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Marketing Planning in Theory and Practice

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by

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Abstract

Textbooks consistently describe marketing planning as a certain sequence of analyses and decisions. Previous research has shown that practitioners do not follow this textbook model, but authors offer few descriptive or critical insights

Our broader conceptualisation includes the context in which planning operates. Planning has many facets: we focus on the scope and formality of the process in its intended use as an organising framework for decisions. We identify six assumptions relating to this focus in the textbook model: that it should be a **systematised process**, involving **top management**, leading to a **single best style** of **written output**, which realises **multiple benefits** and is **universally desirable**. Our analysis identifies some tensions in the model.

Our survey describes marketing planning behaviour in 385 organisations with and without "marketing plans", and explores the boundaries within which these assumptions hold.

Our findings suggest that one reason why practitioners' plans do not follow the textbook model is that the model's scope exceeds their decision-making responsibility. The actual scope varied. Most included budget objectives. Some included strategy formulation (especially where top management were involved), and/or action plans (especially where planning was systematised and closely linked to budgeting).

Our results challenge many textbook assertions. Neither the scope of the textbook model nor its recommended formality was consistently associated with superior perceived relative profitability. Firms **without** a written plan were about as likely to have "real" marketing planning (defined as "integrated decision-making based on explicit marketing analysis") as firms with. Firms' performance varied with the formality of their planning processes according to their environment. Only in mature environments was formality associated, even weakly, with improved performance. In environments with high growth potential, formality was associated with **lower** performance.

We suggest a contingency theory of planning, which makes explicit trade-offs between control and flexibility.

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CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

This thesis presents a critical evaluation of the textbook model of marketing planning, a model that is widely recommended, consistently presented, and yet largely unsupported either by theory or evidence. Few empirical studies of marketing planning exist, and even fewer aim to test the model or aspects of it. This lack of research is especially marked if a comparison is made with the literature on strategic planning. Most of the existing empirical studies of marketing planning report widespread deviation from the textbook marketing planning model, and simply attribute this, without further evidence, to the ignorance or incompetence of companies. The ideological start-point is that the theory is right, so any deviations from it in practice are wrong.

My experience of marketing planning as a brand manager was that the marketing planning process and marketing plans rarely achieved their prior expectations. I therefore became intrigued by the questions of whether and how the marketing planning process actually influenced outcomes in the market. Further, is there (as the textbooks tend to assume) one best model for all firms, or do firms adapt the theory to fit their circumstances better ? If the latter, how do firms decide which trade-offs to make, and are they right ? The ideological start-point here is different: if firms persist, over many years, in avoiding something that it is claimed would improve their competitive position, we should consider the possibility that it is the theory that is inadequate, rather than (or as well as) the firms. If this were not the case, the 30 years since the formulation of the textbook model would surely have produced clear-cut evidence that firms that use the model are more successful than those that do not. Although this is not the case, no previous research has really challenged the existing model. I chose to focus, therefore, on evaluating the textbook model.

Many different roles are ascribed to marketing planning. I chose to concentrate mainly on the role of marketing planning as an organising framework for decision making. For firms with formal marketing planning systems, my focus was the marketing plan which is tangible and so seemed a potentially manageable target for research. For those firms without such a system, my aim was to determine what they did instead.

THE IMPORTANCE OF MARKETING PLANNING AND THE UBIQUITOUS TEXTBOOK MODEL

"It is something of a paradox that so little has been written on the subject of marketing planning when management has been giving so much attention to this aspect of business" Buell (1960).

In the intervening thirty years since Buell made this comment, a normative model has emerged, with only minor modification over the period, and been endorsed by the textbooks on marketing management. We refer mainly to the model as it is presented in Kotler (1991), the best-selling text. Our findings and conclusions would not change substantively if we were to take the author of any other established marketing textbook.

Marketing texts consistently prescribe key steps in the development of a marketing plan with only minor, mostly semantic, variations. These invariably start with the corporate mission or objectives, then work through an analysis of the current situation, a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, the development of marketing objectives and strategies, action plans, budgets and controls. In the specific Kotler formulation, the corporate objectives are derived from discussions with the strategic planning group acting on the inputs of evaluation of the previous year's plan implementation and an assessment of the environment (at a macro level). The marketing plan links with the annual company budget when the product market profit and loss statement is developed. The marketing plan document summarises the findings of these stages, with key elements identified for inclusion under each main heading.

Marketing planning is described as a significant part of marketing management. For example, Kotler (1991) entitles his textbook "Marketing Management: Analysis, Planning, Implementation and Control". In practice, textbooks focus mostly on analysis and pay limited attention to planning, implementation or control processes.

The textbooks are unanimous in their support for marketing planning; e.g. Kotler (1984: 277) endorses planning as a requirement for survival.

> **"Organizations cannot survive by simply reacting to new developments as they occur... Each organization must take a planned approach to the marketplace."**

Hughes (1978: 7) describes marketing planning as a term that encompasses all the activities of a marketing manager.

"The Marketing Management Process: The activities of a marketing manager can be described as a process that begins with an analysis of the market, continues to the development of strategies, and ends with a profit plan. This whole process is known as marketing planning."

This is also implied by Kotler who does not clearly distinguish "**the marketing process**" from "**marketing planning**" (1991: 62-63).

Kotler (1988: 76) also stresses the value of the plan document,

> "**one of the most important outputs of the marketing management process is the marketing plan**" and (1991: 62) "***The marketing plan is the central instrument for directing and co-ordinating the marketing effort.***"

In addition, Hughes (1978: 10-11) quotes a survey of marketing executives in 1976 in which marketing planning was the function in marketing most likely to report to the chief executive (87% companies), as further evidence of its importance.

THE THEORY OF MARKETING PLANNING

While marketing planning and marketing plans are asserted to be of significant importance and authors agree on a model of the process and output, no theoretic justification is presented.

Marketing planning is described as a series of techniques which, if applied in a certain order and written down, result in a marketing plan. The original model emerged from "best practice" in the 1960's. The only subsequent modifications have been to accommodate strategic planning in the firm's decision framework and the strategy concept at the product market level. The model thus reflects the values of that time in the "scientific" approach: a decompositional method held together by logical sequencing, and an assumption that "more analysis is better". The textbooks remain in this scientific tradition, mostly devoted to exploring the substantive analysis to be covered in the process, with marketing planning as an organising framework and sequencing device for the analysis.

The process and implementation aspects of planning are discussed almost as an afterthought. Yet from other authors (e.g. Dietz, 1969) we know that marketers spend much of their time engaged in activities of co-ordination and control of (presumed planned) activities. This warrants virtually no space in the texts (three chapters, or less, out of twenty-six in the seventh edition of Kotler, 1991).

Kotler (1991) does not clearly distinguish between planning as a series of activities, a process, and planning as a set of analyses. Yet once marketing planning is understood as a process, it is clear that other issues such as structure (e.g. Mintzberg 1983:2/3), style (e.g. Peters and Waterman 1982), and environment (e.g. Burns and Stalker 1961) are important.

The model is described variously as a descriptive and prescriptive one (Kotler 1991: 62, 72). Perhaps because of the assumption that the model is descriptive, why it should always and necessarily take the form given, is not discussed.

THE NATURE OF THE EMPIRICAL LITERATURE ON MARKETING PLANNING

There are few empirical studies into marketing planning. They can be divided, almost equally in numerical terms, into two types: (1) quantitative surveys of the claimed contents of marketing plans, mostly simply reporting the findings, and (2) qualitative studies of specific aspects of planning. References to these studies are given in Chapter 2.

Most of these studies are primarily concerned with marketing planning as an organising framework for decision making: reviewing the scope of the framework, the degree of formality of the operationalisation of the framework, the process for planning, and evaluating the system. Other aspects studied include: the quality of the analytic tools used in planning, the role of planning as an implementing device, and evaluations the outcomes of planning in terms of financial performance.

The studies have limitations of both a technical and conceptual nature. Some of the technical problems identified include: poor response rates, confusing use of terminology, inconsistency in the unit of analysis, and little or inconsistent analysis of the findings. Further, until recently (the last four years) there was little evidence of research that aimed to build on prior empirical work; studies referenced little, if any, previous empirical work. All the studies, except those relating planning and financial performance, make a prior assumption that the textbook model works, and there is little conceptual development of the theory of marketing planning.

The most general prior finding was that the textbook model was still <u>not</u> used by most firms (e.g. McDonald 1982, McDonald and Wilson 1990) although existing in its current or similar form for over twenty-five years (e.g. Winer 1965, Kotler 1980, 1991).

THE FOCUS AND SCOPE OF THE THESIS

This thesis presents a critical evaluation of the textbook model, primarily in its role as an organising framework for decision making. This review seemed timely, starting with data such as "in what circumstances is formal marketing planning used?" and "to what extent are the contents of plans intentionally modified from the textbook model?".

We aim to develop the conceptualisation of marketing planning in three ways:

- by understanding the historical context in which the concept has emerged,
- by considering the organisational context in which the process operates, and
- by drawing on the extensive strategic planning literature where relevant.

We identify several assumptions, that are neither discussed nor explicitly acknowledged, that underpin the textbook model.

To explore these assumptions a large scale study including firms <u>without</u> marketing plans seemed the most suitable vehicle. This study was mainly built on that of Hopkins (1981), which seemed to us the best of the previous studies. This has also allowed us to replicate previous work over a wider sample in a different country, establishing some findings with greater authority. Pilot qualitative interviews revealed the danger that, in the absence of any overall framework, case studies would amount to little more than reports on varying practice and would not result in any generalisable theory.

The survey approach has some inherent limitations: the data are superficial, and were preselected before we had a clear view of the "important" issues. Some of the measures we use are problematic, for example, a measure of perceived profitability relative to competition measured on a five point scale. Since our theoretic development did not entirely precede data collection (the analysis of current practice has helped us develop the theoretic aspects), it is only ex-post we can see the influence of the textbook model in our approach. Thus, for example, the prevailing distinction between firms "with" marketing plans (perhaps of varying quality) and firms "without" marketing plans is one which we now find unhelpful in the context of the role of marketing planning as an "organising framework for decision making".

Despite these limitations, the study has yielded benefits, not only in testing and extending previous results, but more importantly in providing descriptive evidence of current practice, evidence relating to the assumptions in the textbook model, and in generating an extended theory for future testing.

The main contributions of this research are:

- a development of the theory of marketing planning, by making explicit the many facets of marketing planning and some of the assumptions in the textbook model, including that it prescribes one process for virtually all contexts.

- a descriptive analysis of activity relating to marketing planning as an organising framework for decision making among a representative sample of firms. By taking particular care with response rates, the unit of analysis, and the terminology used, we can reach some conclusions about current practice with a greater degree of authority. By drawing on the strategic planning as well as the marketing planning literature, we have identified some new approaches to analysis of our data. We are also uniquely able to contrast the framework in firms with and without formal marketing plans.

- an evaluation of (at least some) aspects of the assumptions, including some exploratory findings which strongly suggest the importance of context in determining whether the textbook model is applicable.

- further exploration of the theory of marketing planning from which we identify key areas for further research.

1.2 OVERVIEW

THE PLANNING LITERATURE, RESEARCH QUESTIONS AND METHODS (PART 1)

The Marketing Planning Literature (Chapter 2)

Chapter 2 reviews the textbook model and its historical and organisational context and then introduces the previous empirical research on marketing planning.

The inclusion of a strategy formulation stage in the textbook model raises some possible conflicts. For example, the evidence on strategic planning strongly suggests that strategy formulation may not be most effectively conducted within the planning process (e.g. Quinn 1980, Mintzberg 1994b), and that there may be other ways to replace the role of strategy formulation in the marketing planning process.

The textbook model of marketing planning is a sequence of activities presented as a logical idea. The textbooks provide no theoretical underpinning, nor do they spell out why firms should plan or why planning is different from other managerial activities. It is nevertheless clear that the current model views planning as a means of optimising a single strategy, and that to complete the steps requires causal knowledge of a predictable future. This suggests limitations to the use of the model.

We here suggest a broader conceptualisation of marketing planning that identifies its primary intended meaning as an organising framework for decision making, with secondary elements of integration and control. This is a rational model, based on the idea of planning as future control at the firm level. Alternative conceptual foci are available, for example, a political actor model, or an information processing model. We chose to explore marketing planning at its simplest, to develop a basis for future studies.

Within this conceptualisation we identify some internal factors (relating to structure and management style, and to personal and political factors) and external factors (relating to uncertainty in the environment) that could influence such a framework. We distinguish the resulting outputs of understanding, decisions, integration and control mechanisms, the delivery mechanisms of action and feedback, and the outcomes of performance. In developing this we have extended the textbook model to allow for informal frameworks, and less deterministic outputs. This conceptualisation allows us to frame some questions relating to the effectiveness of the textbook model.

We then review the context of the textbook model, looking at its antecedents in the marketing concept, its fit with the scope of the marketing role, and the organisational context for the planning process. We conclude that there may be intrinsic factors, such as the role of strategic planning, and the decision-making responsibilities of the author, that limit the scope of the marketing plan. Further, the prescribed level of formality of the marketing planning process may be inappropriate for firms in less predictable environments, where the scope of the marketing plan may also vary.

There is a limited empirical literature on marketing planning, most of which is focused on the completeness of marketing plans, with little reference to firms without formal documents, and little theory generated from the studies. Mostly the studies are characterised by low response rates and a lack of clarity about the level of marketing planning studied (corporate or trading unit).

The main finding of previous studies is that few firms practice "complete marketing planning"; this is attributed to ignorance on the part of firms. The gap between theory and practice is usually described in terms of omission of elements of the textbook model. Nevertheless, there is recognition that persistent problems exist: that planning does not fulfil its expected role in strategy formulation (marketing plans are typically inconsistent with strategic plans and show little strategic thinking), that the process can dominate the content, and that some technical problems, such as forecasting the future, persist. In Chapter 3 we describe the findings that relate specifically to the assumptions in the model.

Developing Research Questions (Chapter 3)

Assumptions in the Textbook Model

In Chapter 3 we identify six assumptions in the textbook marketing planning model relating to its scope and formality as an organising framework for decision making. These assumptions are derived from explicit statements by earlier authors:

One: almost all firms should have formal (i.e. written down) marketing plans

Two: there is one best style of marketing plan document

Three: following the textbook marketing planning model yields many explicit benefits

Four: the marketing planning process should be systematised

Five: top management should be directly involved

Six: if marketing planning has occurred, a marketing plan will exist

We review the evidence on each assumption from both the marketing planning and strategic planning literatures. None of the assumptions is supported by either empirical evidence or theoretical argument. Yet if circumstances exist in which these assumptions are violated, firms would be right to abandon or modify the textbook model. In some cases, little descriptive information is available. We assess these assumptions and the existing evidence, to develop some research questions.

Although the textbooks assert the universal applicability of marketing planning, it has been suggested that simple, small and newly-formed firms may find "less formal" approaches to marketing planning suitable. Here "less formal" seems to relax the need for written output. The suggestion is that the process evolves over time. In assessing the impact of both strategic and marketing planning, several studies have aimed to link **planning and financial performance**, taking planning as a dichotomous variable, with mixed results. One study isolated the level of uncertainty of the environment as a possible contingent factor but found a consistent, if small, positive relationship between formal marketing planning and financial performance. We replicated these studies by examining the relationship between the existence of a marketing plan and perceived financial performance, conjecturing that there would be no clear relationship between the existence of a marketing plan and the level of perceived relative profitability (see Chapter 6). We aimed to explore the possibility that there were moderating variables relating to firm size or diversity, or to the environment. In this way we explore Assumption One: that marketing planning is applicable to all firms.

There is little evidence on the styles of marketing plan firms produce or on their motivations for planning. Two views on the styles of strategic plans and one on the dimensions of strategic plans are reported in the literature. With unclear results emerging from the analyses of planning and profitability, authors on strategic planning developed the notion of "effective strategic planning". One suggestion is that **objective fulfilment** (the process achieves the aims set for it) is a key indicator of effectiveness in strategic planning. We link this to Assumptions Two and Three; that **a single best (all-inclusive) style of marketing plan exists** and that **marketing planning yields multiple benefits**. In Chapter 7 we identify the heterogeneity of plans, styles of plan, and the extent to which these styles match the aspect of planning or the plan most valued by the respondent. We conjectured that some firms adapt the textbook model to achieve a specific subset of the potential outcomes of planning.

