisations. Given the importance of technology in building organisational competencies and capabilities, technology planning will become part of the critical issues planning process for many organisations.

Evidence of corporations driving to develop a cohesive approach to the market and gain competitive advantage through horizontal strategy and a unified culture, supports the proposition that strategic business unit formation to create flexibility in large corporations and make them more responsive to their markets has, in some cases, reduced their capability to compete, particularly against multi-point and new global competitors. The major assets of these companies are their size, market position, and ability to deliver customer value across multiple markets and industries. Strategic Business Unit structures have weakened rather than strengthened some companies. The competitive advantage that could be generated through their collective knowledge and key capabilities is not being realised. A review of Strategic Business Unit performance on innovation, sales growth and return on investment contained in Walker and Ruekert (1987) described inconsistency across a number of studies, with some supporting the proposition that a centralised focus supports a higher level of innovation, and others identifying the dominant sales performance of autonomous units in dynamic environments, yet lower return on investment performance under specific strategies.

The nature of a “marketing perspective” depends on the organisational level to which it is applied. Marketing theory and principles are being adopted by senior staff in the management of stakeholder groups (shareholders, customers, employees, and lateral and vertical alliance partners involved in the value creation process of the organisation as well as other stakeholder groups that influence the nature of the organisation’s operations). At other levels within the organisation, marketing theory contributes to value adding aspects of competitive strategy, and relationship development and management with alliance partners and customers:

<table>
<thead>
<tr>
<th>Organisational Level</th>
<th>Marketing Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board and Top Management</td>
<td>Managing networks</td>
</tr>
<tr>
<td>(organisational direction setting)</td>
<td>(across all stakeholder groups)</td>
</tr>
<tr>
<td>Business unit management</td>
<td>Managing networks process</td>
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<tr>
<td>(business strategy development)</td>
<td>(value-adding specific)</td>
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<tr>
<td>Marketing management</td>
<td>Managing customer and alliance relationships</td>
</tr>
<tr>
<td>(marketing strategy development)</td>
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<tr>
<td>Marketing staff</td>
<td>Managing customer relationships</td>
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<tr>
<td>(converting strategy into programs, budgeting, implementation, and control)</td>
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</table>

The marketing concept (customer-oriented), and the concept of a market-oriented firm (focusing on gathering and synthesising information on current and potential customers and competitors, and communicating information across the organisation) place a duel focus on customers and competitors. Marketing has become an integral component of management decisions, as the importance of evolving relationships to create new value both within and outside the organisations becomes a key component of an organisation’s success. Managing relationships outside the organisation as they evolve and change, and managing across functional, cross-organisational processes have gained importance within the organisation, and moved marketing into the general management domain. Marketers, responsible for the financial performance of market related activities, now should apply their skills to other stakeholder exchanges.

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