Many authors stress the **systematisation of the process** as a distinctive and critical factor. The bureaucratisation of the process, sophistication of techniques used, and the supportiveness of the environment in the organisation to marketing, have all been found to improve the credibility and utilisation of marketing plans. Some authors make assertions about the process, which relate to methods of ensuring that the textbook model is implemented, through **involvement of top management and frequent feedback** in the process. A further measure of effectiveness in strategic planning is "**system capability**", the extent of systematisation and of close links with the budget. These factors have been related to plans where the output of "practicality" is highly valued, at the cost of potentially reducing the scope of the plans. We relate this to Assumption Four, that systematisation is required and review the impact of systematisation and close links with the budget in Chapter 8. We conjectured that systematisation and close links with the budget would influence the style of plan prepared. Here we also look at the impact of top management involvement, (Assumption Five), which both the strategic and marketing planning literatures suggest has a beneficial impact on the outcome, and which we conjectured would influence the scope of the marketing plan.

In Chapter 9, we review Assumption Six, that if marketing planning has occurred, a marketing plan will exist, by evaluating the prevalence of "**planning behaviour**" among firms without a marketing plan. We conjectured that some of the activities, described as part of the marketing planning process, would nevertheless be present in some of the firms without marketing plans.

Aims and Methods (Chapter 4)

Aims of the Research Study

We aimed to gain a more representative picture of marketing planning as an organising framework for decision making, by replicating and extending previous research, taking particular care with response rates, and investigating "non-planning" as well as planning companies. We further intended to investigate both descriptively and evaluatively firms' behaviour in relation to the questions raised by our analysis of the assumptions relating to the scope and formality of this organising framework.

Using a combination of mail questionnaires and telephone interviews, we undertook a large scale study of the planning practices of a structured sample of medium and large sized organisations operating in the UK. The data were collected from one respondent in each organisation and represent claimed activity and self-reported classifications. The sample was structured to ensure a representative sample of firms in six broad industry types: industrial manufacturing, industrial services, consumer durables, consumer non-durables, consumer services, and public/non-profit sector. By persistence, a high response rate was achieved; 385 firms (out of 412 contacted) responded, a response rate of 93%. We analysed the data using the SPSS package.

We collected data on which firms planned, what they planned, and (to a lesser extent) how and why they planned. Those organisations which did not produce a written marketing plan were asked why not, and "what they did instead" in terms of an organising framework for decision making. We focused here on how they set a direction for the firm, maintained financial control, determined the key marketing decisions, and to what extent the key marketing analyses were undertaken. Various classification data were collected to help us identify possible contingent violations of the assumptions: the existence of a marketing department, industry type, size of firm in turnover and staff, diversity of operations, perceived industry growth rate, and perceived relative profitability.

Neither the main survey of "planning" firms nor the telephone survey of "non-planning" firms explored the integration of planning within the firm, or issues of control; pilot studies suggested that integration was too complicated for the survey method, while to explore control issues in addition to the other topics explored was beyond the scope of one survey.

FINDINGS AND DISCUSSION (PART 2)

The analysis of our findings divides into two main sections, as indicated above:

1. Replication and extension of previous findings
2. Findings relating to the assumptions including:
    a) an evaluation of the formal planning systems we studied, and
    b) an evaluation of planning behaviours with an implicit re-definition of planning.

1. Replication and Extension of Previous Work (Chapter 5)

We found **a variety of planning styles** ranging from no formal marketing planning to (a few who claimed they produced) a complete textbook marketing plan. Six out of ten firms claimed to have some form of written marketing plan, over 90% of which were annual plans, and almost 40% of which were part of a corporate plan.

Our research broadly replicated and extended previous findings. We saw the same prevalence of different plan contents and people involved in the planning process by industry in our firms with plans as was found by Hopkins (1981) and Sutton (1990). We found that 11% of firms with marketing plans, (7% of the total sample), produced a textbook model plan, broadly consistent with McDonald (1982) and Greenley (1987). Most plans emphasised the financial numbers as reported by Winer (1965). The few differences in the findings could be largely attributed to sample differences and possible non-response bias in earlier research. Specific industry findings (e.g. McDonald 1982) were extended to a fully representative sample of larger organisations.

Our results on plan contents among firms with a marketing department were consistent with previous empirical work on decision-making among marketers (e.g. McDaniel and Gray 1980), suggesting that **the scope of plans was limited by their authors' decision-making responsibilities.** The level of objective setting was consistent with earlier studies (e.g. Shipley 1985). Annual marketing plans were less prevalent among service organisations, confirming a previously suggested result (George and Barksdale 1974).

The robustness of this replication gives, therefore, increased confidence both in our survey and in those of previous researchers. The extensions we can suggest are consistent with prior expectations. These findings are discussed in Chapter 5.

2a. Evaluating the Formal Planning Systems

We evaluated marketing planning in organisations in three ways:

2.1 the relationship between the existence of a written annual marketing plan and perceived relative profitability

2.2 identifying styles of plan and evaluating the "objective fulfilment" of the plans

2.3 exploring the impact of the planning process on the style of plan produced and relating this to perceived relative profitability.

2.1 The existence of formal planning and its relationship with financial performance (Chapter 6)

Overall, **there was a weak positive relationship between producing an annual marketing plan and perceived relative profitability**. The relationship existed only for firms with a **separate** annual marketing plan document. Firms with an annual marketing plan incorporated as part of a corporate plan perceived the same overall levels of relative profitability as firms without a marketing plan.

Some previous authors have suggested that formal marketing planning may be more important (a) as size and diversity increase (McDonald 1984), and (b) in manufacturing than in service firms (Grönroos 1983). Discriminant analysis of firms with and without a written annual marketing plan suggested that this was descriptive of current practice; these variables were identified as independent variables for a discriminant function. However a comparison of firms correctly classified and misclassified, and with and without annual marketing plans, revealed different levels of perceived relative profitability. In larger, more diverse, manufacturing firms, there was no difference in perceived relative profitability whether they did or did not produce a written annual marketing plan. However, smaller firms that were less diversified and in the service sector **with** a written annual marketing plan were more likely to perceive their relative profitability to be high than those **without** an annual marketing plan. This is the exact opposite of the assertions of McDonald (1984) and Grönroos (1983), which it seems are descriptive of current practice but, on this limited evidence, should not taken as prescriptive.

The most significant intervening variable relating to variations in perceived relative profitability between firms that did and firms that did not produce an annual marketing plan was the external environment, rather than internal characteristics of size, number of product markets or type of product/service produced.

- Firms in high-growth-potential environments were more likely to perceive high levels of profitability when they did **not** have an annual marketing plan.
- Firms in modest-growth-potential environments perceived the same levels of relative profitability, regardless of the existence of an annual marketing plan.
- Firms in stable or declining growth-potential industries were more likely to perceive their relative profitability to be high if they **did** produce an annual marketing plan.

This is not a corollary of the previous result. If anything, smaller, less diverse and service firms were more likely to perceive high growth potential in their environment.

The reasons given by "non planners" for not producing a marketing plan may offer some explanation of this suggestive result. 60% gave as reasons for not planning that it was "not relevant" or that the "costs outweigh the benefits". The rest mentioned lack of resources, resistance to planning, that they were just starting, or were firms who did not understand the term. Among those firms that saw marketing plans as irrelevant or too costly, the specific reasons given included market volatility (outdating the plan), lack of influence over the environment, concerns about loss of flexibility, and loss of motivation. Some firms suggested that in a high growth environment a more opportunistic approach to business paid off.

Overall, we find that Assumption One is not supported: textbook formal marketing planning is not recommended for all firms. In particular, our evidence suggests that for firms in high-growth-potential environments, the costs of formal planning exceed the benefits.

2.2 Styles of Plan and Objective Fulfilment in the Plans (Chapter 7)

The plans in our sample varied enormously, even after accounting for expected differences due to the situation-specific aspects of marketing.

Some **styles of plan** emerged from our exploratory analysis:

(i) Basing our distinctions on the inclusion or exclusion of the four key elements in the textbook model (strategic analysis and statement of strategy, key objectives, action plans, and budget), we identified six overall styles labelled:

- textbook model (including all four elements),
- action planning model (objectives, action plans and budget),

- strategy plus budget (strategy, and budget, some with key objectives),
- strategy only (strategy, some with key objectives),

- budget (sometimes with key objectives),
- none of the recommended elements.

These were aggregated into three broader categories, by adding together the pairs shown above: "action-oriented plans", "direction-oriented plans", and "budget support document". We considered only the first two of these categories to represent "planning" within any meaningful definition of the term, accounting for half the firms with marketing plans, although plans in the "budget" category could fulfil some of the firms' objectives for control.

We found **no relationship between different styles of plan and different levels of perceived relative profitability**, and hence no support for Assumption Two: that there is one best style of plan.

(ii) We used factor analysis to identify the underlying dimensions of the plan documents. The correlation matrix showed that the "analytic" elements of the plan, and the "action planning and control" elements of the plan were poorly related. We thus completed analyses using each of these sets of variables in turn, developing two different types of dimensions that described the plans:

a) financial and marketing mix objective and action plan variables

b) analytic, market share objective, and the strategy variables.

Both these two sets of dimensions were more easily interpreted than those produced by a third analysis which aggregated these measures. Nor did this third analysis have greater explanatory power.

We found that **firms' plans were better characterised by themes**, rather than the hierarchical structure of the textbook model. For example, one underlying dimension identified competitor analysis, including competitor share objectives and competitor strategy forecasting. Further, the 4P's model of the marketing mix did not reflect firms usage; price was more closely associated with the budget, while sales and distribution appeared together, and separate from the other aspects of promotion. Sales promotion and advertising were most closely related to marketing expenditure.

We did not directly measure the "objectives" of planning; respondents found this hard to answer in the pilot research. Instead we asked respondents to describe the **most valuable aspect of the plan or planning process**. We categorised their responses:

- control 35%
- review 12%
- direction 32%
- action plans 11%
- consensus 12%

Reviewing the extent to which firms were adapting the textbook model to fulfil their specific aims for planning we found that:

- three quarters of firms with marketing plans appeared to be trying to use the textbook model, although most were in practice applying only parts of the model
- firms with marketing plans varied widely in what they perceived as the most valued benefit (our proxy for their objective in planning)
- perhaps surprisingly, there was little relationship between valuing an aspect and including the relevant plan contents.

Only 7% of all firms used the textbook model. Among the rest, the reasons for not doing so were as follows:

- 38% tried to use the model but failed
- 23% rejected the model
- 16% omitted at least one key element of the Kotler model (but only 6% seemed to be explicitly using a different model focusing on their preferred outcome).
- 9% had inadequate resources, resistance to planning or were starting to plan
- 7% of firms were ignorant of the model

For most firms, therefore, Assumption Three: that firms accrue multiple benefits from marketing planning, is not proven.

2.3 Evaluating the Planning Process (Chapter 8)

Increasing levels of systematisation, measured by (a) increasing levels of formality of the guidelines laid down in advance of the process, and (b) the amount of feedback given during the process, correlated with plans that were closer to the textbook model. It has previously been shown that increased formality of the process leads to greater credibility and utilisation of the plan (John and Martin 1984).

When we looked at the perceived profitability of firms with marketing plans produced with more or less systematisation, we found:

(i) There was **no difference in perceived relative profitability between firms with and without systematisation** of their marketing plans, measured by the existence of written guidelines.

(ii) As before, **the most important intervening variable in this analysis was perceived industry growth rate.**

- firms in high growth industries were not only more likely to perceive their relative profitability to be high without plans, but among those with plans it was more likely to be seen to be high where plans were not systematised, as measured by the use of written guidelines.

- there was no significant difference in perceived relative profitability between firms whose plans were produced with or without guidelines in modest growth environments.
- firms in stable or declining industries were more likely to perceive high levels of relative profitability if their plans were produced with more systematisation, measured by the use of guidelines.

(iii) There was no difference in perceived relative profitability between firms whose planning process included frequent feedback and those where it did not. This result held regardless of the environment in which the firm operated.

The explicit involvement of the managing director or CEO, in taking responsibility for approving the plans (or in being the last person to change the plan) correlated with plans including more elements of the textbook model, although the style most associated with plans produced with top management involvement was direction-oriented. The impact of top management involvement was less significant than the use of guidelines or feedback. **There was no overall relationship between the role of top management and perceived relative profitability**. When top management was involved, the associations with profitability were most likely to be favourable when a direction-oriented plan was produced, and less likely when a textbook model plan was produced.

Approval of the marketing plan coincided with that of the company budget in 59% of firms. A further third of firms had the budget agreed up to two months before or two months after the plan. In tightly linked systems (where the approval processes coincide in time) the plans tended to be more like the textbook model (especially in higher growth industries) and these firms perceived their relative profitability to be higher than firms with more loosely linked systems. However, firms were most likely to perceive their relative profitability to be high if budget approval preceded plan approval, or if the two events were unrelated in time.

From our results in Chapters 7 and 8 we see that **the process, rather than the style of plan, drives the associations with perceived relative profitability**. In high-growth-potential environments firms with informal processes were more likely to perceive their profitability to be high; in lower-growth-potential environments those with more formal processes were more likely to perceive their relative profitability to be high. Even in the latter case, textbook model plans were more typically associated with high levels of profitability when they were produced with **informal** processes.

Overall, we find Assumptions Four and Five not proven: that the process should be systematised, and that top management should be involved in the process.

2b. Evaluating Planning Behaviours (Chapter 9)

Half of the firms that did not produce a marketing plan produced a strategic plan. Perceived profitability was significantly **lower** among these than for firms with neither a strategic plan nor a marketing plan. This overall result held across all environments, but was even more striking for firms in higher-growth-potential environments.

The strategic plans produced were reasonably typical in objectives, time frames, and people involved. Over one in four was a "one year strategic plan". These did not differ greatly from other strategic plans, and the most striking difference between these and the "corporate" plans was that in the case of the strategic plans no value was placed on these for control purposes. Previous authors have been concerned that not all firms with plans are "planners". Our more detailed survey results confirm that there is a wide range of planning behaviours. A simple dichotomous measure will not only classify as "planners" some of those who are doing little beyond budgeting, but also classify as "non-planners" many who in fact are doing quite extensive annual planning, but do not call it marketing planning.

Firms without marketing plans were almost as likely to claim to undertake key marketing analyses (of customers' changing needs, target markets and competitor activity) as firms with marketing plans. Many "non-planners" did much more explicit analysis than many planners.

When we redefined planning as "integrated decision making based on explicit marketing analysis" we found little difference in planning between firms with and without marketing plans.

We, therefore, find that Assumption Six, that marketing planning requires marketing plans is not supported by our study.

Conclusions and Discussion (Chapter 10)

Our findings must be presented with a proviso relating to the use of the survey method which, ex-post, we see had even more limitations than we originally believed. As a single study, these findings must be regarded as tentative until replicated. We have described firms' planning behaviour in respect of the scope and formality of the organising framework for decision making. Further, we have identified some empirically testable assumptions in the textbook model. In some instances these have been found not to hold. Our findings confirm the previously hypothesised but unproved assertions that:

- systematisation of the process leads to plans closer to the textbook model.
- the involvement of top management leads to plans closer to the textbook model.

but challenge others:

- for firms in high growth environments, higher levels of performance were consistently associated with less formal processes: no marketing plan, less systematised marketing plans, and no strategic plan. The reverse held for firms in stable or declining environments.
- neither the textbook style of plan nor the textbook processes were associated with superior performance. For example, the performance of firms using the recommended processes with textbook model plans was consistently lower than both firms using the processes but producing other styles of plan, and firms producing textbook plans without using the recommended processes.
- marketing planning behaviour (described as integrated decision-making based on explicit marketing analysis) did not require, nor usually resulted from, formal marketing planning systems.

The associations of planning, perceived relative profitability, and industry growth potential have emerged sufficiently consistently to suggest that the textbook theory should be extended, at least as a hypothesis for future research. Less formality may be more suited to a high-growth environments because it increases flexibility and opportunism where these may be useful, and perhaps also because an "enacted" environment (Weick 1979) of growth exists **because** of a firm's flexibility in being opportunistic. Given either of these interpretations, the reverse holds in lower-growth environments. Here, efficiency may be a key managerial focus if the market is highly competitive (perhaps more price-sensitive, Porter 1980: 161) or a focus on efficiency may result in an **enacted** environment of lower growth. At the extreme, we could hypothesise firms in the same business with quite different views of the industry growth potential, because their style and culture, of which planning may be just one expression, range from opportunistic and flexible to cost-focused and mechanistic. More detailed research is needed to test this.

If this result is confirmed, then a systematic, integrated approach to future decision making based on explicit analysis may not always be the best way for firms to prepare for the future, the ultimate objective of planning. In, or for, high growth enacted environments, a more informal approach may be more suitable; one in which the aim is to create flexibility, for example, rather than to optimise a single strategy.

Taking this to its logical conclusion, we suggest extending the future control model of planning to include planning as adaptation. Planning in its role as an organising framework for decision making would be redefined as "preparing for the future". We would then avoid the "sheep and goats" distinction of most previous research, where only firms with textbook model plans are deemed to be planning properly. We suggest that planning, in our proposed sense, may be applied to firms with different aims and in different circumstances. In extreme unpredictability responsiveness may be a more realistic objective, and hence firms should seek processes and structures that increase flexibility and delay choice. We suggest that a further key trade-off may be between purposive and adaptive styles of planning, as well as the balance of direction setting and control suggested in studies of system capability.

Implications (Section 10.3)

By understanding the conceptualisation of planning, managers can identify the importance of the internal and external context in which they operate, and can focus on the outcomes they value most highly. Within planning's role as an organising framework for decision making, we suggest that the process of planning is critical, and that planning as adaptation may be more valid than planning as future control in some circumstances.

Future survey research into marketing planning must take careful consideration of the measures used, the influence of the textbook model, and response rates. We see the main opportunities in more qualitative techniques, particularly since the importance of the process has emerged from this study. The conceptual framework must be developed further, and other embedded assumptions identified and tested. Our suggestions relating to determinism and flexibility need further testing, and eventually, the focused approach to the different roles of planning that we suggest must give way to more holistic evaluations of marketing planning.

Proposals for Future Research (Section 10.4)

There are many opportunities for future research. We are particularly interested in two key issues that emerge from our research. First we would like to explore the idea of matching processes (including the marketing planning process) with the internal and external environment of the firm. Secondly, and related to the above, we are interested in the way in which firms process information, particularly how firms can achieve the ambiguity needed to retain flexibility at the same time as developing consensus across the firm. The thesis concludes with a brief description of how we would aim to initiate such research.

PART ONE: BACKGROUND, AIMS, AND METHODS

CHAPTER 2: THE THEORY OF MARKETING PLANNING

In this chapter we describe the textbook model of marketing planning and the standard recommended format of a marketing plan (Section 2.1). We explore the definitions and rationales for marketing planning, and identify the underlying requirement for causal knowledge of a predictable future. In Section 2.2 we present a conceptualisation of the planning process which focuses on our primary interest: the scope and formality of the organising framework for decision making. Section 2.3 reviews the antecedents of the textbook model and the context within which it operates, which suggest some anomalies in the model. Finally, in Section 2.4, we examine the nature of the empirical marketing planning literature, identifying those studies which have focused on aspects of the scope and formality of planning as an organising framework for decision making.

2.1 A DESCRIPTION OF THE TEXTBOOK MODEL

THE CURRENT MODEL

The textbook model of a marketing plan is remarkably consistent across authors, although the boundaries between strategic and operating plans may be less clearly delineated (see page 56). We identified a number of leading texts to review the textbook model. Mostly these discuss marketing management, but we also reviewed general texts on marketing, and texts on planning approaches to marketing or marketing management. The marketing management texts were: Bagozzi (1991), Boyd and Massy (1972), Bonoma (1984), Britt et al (1983), Cohen (1991), Howard (1973), Kotler (1991) and other editions, Park and Zaltman (1987), Peter and Donnelly Jr. (1992), and McKay in Sheth and Garrett (1986). The general marketing texts were: McDonald in Baker (1992), Evans and Berman (1988), Kurtz and Boone (1987), Mandell and Rosenberg (1977), Mercer (1992), Pride and Ferrell (1989), Schoell and Guiltinan (1988) and the "strategic market management" text of Aaker (1984). The three marketing texts with an explicit "planning approach" were: Buell (1984), Hughes (1978), and Jain (1985). While these authors do not present identical models of marketing planning, there is little substantive difference between their approaches. Some authors (e.g. Peter and Donnelly 1992, Park and Zaltman 1987) identify target market selection as a distinct step in the planning process whereas others include it in the analysis section (e.g. Bagozzi 1991, Cohen 1991, Hughes 1978, Kotler 1991). For others (e.g. Boyd and Massy 1972) the separate stages are less clearly specified.

Some authors (e.g. Bagozzi 1991, Peter and Donnelly 1992) introduce the idea of a subset of activities they describe as "planning" within their description of the "marketing planning model". These activities are neither the issues to be considered in the annual planning cycle nor the issues presented in the plan document. In the two examples cited, "planning" is described as "target market, forecasting and major product decisions" but not the other marketing mix decisions, and "objectives, target markets and the marketing mix decisions", respectively. This highlights one of the features of the textbook model; that the model is consistently defined simply as a series of steps to be undertaken, yet there is no clear definition of what planning actually is. At one level it is the entire marketing analysis, while at another it is those decisions made in advance of the year to which they apply.

The most significant difference between the textbooks, for our purposes, is the boundary between the strategic plan and the marketing plan. This is somewhat further confused by the introduction of the concept of the "strategic marketing plan" or "strategic market plan". All the texts state that marketing strategy should be reviewed and perhaps redesigned each year, but for some this is part of the strategic or strategic market(ing) plan, while for others it is part of "**the**" marketing plan. This, itself, is a misnomer since it is generally accepted that there may be several different plans under this general heading in the planning portfolio (e.g. Doyle 1975, Hopkins 1977, Abell 1978, Ross and Silverblatt 1987).

Because the differences do not substantively impact on our analysis, we have taken the model of Kotler (1991), shown in Figure 2.1, although we also refer to earlier versions, and occasionally to other authors where this seems to add insight. Kotler is, and has been for a long time, easily the best-selling text. He also offers a convenient compromise between the ill-defined and the over-prescribed in terms of the detail presented.

Figure 2.1

Relationship Between Marketing and Strategic Planning

(Kotler 1991: 63)

Kotler extensively describes the analysis required to develop a marketing plan and the plan content. As Figure 2.2 demonstrates, the plan contains a situation analysis, an opportunity and issues analysis, marketing objectives, strategies and programmes (including forecasts and budgets), and controls for evaluating the implementation.

Figure 2.2

Contents of a Marketing Plan

Section	Purpose
I. Executive summary	Presents a brief overview of the proposed plan for quick management skimming
II. Current marketing situation	Presents relevant background data on the market, product, competition, distribution and macroenvironment
III. Opportunity and issue analysis	Identifies the main opportunities/threats, strengths/ weaknesses, and issues facing the product.
IV. Objectives	Defines the goals the plan wants to reach in the areas of sales volume, market share and profit.
V. Marketing strategy	Presents the broad marketing approach that will be used to meet the plan's objectives.
VI. Action programs	Answers: **What** will be done? **Who** will do it? **When** will it be done? and **How much** will it cost?
VII. Projected profit-and-loss statement	Forecasts the expected financial outcomes from the plan.
VIII. Controls	Indicates how the plan will be monitored.

(Kotler 1991: 73)

The textbooks invariably recommend a formal process for marketing planning. They assume a hierarchical, rational, zero-based, and sequential process which results in strategy development, action plans and a control system. They prescribe key steps in the development of a marketing plan, starting with corporate objectives, working through an analysis of the current situation, a SWOT analysis, development of marketing objectives and strategies, through to action plans and measurement criteria. See Figures 2.1, 2.3.

Figure 2.3

The Marketing-Planning Process

a) Environmental Analysis Worksheet

Social, economic, political, technical environments (Situation analysis)
↓
Corporate mission, values, objectives
↓
Analysis of general demand (Annual marketing plan)
↓
Selection of target market segments
↓ ↓
Analysis of brand demand | Analysis of competition
↓ ↓
Brand positioning
↓
Public policy
↓
Opportunities and problems

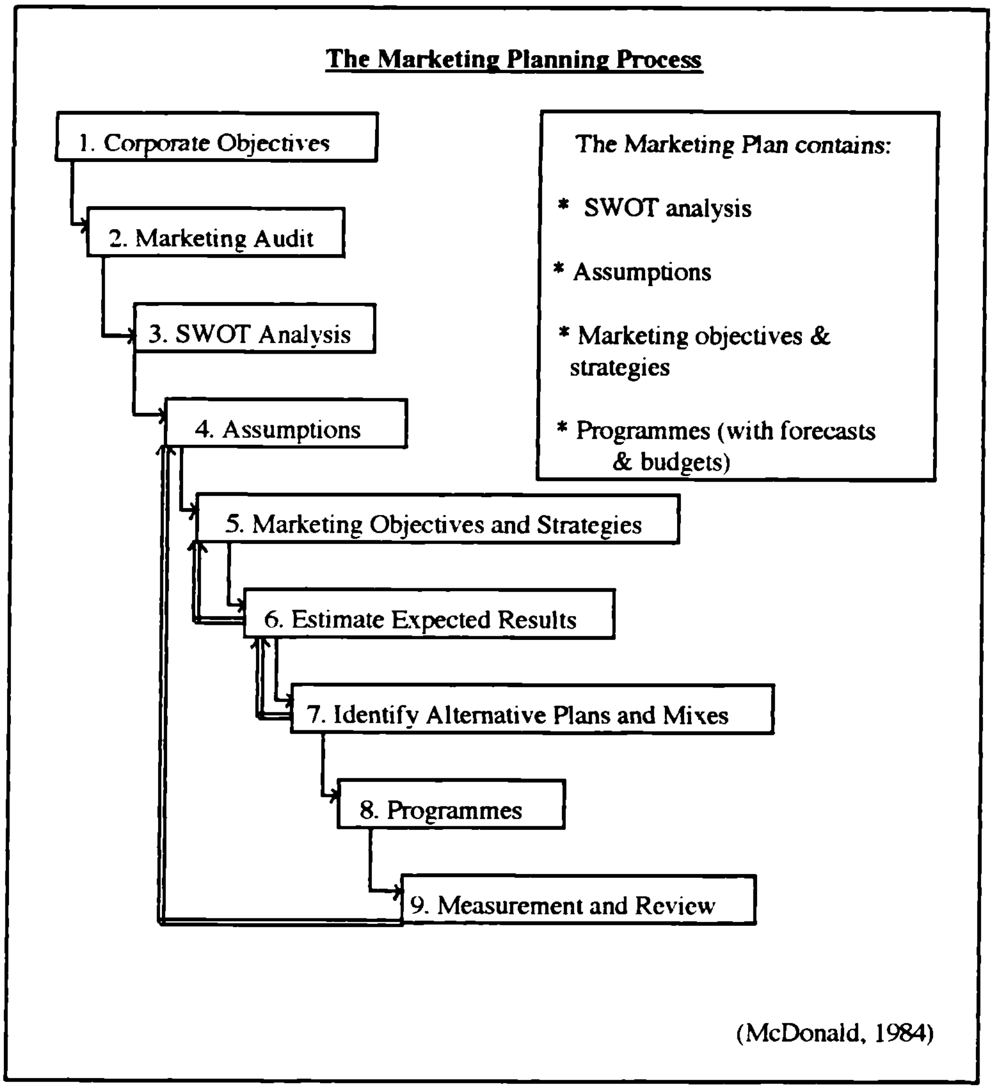
b) Strategy Worksheet

Marketing goals
↓
Marketing mix strategies
↓
Brand action plans
↓
Brand profit plans (Non-marketing costs)
↓
Evaluation and control

(Hughes 1978: 8-9)

Sometimes feedback loops are described for optimising the plan and adjusting during the period (Figure 2.4).

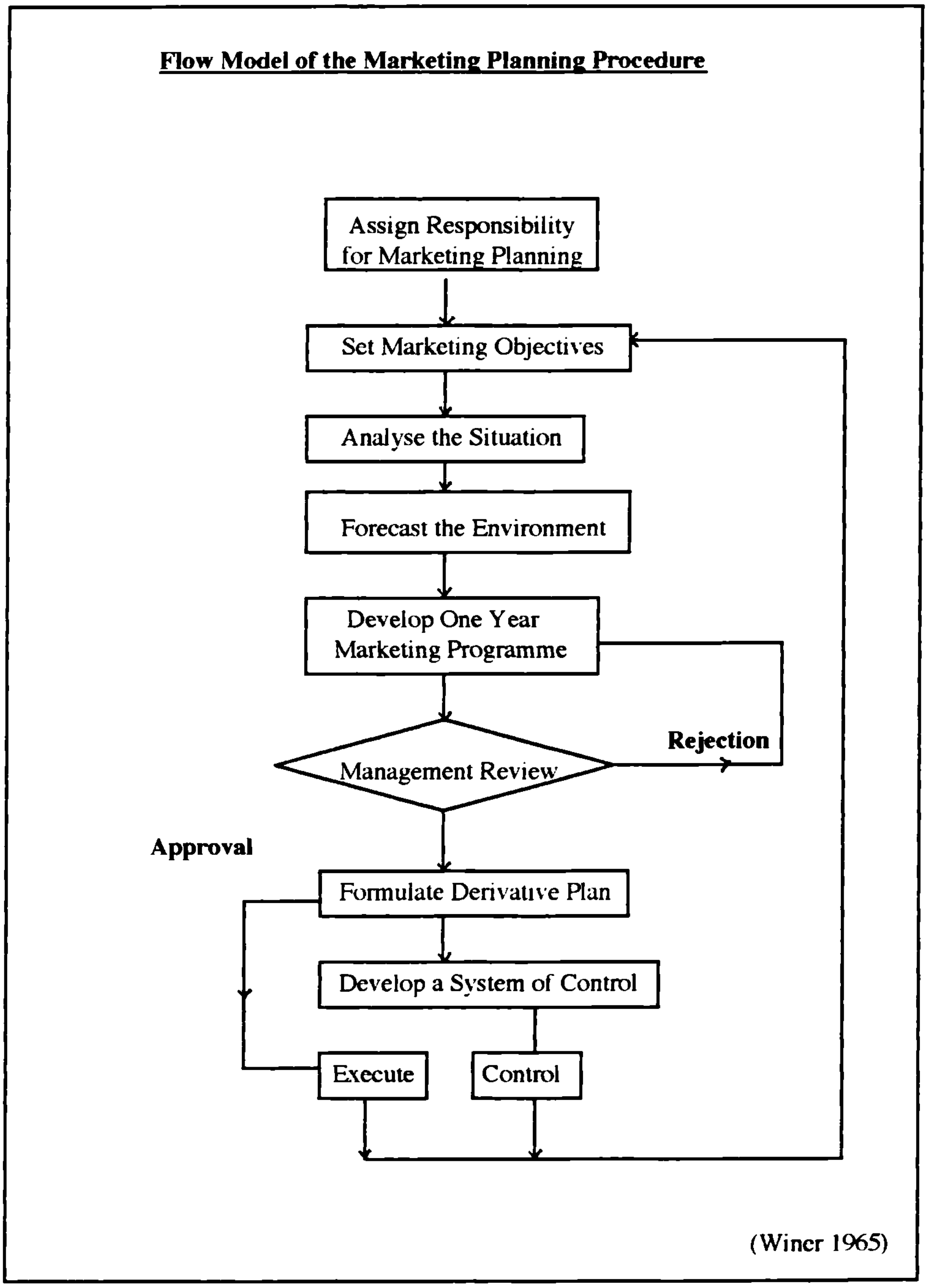
Figure 2.4



THE INCLUSION OF STRATEGY

The inclusion of a "strategy formulation" stage in the marketing planning model is recent. We can see this by referring to historical models of marketing planning (e.g. Horne 1965, Ames 1966, or Winer 1965, shown in Figure 2.5), where the focus is more directly on the generation of action plans and controls for those plans than strategies, and, indeed, the word strategy does not appear.

Figure 2.5



Conflicts in the Model

The empirical literature suggests that few firms follow the textbook model (e.g. Greenley 1987), and that problems persist in planning systems (e.g. McDonald 1982). When we consider the planning model, neither result is altogether surprising. Here we analyse the possible conflicts in the process generated by combining strategy formulation with action planning, objective setting and budgeting.

The Role of Marketing Planning in Strategy Formulation

The model of planning in the firm suggests that strategy formulation, at all levels, is part of the planning process. This is not consistent with most of the empirical literature on how strategy happens in real life. For example, Quinn (1980) found that "**most important strategic decisions seem to be taken outside the formal planning system.**"

There are several reasons why this should be so:

1. **Strategy is about being different and its formulation is a creative process** which conflicts with the rituals and controls that are imposed in standardised, sequential planning procedures, and in target setting. While strategic choice generation is divergent, budgeting and action planning are convergent (Mintzberg 1994a).

2. **There is a possible conflict when a creative activity is linked closely to a budgeting/control process** (Piercy and Morgan 1989, Loasby 1967).

3. There is a **possible conflict between a creative process and a repetitive process** "creativity... will be stifled by the monotony of routine" (Camillus 1975).

4. As **strategies are "long-term"** we would not expect to formulate them each year. Camillus and Grant (1980) recommend that a three-yearly or five-yearly cycle should be adequate. Bhattacharyya (1976) further suggests an annual review of internal strategic assumptions is sufficient to ensure that the strategy is still relevant.

Thus we might expect strategy development and the annual ritual of drawing up a plan and budget to be unsympathetic partners.

Most textbooks describe a process in which strategy is first decided and then implemented. There is, however, a body of literature that says that strategies are frequently not "planned and implemented" in this way. A more typical model may be for strategy to emerge in response to a perceived threat in the market or from competitors. Strategies may be emergent as much as deliberate (Quinn 1982, Mintzberg and Waters 1985). We would rarely expect to find responsive strategy development in the planning process since the firm would be unlikely to wait for the next round of the planning cycle.

Thus the "logical incrementalist" view sees strategy emerging one step at a time through changes resulting from shifts in emphasis in the actions taken. This is closer to a bottom-up view, which starts from a competitive tactic and evolves a strategy for the environment around it, or a "middle-up-down management" process (Nonaka 1988). And if the alternative model of strategy development is correct, marketing planning according to the textbook model runs the risk that by taking attention, time, and effort away from action planning it reduces the time spent on the very things which might effect emergent strategies.

The view of marketing planning as an activity which does not include strategy formulation (e.g. Winer 1965) is consistent with Mintzberg (1989: 77) and Jain (1985: 13) who describe the role of planning as to "**operationalise strategy already created by other means**" and to "**articulate the means of implementing strategy**", respectively.

The Role of Strategy Formulation in Marketing Planning

Rhyne (1987) in a study of strategic planning systems found a correlation between simple systems and more profitable companies. The marketing planning model has become more complex with the inclusion of strategy formulation. Yet one reason given for marketing planning is the ability to cope with an increasingly hostile, competitive, and fast-changing environment (McDonald 1984:13). Loasby (1967) stresses that **flexibility is important**, and warns against over-reliance on sophisticated techniques. This seems inconsistent with increasing the complexity of the planning process.

In an organisation embracing the marketing concept, there is no clear distinction drawn between the overall competitive strategy for a product market and the marketing strategy. Here, marketing strategy is used to describe those aspects of strategy that relate to the firm's activities with respect to its external environment: customers, channels and competitors. This is not inconsistent with the textbook model, but does not assume that the marketing **function** should drive the strategy as is implied by most marketing texts (at least some of the time). There is some support for this view in the strategic planning literature: Godiwalla et al (1979) suggest that CEOs perceived the marketing function to be the most strategic in six out of nine categories of business they studied, while Grinyer and Norburn (1974) found that while the CEO tends to dominate both objective setting and strategic decisions, he is strongly influenced by the marketing function.

The need for marketing strategy formulation, the outcome of the opportunity and issue analysis, and the objectives (within the overall business unit missions) that derive from this, within the marketing plan exist for several reasons:

1. There is a **need to ensure that the strategy is appropriate to the environment**, both the current environment and the forecast longer-term future environment. This can be related to the suggestion that one purpose of long range planning is to identify the present implications of future events (Loasby 1967).

2. There is a need to ensure **consistency between action plans and strategy**.

3. It **enables the proposed marketing strategy to be reviewed to ensure consistency with the business unit mission.**

4. Overall **there is value in making assumptions** about the company and its environment **more transparent** to improve the quality of the debate about what should be done.

There may be other simpler ways of achieving these results. For example, aims (2) and (3) could be met by a **formalisation of the strategy**; writing it down each year (but without the need for a major environmental review). (1) and (4) could be addressed by a **review of explicitly stated key assumptions** which are written down during a more "creative" strategy formulation or strategic review process. This would require the inclusion of key assumptions in the contents of the marketing plans as is suggested by McDonald (1984), shown earlier in Figure 2.4.

THE RATIONALE FOR, AND BOUNDARIES OF PLANNING

Why firms should undertake marketing planning and what distinguishes it from other managerial activities is much less explicit in the textbooks than the tasks involved or the sequence in which these tasks should be completed.

Depending on whose definition of a marketing plan is taken, between 10% (McDonald 1982) and 70% (firms' own definition, Greenley 1987) of firms engage in formal marketing planning. The degree of variation demonstrates a significant level of disagreement about the definition of planning. It also raises the issue of who should decide what is a marketing plan or marketing planning. Definitions of, or rationales for, marketing planning are sometimes missing from the textbooks (e.g. Bagozzi 1991, Park and Zaltman 1987), but where they exist, follow two main schools of thought.

Kotler (1991) and McDonald (1984) represent the two views: Kotler sees the marketing plan as providing a mechanism that ensures, or at least allows, that firms consider the current decisions needed to prepare for the future environment, or "future control" in the terms of Wildavsky (1973), while McDonald seems to assume that those decisions are made anyway, but using intuition rather than rationality. He sees the benefits in reducing the problem to its component parts so that it becomes more tractable, and by orchestrating the solution across the company the quality of decision making is increased. These are generically described below as "direction-setting" (deciding), and "integration" (where we typically include co-ordination, communication, and consensus-gaining). The first of these hoped-for benefits of marketing planning follows logically from the specified decision outcomes (marketing strategy, and action plans). The second follows from discussions, which are indicated though not described, across the firm and through the hierarchy (Stasch and Lanktree 1980), and from the relationship with the strategic plan.

In the 'Kotler' school we find Kurtz and Boone (1987: 63), McKay in Sheth and Garrett (1986:146), and a slightly more extreme version of "future control" from Mandell and Rosenberg (1977:95-96), while Cohen (1991:44-48) lies between Kotler and McDonald with an added stress on the allegedly time-saving nature of marketing planning (for top management at least). Howard (1973:20-23, 120-124) seems more in line with McDonald. We find some suggestions that there are additional benefits: "planning as training" (Cohen 1991:44-48), and "planning as delegation without loss of control" (Howard 1973:122), both of which are consistent with the theme of internal control that runs through the textbook literature.

The Kotler school of planning is somewhat similar to that of Loasby (1967) who describes the aims of long-range planning as: to identify the future implications of present decisions and the present implications of future events, and to give managers the means and motivation to do this. There are, however, some important differences. Loasby is describing long-range planning which he views as an activity that should be carried out infrequently, and that should not be inflexible (so actions are determined only for the short-term and may be changed). The McDonald school is closer to Mintzberg (1990) who discusses alternative views of planning suggesting finally that planning is a formalised procedure to produce articulated result, namely an integrated system of decisions (where the process of formalisation or systematisation is a key distinctive feature). Such an approach is concerned with rationality, and is rooted in analysis or decomposition, rather than synthesis, with the assumption that the former results in the latter. Mintzberg identifies four "reasons" given in the literature for planning: to co-ordinate activities, to ensure the future is taken into account, to be rational, and because firms "must plan" which almost directly mirror the reasons given by McDonald (1984: 11).

PLANNING AS OPTIMISING A SINGLE STRATEGY

An important characteristic of the textbook model is that the plan is intended to identify the "best" strategy. This is based on the marketing analysis which the SWOT analysis is presumed to summarise (though it is not clear how strategy emerges from this), and then optimised in its implementation. The implementation is expressed as a series of detailed action plans, to achieve quantified objectives in terms of market share and a budget. Contingency planning and the identification of alternative strategies are not required in the textbook model of marketing planning. Moreover the textbook model is **defined by** the sequence of activities suggested; they are intrinsic to it and there is no definition of marketing planning without them (Piercy and Giles 1989).

A corollary of this is an underlying assumption in the textbook model of causal knowledge of a predictable future. Not only must a firm be able to determine what the future will look like, it must also have causal knowledge of how the marketing mix will work in that future (e.g. Kotler 1991: 80). If the future is not predictable or the firm does not have causal knowledge in that future, then much of the planning system becomes redundant. This is equally true of long-range planning (Loasby 1967). It is predictability that allows a deterministic and purposive view of the world.

Thus planning theoreticians presume a predictable future, even as they talk of "turbulence" (e.g. Mintzberg 1990: 179-183, Woodward 1982).

Miesing and Wolfe (1985) discuss aspects of causal knowledge and predictability in strategic planning. They describe four types of planning. "**Computational**" planning is equivalent to the textbook model. They then relax in turn the assumptions of predictability and causal knowledge. Where the future is "unpredictable", but the firm has causal knowledge, they suggest a "**contingency**" planning approach, close to the "**planning as learning**" approach of de Geus (1988). This is perhaps most suited to a situation like that faced by de Geus at Shell, where one major variable - the price of oil - is highly unpredictable, but many of its contingent outcomes are predictable. In extreme unpredictability it is unlikely that scenarios relating to all the possible futures can be constructed, even in broad terms, and hence contingencies for all likely futures may be impossible. Where the future environment is known, but causality is not, then "**consensual**" planning is appropriate. This might occur with a new product launch into an existing market. Finally, where neither causality is known nor is the future predictable (as might occur with a new product launch into a new market), then "**conceptual**" planning is suitable. Consensual planning is intuitive rather than analytic, while conceptual planning is based on inspirational decision making relying on charismatic and entrepreneurial leadership. Similar, and extended, theories are given by Driver (1990) and McKee et al (1990). Contingency planning has been accepted in principle in strategic planning for many years (e.g. O'Connor 1978, Michael 1980).

We thus have the suggestion that there are circumstances in which the textbook model of planning might be modified. Both the single model described in the textbooks and these extensions account only for the "**future control**" aspects of planning, where planning is purposive in that it aims to identify actions, or contingent actions, through which the firm can shape its future (Wildavsky 1973). We consider an alternative view in Chapter 10.

2.2 A CONCEPTUALISATION OF MARKETING PLANNING

Within the view of planning as future control, we suggest a broader conceptualisation of marketing planning, shown schematically in Figure 2.6. Intrinsic to this is a belief that the primary **intention** of marketing planning is to help a **firm make better marketing decisions.**

Within this viewpoint, we see the two other main roles of marketing planning - of control and integration - as subservient to its role in decision making, since the latter is a prerequisite to its other possible roles.

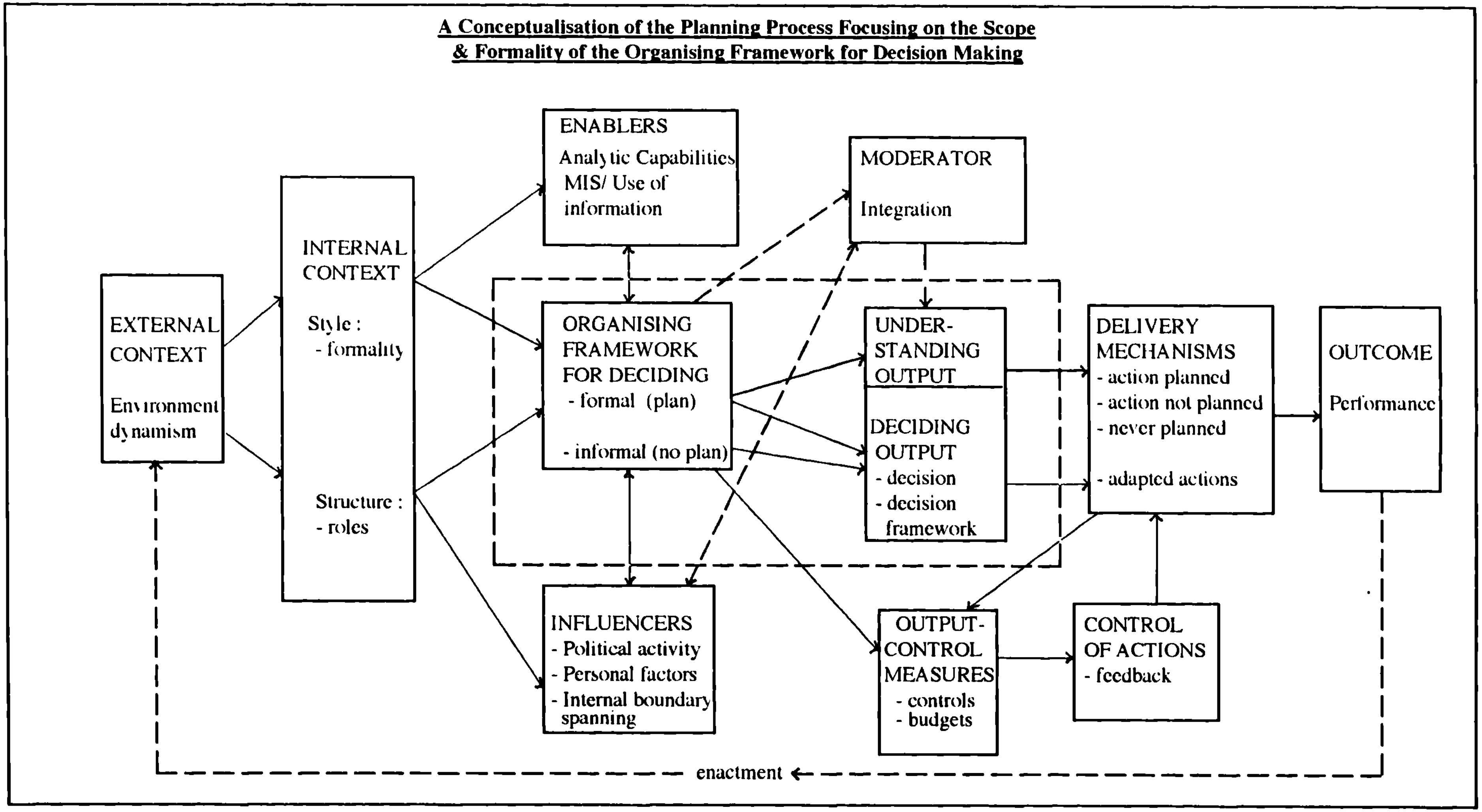
Controls give a mechanism for ensuring that decisions are implemented, monitoring the outcomes, and adjusting decisions given new information (about the future or about causal knowledge in that future). Integration allows the decisions to have relevance in the context of other functions and meaning to those other functions.

Our analysis is also taken at the firm level, as if "the firm itself" undertook marketing planning. This does not presume that personal or political factors do not matter, simply that the primary intended meaning of marketing planning is not, for example, as a training mechanism for staff (part of the control objective), or as a mechanism for top managers to compare performance and proposals in different product markets, although these may be alternative or additional meanings.

Taking this perspective, we see marketing planning intended as a combination of three core roles: first, and most important, as an organising framework for decision making; secondly as a process for producing a pre-approved instruction set for implementation, and for monitoring and controlling results; and thirdly as a means of co-ordinating activity across the firm, e.g. through the sales forecast. We explain each of these elements in turn, and then review the context in which we see them, with a focus on the scope and formality of this decision making framework.

The concept of an organising framework for decision making has two parts: understanding and choosing. The marketing planning framework provides a structure for organising the information available into sensible and manageable categories (e.g. customers or customer segments, government regulation) to help managers capture a descriptive view of their external and internal environments, observe trends within the categories and forecast the future, and establish a theory of causality within the market. Decisions based on this explicit analysis can then be assessed for consistency with the analysis, across the decision set and over time.

Figure 2.6


A Conceptualisation of the Planning Process Focusing on the Scope
& Formality of the Organising Framework for Decision Making
EXTERNAL CONTEXT
Environment dynamism
INTERNAL CONTEXT
Style :
- formality
Structure :
- roles
ENABLERS
Analytic Capabilities
MIS/ Use of information
ORGANISING FRAMEWORK FOR DECIDING
- formal (plan)
- informal (no plan)
INFLUENCERS
- Political activity
- Personal factors
- Internal boundary spanning
MODERATOR
Integration
UNDER-STANDING OUTPUT
DECIDING OUTPUT
- decision
- decision framework
OUTPUT-CONTROL MEASURES
- controls
- budgets
DELIVERY MECHANISMS
- action planned
- action not planned
- never planned
- adapted actions
CONTROL OF ACTIONS
- feedback
OUTCOME
Performance
enactment

The marketing planning process is presumed to lead to a marketing plan which is then approved by senior management (Kotler 1991: 709). The plan then forms the basis for delegation without loss of control, since during the approval process in advance of the plan year, actions are agreed, as are budgets and controls to check that satisfactory progress is made throughout the year.

Finally, marketing planning, through the sales forecast at the very least, is an integrating mechanism. Potentially, marketing planning operates more broadly in this respect as, for example, activities relating to serving customers are agreed throughout the firm.

At the centre of our conceptualisation is the **organising framework for decision making** with its primary output as decision making. The scope and formality of this framework could be described as the "mainstream" of marketing planning research, albeit in a field with only 32 empirical studies of any aspect of marketing planning. In our framework we build on the work of John and Martin (1984), Verhage and Waarts (1988), and Piercy and Morgan (1989, 1990), and Taylor (1976).

The organising framework will be influenced in three different ways: by the internal context of the organisation (including, for example, management style, complexity, and organisation structure for marketing), by enabling capabilities (analytic capabilities, management information systems (MIS), and the use of information), and by influences outside the rational view of the firm (such as political activity, and personal factors). The internal context may be influenced by the environment of the firm, especially the dynamism or predictability of the environment. To the extent that planning is successful as an **integrator**, discussions outside the marketing department will influence any decision outputs. The other output is that of **control measures** (controls and budgets). The next stage is the translation of decisions into actions, and the influence of the controls in modifying actions. The ultimate outcome of this can be measured in performance, while within the concept of enactment (Weick 1979), the outcome itself may influence the external context. We briefly describe alternative foci for a conceptualisation in Appendix 2.1.

In presenting this, we have extended the marketing planning model beyond the textbook prescriptions. The organising framework is described as formal or informal, the decision making output may be decisions, or it may include a decision framework, or neither Within the model of marketing planning as future control, a decision framework would seem to be the minimum acceptable output. To relax this constraint we have to consider alternative guiding principles, such as planning as adaptation. We return to this in Chapter 10.

We look next at the antecedents of the textbook model. The textbooks originally identified industry best practice in the late 1960's (e.g. Kotler 1972) which was then "logically improved" by theorists. Because the model is presented without justification, it is helpful to review its antecedents and development to understand why it is presented in its current form, and from where problems may arise.

2.3 THE CONTEXT OF THE MARKETING CONCEPT AND THE SCOPE OF MARKETING PLANNING

The textbooks' structure and approach, and the marketing planning model can be understood as a direct reflection of the marketing concept, operationalised as the role of the marketing department. The marketing concept states that:

"the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors." (Kotler 1991:16)

The marketing concept emerged in the 1950's (Drucker 1954, McKitterick 1957, Borch 1957, Levitt 1960) as a philosophy that a firm's analysis should start with customers rather than the operation, and the aim of the firm is to adapt to customers' needs and wants rather than to convert customers to buying the output of the firm.

The marketing concept was translated operationally into an enhanced role in the firm for the marketing function (e.g. Doyle 1979), with two key aspects: deciding and implementing, each of which, in turn has two key elements, shown in Figure 2.7. Within "deciding", the main focus is on the tools of analysis and decision-making, while marketing planning is the recommended organising framework for decision making (e.g. Buell 1960). "Implementing" is seen as a separate activity of executing the plan with issues of developing an organising framework for implementing, the product management structure (e.g. Printers Ink 1960), and measurement and control systems chosen within the planning process to produce feedback during the implementation phase. In this way marketing planning provides the linkage between deciding and implementing.

As a consequence of the marketing concept we have the statement that

"the first step in business planning is the marketing step ... The role of the finance, purchasing, manufacturing, physical distribution, and personnel departments is to make sure that the proposed marketing plan can be supported with enough money, materials, machines and personnel." (Kotler 1991: 62).

Figure 2.7

	Operationalising the Marketing Concept (McKitterick 1957, Bloch 1957, Levitt 1960)			
	Deciding/ Choosing		Implementing	
	Tools Analysis and Decision Making	Organising Framework —— Linkage Planning	—— Tools Measurement and Control inc budgets	Organising Framework Structure and Integrating Activities
STAGE ONE (1960's) Management Science	Objective reality (Bounded) rationality Optimisation (satisficing) Economics-based Psychology - based	Need for marketing planning (Buell 1960, exemplary form Miller 1967) Problems with marketing planning (Winer 1965, Ames 1968)		Need for product management (Printers Ink 1960) Problems with product management (Luck and Nowak 1965)
STAGE TWO (1970's) Assessing reality Increasing sophistication of analytic frameworks	Descriptive studies of decisions (Bower 1970) Use of information in decisions (Cardozo et al 1972, Crawford 1977) Model building (Kotler 1970)	Scope of the framework (Hopkins 1972) continuing with (Hopkins 1981, Greenley 1982, 1983a, 1984, McDonald 1982)	Budgets as political process (Pfeffer and Salancik 1974, Schiff and Lewin1970, Hofstede 1968) Assessing zero-based budgets (Wildavsky and Hammann 1971, Pyhrr 1970)	Product manager as influencer (Luck 1969, Venkatesh and Wilemon 1976, Gemmill & Wilemon 1972) Product manager roles (Lucas 1972, Clewett and Stasch 1975) Problems in operationalising concept functionally (Doyle 1979)
STAGE THREE (1980's) Integrating frameworks Importance of people	Multifunctional decisions (Parasuraman et al 1985, Day and Wensley 1983, 1988, Bitner 1990, Norburn et al 1990) New Controls (Simmonds 1986, Barwise et al 1990) Quality of planning (Cosse & Swan 1983, Kapoor & Singh 1981)	Planning as integration (Stasch and Lanktree 1980) Integrating plans (Wiersema 1983, Leontiades 1983, Greenley 1986d) Formality (Leppard & McDonald 87, Carson and Cromie 1989) Evaluation (Greenley 1983b)	Integrating planning& budgeting (Lin 79, Wetherbe & Montanari 81, Duffy 89) Integrating planning and control (Machin & Wilson 79, Horovitz 79, Norburn and Miller 1981) Plan credibility/ utilisation (John & Martin 84, Piercy & Morgan 89 90)	Boundary spanning (Aldrich & Herker 1977, Lysonski 1985, Ruekert & Walker 1977, Lysonski 1989, Hutt & Speh 1984) New structures (Achrol 1991) Marketers as people (Cunningham & Clarke 75, Giese & Weisenberger 82, McDaniel et al 1985)

Thus we have the view that marketing, through marketing planning, should drive decision making in the firm. Challenging this, we might consider alternative views, such as that the role of marketing is to exploit the R&D effort (e.g. in a pharmaceutical or high technology firm). By considering some of these alternatives we could derive different roles and scope for the marketing function (e.g. Johnson and Jones 1956, Walker and Ruekert 1987). Kotler (1991: 700) recognises this in his late chapter on organising and implementing the marketing effort; it simply is not worked through in the proposed marketing planning model, except in the minimal sense of executing the marketing plan.

One plausible reason for this confusion relates to the emergence of strategic planning. Within a simple firm structure in a benign growth environment (especially in fast moving consumer goods (fmcg) - the blue chip firms of marketing, Ambler 1993), it is easy to see how standardised marketing planning by product managers could be seen as a suitable overall organising framework for decision making and implementing. As firms became more complex, more diverse, and operated in more competitive environments, new techniques developed. These included portfolio management, decisions based on core competencies, and strategy development, and were all operationalised through strategic planning. While the original view of marketing planning was generally modified with the emergence of strategic planning (e.g. Leontiades 1983, Raymond and Barksdale 1989, Wiersema 1983) the marketing textbooks continued to assert the need for marketing dominance in decision making, at least at the product market level. The precise scope of marketing planning decisions in this new context has never really been resolved (e.g. Aaker 1984, Abell and Hammond 1979, Day 1984). Bourgeois (1980) distinguishes primary and secondary strategy, and Kotler (1982) suggests that primary strategy is the concern of strategic planning while secondary strategy is the concern of marketing planning. This works successfully only as long as different meanings can be attributed to these terms (e.g. Mintzberg and Waters 1985).

The relationship of strategic and marketing planning has been discussed in two main ways. One viewpoint sees marketing planning as operationalising the strategic plan (Leyshon 1976, Leontiades 1983). The alternative view is that the problem is one of accepting the role of strategic planning without compromising the marketing concept (Raymond and Barksdale 1989). There are various prescriptions for resolution include assigning different roles (Greenley 1981, 1986c) and by adopting a strategic marketing perspective widely within the firm (Wiersema 1983), or by close interactions in the planning processes (Peattie and Notley 1989).

Overall this raises a serious question about the scope of marketing planning in practice.

Evidence on the Scope of the Marketing Job

A second issue relates to the scope of the marketing job, which we might expect to impact on the scope of the marketing plan. When the marketing concept is operationalised through the product management concept, we expect marketers to be involved in the spectrum of marketing activities. However, the level of acceptance of product management is not clear. While both Buell (1975) and McDaniel and Gray (1980) report that some 70% of manufacturing firms have such a system, Kotler (1991: 689) states that functional marketing remains the most widespread organisation structure for marketing.

One possible reason for the widespread continuation or resumption of functional marketing is that studies, typically of product managers, reflect dissatisfaction with the outcomes of the product or market management structures that emerged in the 1960's (Dietz 1969). Rather than being "**little general managers**" (Ames 1963, Dietz 1973), product managers behaved more like highly paid clerks. Some reasons for this were identified, including the lack of authority commensurate with their responsibility (Ames 1963), and the interfacing or boundary spanning problems, both inside and outside the firm (Luck 1969).

Studies of decision-making roles and responsibilities in marketing have mostly focused on product or marketing managers. Their role is invariably reported as less than that suggested, particularly in decision areas concerned with sales and distribution. This suggests that marketing plans might have similar "omissions", since we would expect the marketing plan to reflect the roles of the author.

Overall, the antecedents of the marketing planning process, and the reality of its operationalisation suggest two **limitations on the scope of marketing planning** in practice.

THE ORGANISATIONAL CONTEXT FOR MARKETING PLANNING

A separate issue relates to the organisational context for marketing planning, and its impact on both the **scope and formality of the marketing planning process**.

Underlying any management process is an implicit model of how the organisation works, and it is suggested that firms should seek coherence, or matching, between their structure and processes (e.g. Child 1977: 8/9, Mintzberg 1983: 2/3). Any proposed marketing planning process should therefore be in harmony with the structure. This, in turn, should be consistent with the enacted environment, as shown in the popular McKinsey 7S model (Peters and Waterman 1982).

Models of organisation have been described as a dichotomy of ideology between those described as "mechanical" or imperative, drawing on Weber's work on bureaucracy (1947, 1968), and those described as "organic" or co-ordinating, originating from the work of Barnard (Perrow 1979: 71). A review of the (large) organisation literature is beyond the scope of this thesis, but some issues are pertinent.

Bureaucracy is the implicit model on which much business is founded (Perrow 1979:4). The underpinning principles of bureaucracy, described by Weber as a rational-legal system, include characteristics relating to the structure and functions of organisation. Perrow (1979: 56-57) summarises some relevant characteristics: bureaucracies are rational, standard-driven, rule-driven, and hierarchical. In Weber's model, decisions are recorded in writing (1947: 333), and "**strict and systematic discipline and control**" is used (1947: 335). The model assumes top-down control, and that causal knowledge of a predictable future allows the firm to choose an efficient division of tasks, set rules and standards and operate effectively in the market. Although this causal knowledge is, to some degree, implicit in any system, bureaucracy requires a greater degree of certainty.

The distinctive features of the textbook model are that it is a systematised, standardised, sequential process with a defined output. It is a hierarchical process, with assumptions of rationality, and causal knowledge of a predictable future. Indeed, when we consider the problems with planning described by practitioners (Ames 1968, McDonald 1982) we find those that arise in a bureaucratic system. Planning fails at the strategic and marketing level in setting direction or generating new strategic options. Bureaucracy is not a system designed to create "double-loop" learning in which the standards, strategies and goals can be re-evaluated (Argyris and Schön 1978: 20). That managers focus more on filling in the planning forms than on thinking is a symptom of an unsuccessful bureaucracy.

Advantages and disadvantages of bureaucracy

The bureaucratic model has many claimed benefits; the most relevant here is that it is more efficient. The structure of rules and regulations, and specialisation have made bureaucracies better suited to stable routine tasks (Perrow 1979: 4-5), but generate problems in dealing with change. Flexibility and judgement at lower levels of the organisation are not valued, and although it is theoretically feasible that rules and tasks allow scope for adjustment among employees, this contravenes the principle of top-down control. While "stability" is the ideal environment for bureaucracy, it may perhaps deal with change provided that change is predictable. The problems arise when the environment or technology is, for whatever reason, unpredictable.

Alternatives to Bureaucracy

Specifically, the alternative models stem from Barnard (1948) who suggested that organisations were based on co-operation (rather than coercion). Closest to a radical alternative view of organisations is that of Burns and Stalker (1961). Burns (1963) argues that "**Organismic systems are adapted to unstable conditions, when new and unfamiliar problems and requirements continually arise which cannot be broken down and distributed among specialist roles within the hierarchy.**" Here firms need "**a much greater flexibility in internal organisation, much higher levels of commitment... from all its members.**" Job definitions are more ambiguous, and interactions less clearly defined; both are based on what needs to be done. This structure closely parallels Mintzberg's "adhocracy" structure (1983), the system for larger firms which facilitates innovation. Similarly, Lawrence and Lorsch (1967) recommend a contingency theory of organisations, distinguishing those organisations in a diverse and dynamic environment.

How then does the marketing planning process deal with unpredictability or with the need for flexibility, when using the textbook model may then result in a plan unsuited to an environment of change? In particular, what level of formality should be associated with the marketing planning process?

Relating to Product Management

The product management structure has some of the characteristics of the organic models of organisation. The bureaucratic process described by the marketing planning model appears to be in conflict with the emergence of the product management system (e.g. Fulmer 1965, Haller 1980, Offord 1967, Printer's Ink 1960, Reid 1988, Sales Management 1967). The idea behind product management is to reverse the usual functional structure which focuses on the specialisations of the firm (bureaucracy) and focus instead on individual products or markets with the functions regarded as support services. This view of organisation places precedence on the market as the main driver of activities, and originated in fmcg markets, where the marketing function can strongly influence the competitive advantage of the firm (compared with, say, high technology companies).

Weber's view of feasible reporting structures (1947: 332) include "one man one boss" and equality of responsibility and authority. These tenets are broken in the product management system, where authority and responsibility are not matched and where dotted line responsibilities flourish in a matrix structure. Weitz and Anderson (1981) suggest that brand managers (or product managers or market managers) are most suited to (simple, interconnected, and) unpredictable environments, and that the brand manager will have the most responsibility in the most unpredictable environments. They describe the key element of the job, citing Lawrence and Lorsch (1967b) as integration. Their focus is different from ours, rather than a concern about how the **firm** decides, the emphasis is on the way in which the "**brand director**" orchestrates the decisions of specialists.

The brand manager is intended to be the "general manager" for his/her brand. Marketing planning is intended to allow controlled, delegated decision making. But just as the scope of the brand manager job is expected to be greater in unpredictability and less in stability, so we might expect the **scope** of the marketing plan to be greater in unpredictability and less in stability. Further, we should expect **formality** in the planning process to be less in unpredictability and greater in stability.

In summary, we might expect the scope of the marketing plan to reflect the scope of the product management role, itself a function of the predictability of the environment, with greater scope in less predictable environments, but still excluding issues of sales management and distribution. We might expect the formality of the process to decrease as unpredictability of the environment increases. Finally we might expect some variation in the scope of the marketing plan linked to variation in the role of the strategic plan in some organisations.

2.4 THE EMPIRICAL STUDIES OF MARKETING PLANNING

There is a limited empirical literature on marketing planning and the marketing plan. We have identified thirty-two studies and divided them into three categories:

- general surveys of marketing planning practice including the scope and formality of the framework for decision making (Figure 2.8),
- specific studies of aspects of planning relevant to the scope and formality of the framework for decision making (Figure 2.9), and
- studies focusing on other aspects of the conceptualisation (Figure 2.10).

The figures briefly summarise the focus, method and nature of the results of each study.

The general studies are mostly concerned with reporting the prevalence of, and the elements included, in the plan (Winer 1965, Miller 1967, Ames 1968, Hopkins 1972, 1981, McDonald 1982, Greenley 1982, 1983a, 1984, Mason et al 1985, Leppard and McDonald 1987, Griffin 1989, Dandurand and Kennedy 1989, Carson and Cromie 1989, Sutton 1990). We also report here on the relevant results of Doyle (1987).

The specific studies of direct relevance to our research include those that:

- **evaluate the framework** (Greenley 1983b, Hooley et al 1984 and Hooley 1984, van der Walt et al 1989 and Lysonski and Pecotich 1990, 1992, Verhage and Waarts 1988, McColl-Kennedy et al 1990, Greenley and Bayus 1993)
- study **context and process management** (Stasch and Lanktree 1980)
- **link context, framework and actions** (John and Martin 1984, Piercy and Morgan 1989, 1990).

Less relevant are those studies exclusively related to "enabling" aspects (Kapoor and Singh 1981, Cossé and Swan 1983, Dickson and Kalapurakal 1991), to "integration" aspects (Hulbert et al 1980, Greenley 1986a), or to perceptions of the process (Greenley 1988). Fletcher and Hart (1990) actually study strategic planning. We have excluded articles "drawing on" (but not describing) experience in a company (e.g. Christopher 1970), and the empirical studies of corporate planning described on page 54. Thirty-six articles describe the thirty-two studies.

Figure 2.8

General Studies of Marketing Planning Practice Relating to the Scope and Formality of the Organising Framework for Decision Making

Author	Date	Population	Method	Sample size Response %	Focus	Nature of Results	Comments
Winer	1965	US manuf cos & ad agencies	Interviews	n a n a	Plan rationality & comprehensiveness	Budgets not plans produced	
Miller	1967	Fortune 500 & 21 cos "noteworthy job"	Mail survey 14 Interviews	163 cos 31%	Plan process, content & context	Count of planners, Contents Examples of best practice	Report with little analysis or synthesis
Ames	1968	US industrial manuf cos	n a	50 n a	Plan information, completeness Senior mgt direction integration	Where planning fails in industrial cos	
Hopkins	(1972) 1981	"Cross-section of US firms"	n a	267 cos n a	Planners process, content & context	Count of contents, process, type Examples of best practice	Report with little analysis or synthesis
McDonald	1982	UK industrial manuf cos	2 mail surveys (50resp) Workshops (385 resp)	n a	Acceptance of textbook model Evaluate effectiveness of model	Who "really" plans, problems, contingent on size, diversity	
Greenley	1982	UK manuf cos	Mail survey to equal nos ind and cons	80 cos n a	Planning practice, styles of plan	Who plans, content, controls	With and without plans not separated
Greenley	1983a	UK manuf cos	Interviews	40 cos n/a	Planning practice, styles of plan	Who plans, content, controls	
Greenley	1984	UK service cos	Mail survey	50 cos n a	Planning practice, styles of plan	Who plans, content, controls	With and without plans not separated
Mason et al	1985	US department stores (672)	Mail survey to CEO (2 mailings)	92 resp 14%	Plan content, process, context	Planners: type, time responsibilities, approval, period, contents	Report current practice
Leppard & McDonald	1987	UK cos	34 surveyed 12 "in depth"	34 n a	Tailoring plan to firm stage in life cycle	Less formality as earlier in life cycle	No evidence offered
Griffin	1989	Intl ad assoc + Equip cos (US) + 10 cos	Mail survey (Personnel)	100 12 6%	Plan similarity to textbook model	Similarity to model and types of difference Process and integration	Respondents check against list
Dandurand & Kennedy	1989	Local cos -> 30 cos convenience sample	In depth case studies	27 90%	Plan structure	Score by points for listed items + points for including main elements	
Carson & Cromie	1989	Small UK firms < 4 years old	Interviews	68 n/a	Tailoring formality to firm size	Little formal framework: 27 marketing oriented, 41 not, none sophisticated	
Sutton	1990	US firms	Mail survey (1216) 13 follow up ints	233 resp 18 3%	Plan content, process, context	Count of contents, type, process Some analysis of change perceptions	Little analysis or synthesis
Doyle	1987	Times 1000 CEOs	Mail survey	365 (37%)	How CEOs view marketing	Prevalence of planning	

Figure 2.9

Specific Studies of Marketing Planning Practice Relating to the Scope and Formality of the Organising Framework for Decision Making

Author	Date	Population	Method	Sample & Resp Rate	Focus	Results	Comments
Stasch & Lanktree	1980	US consumer manuf non durable	Semi structured interviews	6 cos, 42 resp n a	Plan procedures Hypotheses ~ Sen mgt role	Planning is dynamic process, with vertical and horizontal interaction	
Greenley	1983b	UK manuf cos	1982 survey data	4 n a	Effectiveness in marketing planning	Hard to assess	Adapted Dyson & Foster(1980)
John & Martin	1984	US	Interview top mgr Survey rec (6 30/co)	53co 292 resp 27% cos	Influence on credibility utilisation of plan of formalisation centralisation	Control in division & participation, & formalisation -> more C& I	
Hooley et al Hooley	1984 1984	12,744 subscribers to Marketing magazine	Mail survey + 100 in depth ints	1775 resp	Marketing practice	Prevalence of plans, and relationship with actual and perceived performance	Acknowledge resp bias,with plan data
Verhage & Waarts	1988	440 Dutch cos	Mail survey	138 31%	Planning and performance	Firms with mktg plan out-perform those without if also strategic plan	
Piercy & Morgan	1989, 1990	950 UK firms	Mail survey	144 15%	Influences on credibility utilisation of plan of techniques used/ orientation	Strategic orientation + thoroughness -> C&I	Second study reworks data
Van der Walt et al	1989	1250 NZ cos	Mail survey to CEO to forward	522 42%	Plan existence, type & performance planning informationt, planning aids	No relationship planning & perf. More formal planning in high growth	
Lysonski & Pecotich	1990, 1992	1250 NZ cos	Mail survey to CEO to forward	522 42%	Planning and performance	Mktg Pln & Fin perf correlate incl. formalisation comprehensiveness regardless of industry dynamic	Profit 0-1% variance Reworks Van der Walt et al (1989)
Fletcher & Hart	1990	182 pharma cos	Mail survey	108 54%	"Strategic marketing planning" Marketing input to strategic planning		Confused terms
McColl-Kennedy et al	1990	797 execs in 500 Australian cos	Mail survey to Marketing execs	255 32%	Compares content, people, relation with strat. plan and perf. by ind. type	Firms differ except in use of tools Performance not linked to plan tools	
Greenley & Bayus	1993	960 US cos 1000 UK cos	Mail survey to Members AMA, CIM	175 (18%US) 106 (11%UK)	Use of methods, decision making effectiveness, market research input, managerial participation: UK vs US	Few US/UK differences, Low perceived effectiveness, much info, few techniquess, Wide participation	Terms used problematic

Figure 2.10

Other Studies of Marketing Planning Practice

Author	Date	Population	Method	Sample & Resp Rate	Focus	Results	Comments
Hulbert et al	1980	80 NMC subsids in Brazil	Interview 63 CEO, 62 Mktg Mgr	80 cos n a	Practices in multinational subsid Integrating parent & subsid planning	How subsid planning happens, problems	
Kapoor & Singh	1981	Indian large sized cos	Mail Q + Personal interview	93 cos n a	Plan sophistication	Lack of sophisticated marketing planning in India	Self styled
Cosse & Swan	1983	US manuf cos	Mail survey PMs 492 execs, 42 cos	35 co 176 Q 85% co 36% Q	Plan sophistication	Product managers do not have strategic planning orientation	Authors' model Not annual plan
Greenley	1986a	UK cos	Survey + interviews (82, 83, 84 & new)	70 new firms n a	Integration of strategic and marketing plans	Little integration	1 3 firms very small
Greenley	1988	UK consumer cos 3 dur, 1 non dur	"case study" structured interviews	4 cos 29 resp n a	Perceptions of plan procedures and processes	Vary between and within firms (including substantive issues)	
Dickson & Kalapurakal	1991	Hopkins 81 & Sutton 90 data			Use of information and environmental analysis	Little change in environmental analysis Shortage of info available to planners	

Previous researchers have expressed surprise that there has not been more empirical work on this topic (e.g. Buell 1960, Stasch and Lanktree 1980, Greenley 1987). A citation search revealed only 52 citations of the existing literature (excluding self-citation) by authors of empirical marketing planning studies. Almost every author has started as if no previous work existed in the field; only three authors cite more than two previous studies in their first empirical article. Exceptions are Sutton (1990) which builds on Hopkins (1981), Piercy and Morgan (1989) which builds on John and Martin (1984), and Lysonski and Pecotich (1992) which references both marketing and strategic planning literatures. As far as possible, our research builds on the earlier empirical work.

We now describe the main findings from the general studies of who plans, what they plan and how. We then summarise and discuss the nature of the marketing planning research evidence.

DESCRIPTIVE FINDINGS ON MARKETING PLANNING IN PRACTICE

The Incidence of Marketing Planning

- Only 60-70% of UK companies claim to produce a marketing plan (McDonald 1982, Greenley 1987).

- Among the Times 1000, 80% of firms had marketing plans, rising to 84% of the very largest firms (Doyle 1987).

- In the US, Miller (1967) found that 77% of Fortune 500 companies produced marketing plans.

- Mason et al (1985) found 68% of US department stores claimed to produce a market plan.

- Hopkins (1981) found that small firms, diversified firms, or firms with a previous bad experience in planning were less likely to produce marketing plans and typically only produced forecasts and budgets.

- Between 26% and 41% of marketing plans were simply part of an overall business plan, some 40% a separate marketing plan for each product, and 20% an overall marketing plan for the firm (Hopkins 1981, Sutton 1990).

- The time horizon covered in the plan was one year (55% firms) or longer (Sutton 1990). Hopkins (1981) found that the plan was produced annually in 80% of his sample.

<u>**Contents of the Marketing Plan**</u>

- In general, the Hopkins and Sutton studies provide the most comprehensive findings on plan content and we report mostly on these. Overall, however, only 10-15% of firms produced plans that included all elements of the textbook model (McDonald 1982, Greenley 1987).

- A financial (or budgetary) bias was typical of both plans and subsequent control mechanisms. Financial objectives and strategies, particularly sales revenue and profit, were more prevalent than market or marketing mix objectives and strategies in the studies of Hopkins (1981) and Greenley (1982, 1984), whereas Sutton (1990) found that market share was the always the most prevalent objective, followed by financial objectives.

- Of the marketing mix variables, distribution (or place) received the least attention (Hopkins 1981, Sutton 1990). This is consistent with our earlier speculation that plan elements follow the responsibilities of marketers who have mostly not been responsible for distribution.

- Market size, market share, market segmentation, competitive strengths and weaknesses and changing customer needs were the most widespread analyses featured in marketing plans (Hopkins 1981, Sutton 1990).

- Little attention was given in these plans to serious consideration of strategic alternatives, contingency plans or reviews of previous plans, suggesting a focus on optimising a single strategy, and that learning from past experience was not explicitly designed into the planning process.

- Sutton (1990) noted major changes since Hopkins' (1981) study: a generally increased customer-orientation in marketing plans, and an increase in the emphasis on marketing among service firms.

- Plan authorship was mostly the responsibility of the marketing department. Top management was responsible for final approval of the plan in about 60%

organisations, with a further 8% of firms where a Committee held this responsibility.

- In over two thirds of organisations, senior management set the strategic objectives to be followed by marketing (Hopkins 1981).

The nature of these findings is typical of the field; mostly studies report on current practice without further analysis or synthesis of the findings.

Previous Research: Summary and Discussion

The single most consistent empirical finding is that there is a gap between theory and practice (Winer 1965, McDonald 1982, Greenley 1987), measured mainly by the omission of elements of the textbook model from the plan. While neither comprehensively documented nor explained, the general presumption has been that insofar as what practitioners do differs from what the textbooks say they should do, it is the practitioners rather than the textbooks that are wrong. Other observations are that:

- **The principal focus of the research has been on the completeness of the plan among planning companies**, looking at between group differences (consumer manufacturing, industrial manufacturing, and service organisations (Miller 1967, Hopkins 1972, 1981, McDonald 1982, Greenley 1982, 1983a, 1984, Mason et al 1985, Griffin 1989, Dandurand and Kennedy 1989, Sutton 1990). Yet, even here, no study of current practice aimed to be representative in their sample. The standard against which firms are measured is a formula for plan contents: how well a company plans its marketing is primarily input determined rather than output driven. Dandurand and Kennedy (1989) score firms numerically on inclusion of key categories (10 points), and the number of listed items within each of these categories (5 points per item). (They then identify influential factors on plan structure by relating variations in scores with independent factors). Output driven measures of planning are confined to the three studies where the relationship between planning and profitability has been studied, and the two studies reviewing plan credibility and plan utilisation.

- **No attempt has been made to explore the organising framework for decision making in established firms without marketing plans.** No attempt has been made to assess the difference between companies that formally plan and those that do not, except in terms of profitability, nor to look in depth at possible reasons for differences in planning practice. Although Greenley (1982, 1984) has apparently measured elements of planning behaviour in firms without plans, he does not distinguish between the results in firms with and without marketing plans. Verhage and Waarts (1988) suggest a planning model which includes firms with and without formal systems, but substantive testing of the model is beyond the scope of their study. McDonald (1982), Leppard and McDonald (1987) and Carson and Cromie (1989) all focused on tailoring plan formality to the circumstances of the firm (suggesting contingencies of size, diversity and stage in the firm's life-cycle). Carson and Cromie identify two decision styles distinguished by the marketing orientation of the firm in firms with a turnover under £50,000 per year.

- **Little empirically grounded theory has been generated from these studies.** Indeed many of the studies (e.g. those in Figure 2.8) simply report current practice with little analysis of the results. The textbook theory remains largely unquestioned. The two studies which are closest to a review of the textbook model are those of John and Martin (1984) and Lysonski and Pecotich (1992). John and Martin review the impact of formality and centralisation on the credibility and utilisation of the plan. They find that increased formality corresponds with increased credibility and utilisation. This is not an area directly addressed by our research, but one which does partially fill the gap between deciding and performance. Piercy and Morgan (1989, 1990) built on this research and found links between the firm's orientation, planning thoroughness, and the plan's credibility and utilisation. Lysonski and Pecotich (1992) explored the idea that different styles of planning are suited to firms in environments with differing levels of stability. Whilst taking a different approach, this is very close to the area of our particular interest. We discuss this study further in Chapter 3.

LIMITATIONS OF THE EXISTING EMPIRICAL RESEARCH METHODS

- **There is a strong possibility of non-response bias in most of the studies.** Of all the studies, only four claim a response rate of over 33%:

Fletcher and Hart (1990)	54%[1]
Lysonski and Pecotich (1900, 1992), Van der Walt et al (1989)	42%
Doyle (1987)	37%[2]
Cossé and Swan (1983)	36%

1. a study of strategic planning in pharmaceutical firms
2. a study of how CEOs see marketing including a result on marketing plans.

Response rates are not available for most studies. However response rates for mail questionnaires have been typically low; McDonald (1982) achieved 3% for a general questionnaire, and 17% for a revised questionnaire sent to one industry group. The earlier studies from the US across a wide variety were conducted by Miller (1967) and Hopkins (1981). The Miller study showed a response rate of 31%, with a potential bias as 13% of respondents (21 companies) were selected for "doing a noteworthy job in marketing planning". Hopkins (1981) does not describe the sample selection or the precise method of data collection. The other empirical studies did not aim to provide quantitative results.

Greenley does not generally publish response rates. From one survey (1982) all we know is that equal numbers of questionnaires were sent to consumer and industrial companies with responses from 58 industrial companies and 22 consumer companies. There was clearly not a consistently high response rate across industry types. Greenley and Bayus (1993) generated response rates of 18% (US) and 11% (UK). Potential sample bias has been significant as a result of the low response rates and the final self-selecting sample of McDonald. McDonald (1982) collected his data from: 27 in-depth interviews and 6 marketing planning projects involving 158 senior executives, two postal surveys, 14 marketing planning workshops attended by 200 senior managers, and 16 responses to a controlled experiment of a marketing planning workshop. In summary, he used 385 in-depth interviews and 50 questionnaires.

Hooley et al (1984), in their Appendix on Research Methodology, confirm fears that non-response bias may be important. Whilst in their overall survey, with a response rate of "at least 14%", they found that 71% of firms claimed to have an annual marketing plan, personal interviews with 100 firms found only 43% with annual marketing plans.

- **Most studies are not clear about the level of marketing planning** they are addressing (corporate or product-market level) and there is often uncertainty about the final respondent. Thus, for example, Mason et al (1985) and Lysonski and Pecotich (1990, 1992) sent questionnaires to CEOs to be redistributed, while Griffin (1989) sent questionnaires to Personnel. Greenley's mail questionnaires (1982, 1983a, 1984) were sent "to companies", while Hooley et al (1984) despatched their questionnaire to recipients of "Marketing" magazine. McDonald (1982) mostly received his data from "directors and senior managers", while Sutton (1990) explains that half his respondents reported on corporate practices while the other half reported on the practices of a trading unit or division. Others are less explicit.

  The exceptions are Cossé and Swan (1983), John and Martin (1984), and Stasch and Lanktree (1980) who are clear and focused about both the level and the respondent.

- **There is limited analysis of the data.** No accepted ways of analysing data have emerged; indeed little data analysis has been done. Most studies simply record the findings on plan content. Greenley (1982, 1984) did attempt to categorise styles of plan. No evaluation of styles has been made except to compare plans in an unspecified way with the textbook model, and by the studies relating comprehensiveness and profitability (Lysonski and Pecotich 1990, 1992), and techniques with credibility and utilisation (Piercy and Morgan 1990).

- **Some anomalies appear in the analysis.** For example, although Greenley (1987) claims that 70% of his sample claimed to produce marketing plans, it is hard to see how this could be the case. Aggregating the results of his 1982 study of manufacturing companies (56%), his 1984 study of services firm (62%), and his second 1982 study (69%), we find an average of 61% of firms that claimed to produce a marketing plan. The final survey did not report on the incidence of marketing planning or the sample selection, but it would be necessary for 91% of the 70 companies in the sample to have claimed to produce marketing plans for the average to be 70% as claimed. Given his earlier results, this finding would be surprising and surely worth recording.

Both the articles by Lysonski and Pecotich (1990, 1992) rework the data set of van der Walt et al (1989). Indeed, Lysonski is second author in the van der Walt et al study. The Lysonski and Pecotich (1990) article arrives at the opposite conclusion to the van der Walt et al (1989) article, but neither explains the reasons (although different measures of profitability are used). The second article does not refer to the first. Thus van der Walt, Lysonski, Queree, Harper and Hales (1989) states "**No positive relationship was found between the level of marketing planning and either gross margin or self-assessed performance**", while Lysonski and Pecotich (1990), re-analysing the same data, state "**The results support the belief that formalization and comprehensiveness of marketing planning as well as expenditure on market research are positively related to performance...**" where "level of planning" equates to "formalization". In fact, the detail of the study shows that the correlations between formality and performance are mixed. The most significant correlations occur between formality and absolute revenue and profit, suggesting that larger firms are more likely to have formal systems. We confirm this result in our study. The relationship between formality and perceptual measures of performance are much weaker. Controlling for size, the associations uncovered in Lysonski and Pecotich (1992) are extremely weak. The positive relationship with profitability explains between 0% and 1% of the variance. Correspondence with Pecotich has revealed that he was unaware of the earlier article, while correspondence with Lysonski has not yet clarified the issue.

McColl-Kennedy et al (1990) report findings in the text on plan content and refer readers to a table showing different results (e.g. "**As shown in Table III, a high frequency of consumer products organisations gave detailed consideration to the forecast of market demand (66 per cent), market share analysis of both the seller and competitor (69 and 63 per cent respectively) and segmentation (60 per cent), as well as to the strengths and weaknesses of the competition.**" Table III shows the only reported contents, giving objectives and strategies included by industry type. Competitor market share, forecast of market demand and strengths and weaknesses of competitors are not included. Market share objectives are set by 91% and strategies by 87%, while "specific market segments" objectives are set by 94% and strategies by 90%).

- **The lack of universal terminology raises problems of semantics in making comparisons**. For example, Greenley (1986a) uses the terms "strategic" and "corporate" plan interchangeably. Greenley and Bayus (1993) report that 63% of the US sample had "never heard" of a SWOT analysis, and 16% of the overall sample had never heard of "qualitative judgement" which suggest problems of terminology. Fletcher and Hart (1990) use "strategic marketing planning" to report on strategic planning practice.

Overall, therefore, claims made about marketing planning practice in general must be treated with some caution, as the studies may not be fully representative. The reliability of the findings is sometimes compromised by the different levels of marketing planning and respondent studied, and the method of analysis. Comparisons with previous research have been limited by the use of different terminology.

There is, however, an opportunity to build on the existing research. By ensuring a representative sample, focused at one level in the firm, and by extending the analysis of the earlier studies, we can build a database, with roots in the earlier studies, but from which future research can build with confidence. By critically evaluating the textbook model, and in particular, exploring both how and why practice differs from the textbook model, and the differences between firms with and without marketing plans, we can aim to extend the theoretical base of marketing planning research.

In the following chapter we identify and discuss six assumptions relating to the scope and formality of the marketing planning process as an organising framework for decision making. We review the evidence relating to them in both the marketing planning and strategic planning literatures, and develop the research questions we addressed in our research study.

CHAPTER 3: DEVELOPING RESEARCH QUESTIONS

We suggested earlier (on pages 44-45) that there were four assumptions relating to the planning process implicit in the marketing planning model which create tensions, i.e. that it should be:

- **rational** i.e. intended to maximise the economic results for the firm (McDonald 1984: 10, 34, Greenley 1986c: 10, Kotler 1984: 280), giving tensions between planning and budgeting (e.g. Winer 1965)
- **hierarchical** (Kotler 1991: 63, 73, Winer 1965), with top-down/bottom-up tensions (e.g. Day 1984: 6)
- **sequential** (McDonald 1984: 34, Kotler 1991: 79) with tensions relating to an inductive or deductive approach, and managing linkages versus managing a sequential process (e.g. Dacey 1989: Chapter 4)
- **zero-based** (e.g. Kotler 1984: 279) versus incremental (Mintzberg and Waters 1985, Quinn 1980).

Further identified tensions include: **short-term versus long-term** (Camillus 1986: 78-81), **qualitative versus quantitative** approaches (Day 1984: 11-13), and linking the plans **horizontally and vertically** in the hierarchy (Williams 1981:194, Leontiades 1983, Day 1984: 188). In Appendix 2.1 we described further assumptions related to information collection and use in the firms.

It is beyond the scope of this thesis to discuss all these assumptions and tensions. Here we aim to identify and discuss the **assumptions relating to the scope and formality of marketing planning as an organising framework for decision making**.

We identify six relevant assumptions in the textbook model:

1. Almost all firms should have formal (i.e. written down) marketing planning
2. There is one best style of marketing plan document
3. There are many explicit benefits from following the textbook marketing planning model
4. The marketing planning process should be systematised
5. Top management should be involved in the process
6. If marketing planning has occurred, a marketing plan will exist

The six sections in this chapter each start by establishing the existence of, and then briefly discussing, one of the assumptions. We then, in each case, look at the relevant empirical evidence from the marketing planning and strategic planning literatures. We end each section by identifying research questions relating to that assumption.

We draw on the strategic and corporate planning literatures since the textbook models of these processes and that of marketing planning are very similar; a market-led approach is consistent with mainstream strategic planning thinking (e.g. Brandt et al 1980, Godiwalla et al 1979, Grinyer and Norburn 1974). In practice three important differences are worth noting:

(i) the role of staff planners has been much more important in the corporate and strategic literature (e.g. Lorange 1973, Brown 1983, Javidan 1985).

(ii) the level of complexity is higher in corporate and strategic planning, affecting issues of integration, and perhaps scope.

(iii) the overall scope of the plan is broader in strategic and corporate planning.

In general, then we would expect to find similarities in the prevalence and effect of formality on the organising framework for decision making, and in the range of scope found, since these could describe management style in the firm. In relating planning and performance, it is possible to argue to argue that either, or neither, is more likely to have a positive impact. Strategic planning takes account of more issues across the company, and hence affecting performance (although in a firm governed by the marketing concept this is irrelevant unless another department is incompetent) but has less immediate operating impact (and is more likely to be wrong by virtue of increasing uncertainty).

3.1 ASSUMPTION ONE: "ALMOST ALL FIRMS SHOULD HAVE FORMAL (I.E. WRITTEN DOWN) MARKETING PLANNING"

This assumption looks, in isolation, at the organising framework for decision making and makes a value judgement about one required level of formality of the process. While it also has impact on the output of delegation without loss of control and integration, the main rationales for planning are concerned with the deciding mode of planning.

Marketing planning is described as critical to survival (e.g. Kotler 1991: 72, 80, Kelley 1972). Why this should be the case is not clearly stated (e.g. McDonald 1984: 11) but the main assumptions are that planning helps firms make the decisions they need today to compete in the world they forecast tomorrow, and to make these decisions more rationally. We saw above that between 30% and 90% of firms do not have a formal marketing plan (depending on whose definition is used). Their continued survival suggests that, for some firms at least, an informal organising framework for decision making is adequate.

In order to evaluate Assumption One fully, we need to identify the costs and benefits of formal marketing planning even though these may be unquantifiable.

Many benefits are claimed for planning (without justification: see Assumption Three). In contrast, the costs of planning have not featured explicitly in the textbook marketing planning literature. There is a suggestion that planning is difficult (Kotler 1984: 279, McDonald 1984: 10), and a recognition of the possible danger of "**overplanning**" (McDonald 1984: 182). Costs are assumed to be management time (Stasch and Lanktree 1980) and the cost of information gathering, and then justified on the basis that, with good management, the planning steps need to be undertaken and the information collected anyway (McDonald 1984: 41). In Section 2.1, we suggested that there may be hidden costs in implementing the textbook model, such as a loss of creativity resulting from the highly structured approach and the juxtaposition of convergent and divergent processes. In Section 2.3 we further questioned whether this formality is suited to firms in less predictable environments where flexibility may be desirable.

A stream of research in the strategic planning literature aims to evaluate formal planning by comparing the financial performance of firms with and without strategic plans. We have divided this literature in two. Here we discuss the evidence linking the <u>existence</u> of a strategic plan to improved financial performance. The second strand of this research, which we discuss in Sections 3.4 and 3.5, aims to evaluate effectiveness in strategic planning: extending both the measurements of planning and effectiveness. Four studies in marketing planning have followed this lead. This analysis does not directly test the assumption (King 1983); both measures of formal planning and performance are crude, many intervening factors influence performance, and current financial measures cannot measure the impact of future planning (although this problem may be partly mitigated by the repetitive nature of marketing planning). Such an analysis does, however, provide a first test of the assumption in its strong form - that this is critical for survival.

The Marketing Planning Evidence

In this strand of research, the claimed existence of a plan is taken as evidence of formal marketing planning.

Four attempts have been made to explore the relationship between marketing planning and financial performance: Hooley et al (1984), Verhage and Waarts (1988), van der Walt et al (1989), and Lysonski and Pecotich (1990, 1992). Results have been mixed. Hooley et al (1984) found that firms that claimed good profit performance relative to competitors were more likely to write annual marketing plans than those assessing their performance as average. These were, in turn, more likely to produce annual marketing plans than firms that perceived their performance to be poor. Verhage and Waarts (1988) found no difference in perceived relative profitability between firms with or without an annual marketing plan but did find that firms with both an annual marketing plan and a long range plan outperformed all others. van der Walt et al (1989) found no relationship between the level of planning and either gross margin or self-assessed performance. Lysonski and Pecotich (1990 and 1992), reworking the van der Walt data, found a very weak relationship (explaining up to 1% of the variance in profit, and up to 6% of the variance in revenue) between the formality and comprehensiveness of planning and financial performance, with the result marginally stronger in stable (rather than unstable) environments.

Miller (1967) states that companies experiencing rapid growth have a greater need for detailed marketing planning whereas McDonald (1989) suggests that where firms succeed without marketing planning, it is most typically because they are in growth industries. Neither offers supporting evidence. We can reconcile these views if high growth markets are inherently profitable but firms operating in them without marketing planning fail to make the choices necessary for long term success. McDonald (1989) claims "**there is a relationship between marketing planning and commercial success**" although he also states that the claimed benefits are threatened by dysfunction of the planning process. He cites various authors (McDonald 1984b, Thompson 1962, Kollatt et al 1972, Ansoff 1977, Thune and House 1970, and Leighton 1966), but acknowledges that "**financial performance at any one point in time is not necessarily a reflection of the adequacy or otherwise of planning procedures**". He also says that this relationship between planning and profitability does not necessarily hold as "**some companies happen to be in the right place at the right time, *usually in growth industries***" (my italics).

McDonald (1982), following his work with international industrial firms but without presenting evidence, suggests that small firms and those with a limited product range require less formality in their marketing planning. Small companies may not need a formal plan because communications are easier, presumably because there are fewer employees, which focuses on the integration aspects of planning. Similarly, Carson and Cromie (1989) concluded that a less formal approach to marketing was appropriate to very small firms.

The supposed need for more formality among diversified companies presumes that marketing planning helps firms deal with complexity. Here all three major aspects to planning (deciding, integration and control) may be relevant. It has also been suggested (Grönroos 1983) that function-specific planning may be unsuitable for service firms, though this claim is unsupported by empirical evidence.

Miller (1967) and Hopkins (1981) both refer to planning evolving in companies over time, consistent with Kotler (1984: 277-280). McDonald (1982) describes a three year period before a planning system is established in a company. Miller (1967) notes that first plans were often very long, while Hopkins (1981) comments on how systems become "**more sophisticated**" (i.e. include more of the suggested elements). Leppard and McDonald (1987) explored this notion more fully in their life-cycle theory of marketing planning, where they match phases of evolution in the firm with styles of marketing planning.

Companies without marketing plans: reasons given for not planning

Although the research focus has been on companies with plans, McDonald (1982) and Hopkins (1981) report some reasons given by firms for not writing marketing plans:

- formal planning was seen to be **irrelevant**: "**made good profits without it**", "**never come true**", "**know the business**", "**make desired products**", "**no-one reads them**", "**just a ritual**". "**not needed in our business**" (McDonald 1982), "**informal planning by senior management is sufficient**" (usually small firms), the plan was "**too rigid**", "**unmanageably large**", or simply "**a reference document**", (Hopkins 1981).
- the **cost was seen to outweigh any benefits**: "**time-wasting**", "**discourages initiative**", "**inflexible**" (McDonald 1982), or rejected after a poor prior experience, or replaced with a business or strategic plan created by general management (Hopkins 1981).

The Strategic Planning Evidence

The relationship between the existence of strategic planning and financial performance has been reviewed by Armstrong (1982), Bresser and Bishop (1983), Greenley (1986b), Pearce et al (1987), and Shrader et al (1984). Of these, only Armstrong concludes that a positive relationship has, on balance, been proven. His review is unusual; e.g. some results are reinterpreted (e.g. Kallman and Shapiro 1978, and Kudla 1980, "**after further discussions with the author**").

Our assessment of 21 studies concurs with the majority; we find the relationship between the existence of strategic planning and improved financial performance not proven. These studies are reported in 22 papers: Ansoff et al (1970), Bracker and Pearson (1986), Bracker et al (1988), Burt (1978), Capon et al (1988), Fulmer and Rue (1974), Gershefski (1970), Grinyer and Norburn (1975), Herold (1972), Kallman and Shapiro (1978), Karger and Malik (1975), Kudla (1980), Leontiades and Tezel (1980), Malik and Karger (1975), Rhyne (1986), Robinson and Pearce (1983), Sapp and Seiler (1981), Schoeffler et al (1974), Shrader et al (1989), Thune and House (1970), Van de Ven (1980), Welch (1984), and Wood and LaForge (1979).

Boyd (1991) offers a meta-analysis of the empirical evidence linking strategic planning and financial performance, covering a total of 2496 firms. He concludes that the overall relationship between strategic planning and financial performance (aggregating all measures) is extremely weak, although measurement difficulties reduce effect size. Even this weak result may have been influenced by the omission, due to inadequate data for inclusion, of various studies which did not find a relationship.

But if the overall relationship is not proven, are there contingent circumstances where more conclusive evidence is found?

(i) Planning, performance and **environment**

There is mixed evidence regarding the suggestion that less formality may be suited to organisations in environmental uncertainty (Bresser and Bishop 1983):

- While supported by Fredrickson (1984) and Fredrickson and Mitchell (1984), no relationship was found by Capon et al (1988: 341).

- In contrast, Bracker et al (1988) found (a) no difference between firms with informal operational planning and those with formal operational planning but (b) improved performance among firms with structured rather than unstructured strategic planning in small but established, manufacturing firms in a growth environment (electronics).

- Similarly, Malik and Karger (1975) found their strongest (positive) relationship between planning and profitability in the electronics industry (high growth).

- Kallman and Shapiro (1978) found no profitability difference between planners and non-planners in a low uncertainty environment, while

- Bracker and Pearson (1986) found that small firms in a mature industry with sophisticated strategic planning systems outperformed their counterparts on some performance measures.

In related studies,

- Lindsay and Rue (1980) found that firms increased their long-range planning effort as complexity and instability increased.

- Miller and Toulouse (1986) showed that improved profitability was associated with proactive, analytic, future oriented decision making and professional management and, in more dynamic environments, delegation of decision making.

(ii) Planning, performance and the **small firm**

There is a suggestion (e.g. Acklesberg and Arlow 1985, Robinson et al 1986, Bracker and Pearson 1986, Bracker et al 1988 and Ansoff et al 1970) that planning pays off for small firms, though the opposite result was found by Robinson and Pearce (1983).

Robinson et al (1984) found that the style of plan changed as a firm developed, while van Hoorn (1979) found that strategic planning in small and medium-sized companies was less systematised because of fewer resources, less developed processes and less training.

(iii) Planning, performance and **industry type**

Fulmer and Rue (1974) found that strategic planners outperformed non-planners in durables while non-planners outperformed planners in services. The result for service firms was not confirmed by Bracker and Pearson (1986), Burt (1978), Sapp and Seiler (1981), and Wood and LaForge (1979) while Shrader et al (1989) found, among small businesses, a negative relationship (with three year profitability) for services, a positive relationship for retailing and no result for manufacturing firms. Kallman and Shapiro (1978), and Robinson and Pearce (1983) found no result. The evidence in favour of strategic planning in service firms is slightly more consistent than that for manufacturing firms.

(iv) **Operational** planning and performance

Some strategic planning studies have also reviewed operational planning. Shrader et al (1989) found correlations between some measures of operational market planning and three year profitability among small firms; these were positive for manufacturing, somewhat negative for retailing and negative for other services. They found that operational market planning was more likely under environmental uncertainty, except among service firms. Robinson et al (1984) found that operational planning had more (positive) impact than strategic planning on small firms.

Summary

There is limited, mixed, and inconclusive evidence on the relationship between producing a marketing plan and financial performance in the marketing planning literature. The relationship between planning and performance has received more attention in the strategic planning literature, with mixed results. Rhyne (1986) notes that most of the studies finding a positive relationship were earlier and used smaller samples. There have also been problems identified in classifying "planners" and "non-planners" (e.g. Kudla 1981). The individual studies have found no relationship as often as they have found one, although in the former case the usual conclusion has been to assume that either the measure or the measuring instrument was at fault. There are suggestions in both literatures that contingent circumstances (relating to the firm or its environment) may affect results, but the evidence is, again, mixed. This leads to the following research questions related to Assumption One (that "Almost all firms should have formal marketing planning"):

Assumption One: Research Questions

- Is there a relationship between the existence of a marketing plan and financial performance?

- Do the prescriptive contingencies (more formal as size and diversity increase, McDonald 1984) describe practice, and does the evidence support the prescription?

- Why don't non-planners plan?

- Do other contingent variables affect the relationship between the existence of a marketing plan and improved financial performance? In particular,
  - Are firms in high growth potential industries more or less likely to produce marketing plans?
  - Do firms in high growth potential industries without marketing plans show more variability in profit performance than firms in lower growth potential industries?
  - Are there less marked differences in profitability between firms in low growth industries that do and do not produce a marketing plan?

Previous measures have specified growth and sensitivity to the economy as "uncertainty" (e.g. Lysonski and Pecotich 1992). We have chosen to focus on perceived industry growth potential following assertions relating to marketing planning, and avoiding confounding our measure with volatility.

3.2 ASSUMPTION TWO: "THERE IS ONE BEST STYLE OF MARKETING PLAN DOCUMENT"

The textbooks suggest one widely agreed style of marketing plan in terms of both content and structure. Kotler claims this is both prescriptive and descriptive. The textbooks do not claim that plans will be identical across all firms, but that variations will relate to detail rather than structure and arise because of variations in top management preferences or the situation specific nature of marketing (Kotler 1991: 72, 80, McDonald 1984: 10, 12, McDonald 1979).

It is unusual for marketing textbooks to suggest a single approach to a problem. For example, Kotler (1991: 269) suggests four methods of segmenting consumer markets (and more for industrial markets), seventeen objectives for advertising (1991: 599), and four ways to set advertising budgets (1991: 581-583) though one is preferred. While analytic methods and decisions are expected to require diverse approaches according to the market, the books suggest one best approach to (and output for) the processes such as marketing planning or new product development (1991: 317).

We question whether the scope of all plans should or could be identical given alternative interpretations of the relationship between marketing and strategic plans, of the roles of marketers, and given the organisational context with its expected variations according to the level of environmental predictability.

Evidence relating to the assertion that there is one best style of marketing plan is extremely limited. Styles of marketing plan have been briefly explored by Greenley (1982, 1984), while styles and dimensions of strategic plans have been researched a little more. In general, authors on both marketing and strategic planning adopt a philosophy which can be caricatured as "the more, the better". The textbook model is characterised as "the comprehensive format" (Greenley 1982), or "a complete marketing plan" (McDonald 1982). Dandurand and Kennedy (1989) even numerically score firms on including elements. Similarly, Bracker et al (1988) and Bracker and Pearson (1986) describe a "structured strategic plan" as the optimum output.

The Marketing Planning Evidence

Greenley (1982, 1984) classified the plans of a sample of manufacturing and service firms into four different formats: "comprehensive", "company's own format", "marketing mix", and "sales" plans, leaving some plans unclassified. He does not explain how these classifications were obtained. We show the results in Table 3.1.

Table 3.1: A Classification of Marketing Plans: Greenley (1982, 1984)

% plans with the following style	Manufacturing (N=45)	Service (N=31)
"Comprehensive"	24	19
Company's own"	29	48
"Marketing mix"	11	6
"Sales plans"	9	-
Unclassified	27	26

Most studies of marketing plans simply record the incidence of items rather than synthesising these into styles of planning. However, implicitly, Ames (1963) reports a style of "budgeting and forecasting rather than planning", while McDonald (1989) describes a "strategic" model which includes analysis but excludes action plans.

The Strategic Planning Evidence

Reporting plan contents has also been prevalent in the strategic planning literature (Bhatty 1981, Boulton et al 1982, Kono 1984, Robinson et al 1986, Ross and Silverblatt 1987, Shuman 1975). Other studies have sought to identify dimensions of strategic plans (summarised in Ramanujam et al 1986, Chakravarthy 1987):

- use of techniques (Grant and King 1979, 1982, Höfer and Schendel 1978, Hax and Majluf 1984).

- attention to internal facets (Camillus and Venkatraman 1984, Grant and King 1982, King and Cleland 1978, Lorange and Vancil 1977).

- attention to external facets (Aguilar 1967, Fahey and King 1977).

and to the planning process:

- functional coverage (Dyson and Foster 1980. Hitt et al 1982, Lorange 1980, Snow and Hrebiniak 1980).

- resources provided (King 1983, King and Cleland 1978, Steiner 1979).

- resistance to planning (Lenz and Lyles 1985, Lyles and Lenz 1982, Steiner 1979, Steiner and Schöllhammer 1976).

- system capability (Ansoff 1984, Camillus 1975, Lorange and Vancil 1977, King and Cleland 1978, Ramanujam et al 1986, Shank et al 1973), though whether this is a dimension of planning style or an outcome of effective planning is debated in a later paper of Ramanujam and Venkatraman (1987).

Rhyne (1987) reviews dimensions differently, defining planning "openness" or "integration" according to the comparative emphasis on: new or current markets, markets or control of operating costs, qualitative or quantified objectives, the nature of the firm or financial projections, on external trends or detailed financial statements, on internal capabilities or short term variances from plan, on long term variances or detailed control, and on a contingency process or detailed objectives for managers.

Goold and Campbell (1987: 36) classified company styles into three principal types: "strategic planning", "strategic control" and "financial control". Although these give very detailed case descriptions at the strategy and capital budgeting level, we were unable to identify usable concepts for our particular interest.

A series of definitions of styles of planning based on the plan output has emerged in strategic planning during the search for a relationship between planning and financial performance: Fulmer and Rue (1974), Karger and Malik (1975), Burt (1978), Wood and LaForge (1979), Kudla (1980), Lindsay and Rue (1980), Sapp and Seiler (1981), Robinson and Pearce (1983), Welch (1984), Bracker and Pearson (1986), Bracker et al (1988), Capon et al (1988), Pearce et al (1987). Recently a somewhat different approach has emerged, partly in response to the continuing absence of clear results despite these more sophisticated distinctions. Rhyne (1987) and Ramanujam and Venkatraman (1987b) identified high and low performers, and then looked for the distinctive nature of their planning styles. While most authors aim to group firms with plans on the basis of their output, the norm is still the textbook model which implies the plan with the most scope. We thus find value-driven categorisations such as: "impoverished planners", or "partial planners", and "complete planners", or "sophisticated planners". Perhaps because of this implicit norm no study has assessed the organising framework for decision making among firms without strategic plans.

From the strategic planning literature we can then suggest the following:

(i) firms adopt different styles of strategic plan, which can be characterised in a number of ways, none of which is systematically associated with improved financial performance.

(ii) these styles vary in content (the extent to which all the suggested elements of the normative model are included), scope, level of formality and systematisation, and in the attitudes of all levels of management to planning (commitment by senior management, and resistance from any management).

(iii) there has been little attempt to systematically relate styles of planning to business characteristics (whether internal or environmental characteristics).

Overall two different sets of dimensions for classifying strategic plans have been identified, but no entirely satisfactory styles of plan have been described. However, these studies both describe, and evaluate the implications of, the deviations from the textbook model in more depth than the marketing planning studies. This review suggests the following research questions for Assumption Two ("There is one best style of marketing plan document")

Assumption Two: Research Questions

- How heterogeneous are marketing plans? Do they show "nested variability" (a basic limited model is developed through a series of stages to the textbook model) as the evolutionary model might suggest, or are the differences in scope more structural, as suggested by the different results of Ames (1963) and McDonald (1989)?

- What styles or dimensions of marketing plan can we describe, and how do they vary across different types of firm? Does any style correlate with increased profitability?

3.3 ASSUMPTION THREE: "MULTIPLE BENEFITS FLOW FROM THE TEXTBOOK MODEL"

The textbook model directly suggests certain outputs, described in our conceptualisation (page 50) which relate to key elements of the plan or planning process:

(i) direction (marketing strategy and action plans)
(ii) consensus and commitment (integration)
(iii) accountability (objectives, budget and controls)

Further it has been suggested that marketing planning yields many additional benefits:

- logic, rationality, objectivity (Hopkins 1981, McDonald 1984: 11, Greenley 1986c: 8-9).

- proactive, creative direction setting (Kotler 1984: 277, 1991: 32, Kelley 1972).

- flexibility (Greenley 1986c: 185-186).

- consistency (Kelley 1972, Winer 1965).

- co-ordination (Miller 1967).

It is also asserted that the reason that firms do not realise this potential is ignorance (McDonald 1984: vii, McDonald 1989, Kotler 1991: 25-27).

In Section 2.1 we discussed possible conflicts resulting from the inclusion of strategy formulation in the planning model which suggest that there may be structural reasons why this assumption may not hold. If one best style of plan is not appropriate for all firms, then the range of benefits implicit in the textbook model may not be realised.

No study of marketing planning has empirically assessed its benefits but authors have studied problems arising with and without marketing plans. There is limited evidence in the strategic planning literature on the benefits of planning, and rather more on the problems.

The Marketing Planning Evidence

McDonald (1982) has explored managers' views of the problems that arose in the absence of a marketing planning system. These are retrospective views from managers attending marketing planning workshops, and may therefore be better described as business problems which, with the benefit of hindsight, these self-selected managers believed could have been avoided or lessened if a marketing planning process had been in place. The results are partially supported by Hopkins (1981):

- **"lost profit opportunities"**
- **"meaningless numbers in the long-range plan"**
- **"unrealistic objectives"**
- **"lack of actionable market information"**
- **"inter-functional strife"**
- **"management frustration"**
- **"proliferation of products and markets"**
- **"wasted promotional expenditure"**
- **"pricing confusion"**
- **"growing vulnerability to environmental change"**
- **"loss of control over the business"**

These problems are the reverse of the expected benefits of marketing planning, although they were often expressed with a more marketing-mix action orientation.

However, problems were not confined to firms without planning systems. McDonald (1982) found problems arose from implementing a planning system. He asserts that a system takes three years to become fully operational, consistent with Miller (1967) and Hopkins (1981). The implementation problems were:

- lack of commitment (**"weak support from the CEO and top management"** or **"hostility from line managers"** and **"lack of resources given to planning"**)

- problems with the process (**"lack of a plan for planning"**, **"inadequate organisation structure"**, **"once-a-year ritual"**, **"delegation of planning to a planner"** and hence **"lack of commitment to the plan"**)

- marketing planning was isolated and unrelated to the rest of the business

- lack of understanding of what planning is ("**lack of information and skills among line managers**", "**confusion over planning terms**", "**numbers in lieu of written objectives and strategies**", and "**too much detail, too far ahead**").

Finally, even when established, many problems have been associated with marketing planning systems. We classify these into problems relating to: (i) the role of planning in strategy formulation, (ii) process management, and (iii) technical problems.

(i) In many cases the strategic plan was not used to set the overall direction of the marketing plan (Greenley 1986a). Indeed, strategic plans were sometimes "secret" documents hidden from the marketing planners. Many short term plans were therefore functional rather than corporate and included decisions inconsistent with the long term corporate aims (Greenley 1986a). Both Cossé and Swan (1983) and Kapoor and Singh (1981) found little evidence of strategic thinking among marketing planners. Many plans equated to little more than forecasts or, in some cases, budgets (Miller 1967, Winer 1965). The environmental analysis was limited leading to a short-term outlook (McDonald 1982). Plans demonstrated "**tunnel vision**", concerned with optimising the current strategy rather than genuinely considering strategic alternatives. Indeed they did not always differ from the previous plan (Ames 1968).

(ii) Related to this was an overemphasis on the system rather than the substantive content (Ames 1968), especially in firms new to marketing planning (Winer 1965). Hopkins (1981) found that managers in firms with plans did not generally see the process as a straitjacket, although some respondents described elements of ritual and "**busywork**". Short-termism was reinforced by reward systems which deterred strategic thinking and innovation, encouraging planners to focus on tactical aspects and take few risks (McDonald 1982). Winer (1965) recognised the potential for conflict between the planner and the firm, also citing Eldridge (1958). Hopkins (1981) found that marketing planners had problems with "**lack of needed information**", "**time**", "**coordinating the planning process**", and "**management commitment to marketing and planning**".

(iii) Some primarily technical problems occurred frequently:

- Forecasting was difficult (Hopkins 1981, McDonald 1982).

- The marketing planning model was not understood (McDonald 1982).

- Planners had a limited understanding of their distinctive competencies, problems of assessing *relative* competency (Ames 1968).

- Planners in industrial firms found difficulty in adapting the process to multiple markets and channels and around other functions (Ames 1968).

The Strategic Planning Evidence

There are a few empirical studies in the strategic planning literature that aim to assess benefits gained by the firm (Al Bazaaz and Grinyer 1980, Ang and Chua 1979, Higgins and Finn 1977), while Taylor and Irving (1971) review reasons for planning.

The main benefits expressed in these studies were:

- improved awareness of SWOT, profits and growth, information and communication, systematic resource allocation, co-ordination and control, morale and industrial relations (Al Bazaaz and Grinyer 1980).

- ability to explore more alternatives, faster and better decision making, more timely information, better understanding of the business process, more accurate forecasts, cost savings (Ang and Chua 1979).

- enables preparation to exploit future opportunities and combat future problems, stimulates managers to consider the future implications of decisions, improves co-ordination, co-operation, and control, is educational, increases confidence in the company's future, increases awareness of information requirements (Higgins and Finn 1977).

The reasons given in the study by Taylor and Irving (1971) could be summarised as: direction, control and co-ordination. The qualitative difference between these **purposes** of planning and its claimed positive **outcomes** is quite revealing. All these studies also report on the problems of planning, discussed below.

The implementation problems of strategic planning are similar to those of marketing planning, and the main suggestion is that plans do not achieve all the hoped-for benefits. The main difference is the additional focus on problems that arise from using staff, rather than line, strategic planners which occurs less frequently in marketing planning. In this section we focus on problems in the plan. Plans are criticised for their:

- excessive focus on "numbers", especially financial numbers (Lyles and Lenz 1982, Marx 1991, Paul et al 1984).
- short-termism (Lyles and Lenz 1982, Marx 1991).
- lack of action-orientation (Gray 1986, Koontz 1976, Stonich 1975).
- lack of focus or achievable goals (Gray 1986, Koontz 1976, Steiner and Schollhammer 1975, Stonich 1975).
- poor strategic analysis (Hunsicker 1980, Koontz 1976, Lorenz 1988, Marx 1991).
- not challenging the status quo (Carpenter 1986, Hunsicker 1980, Javidan and Dastmalchian 1988, Koontz 1976, Lyles and Lenz 1982, Pennington 1972).
- poor understanding or application of techniques (Brown 1983, Javidan and Dastmalchian 1988, Lyles and Lenz 1982, Paul et al 1978, Ang and Chua 1979, Al Bazaaz and Grinyer 1980, Bhatty 1981).
- poor links with operating plans, and with review and control mechanisms where the budget is usually used instead (Gray 1986, Henry 1977, Javidan and Dastmalchian 1988, Lyles and Lenz 1982, Marx 1991).

One further relevant idea from the strategic planning literature is objective fulfilment (e.g. Ramanujam and Venkatraman 1987a, 1987b, Ramanujam et al 1986, Chakravarthy 1987, King 1983, Steiner 1979: 307). This suggests that one measure of the effectiveness of a planning system is the extent to which it achieves its purpose. Implicitly the notion of a reduced set of aspirations for the planning process is accepted, and the focus shifts to matching the plan with the aims of the firm. Thus plans may vary from the textbook model because they have been designed to do so.

To summarise, Assumption Three of the textbook model is that marketing planning is associated with multiple benefits, although these have not been tested empirically. We have questioned whether the same process can be expected to realise all of these. The problems associated with both marketing planning and strategic planning are consistent with our discussion. Objective fulfilment, as an indicator of planning effectiveness, suggests firms may hold more limited aims for their planning systems. The following research questions arise:

Assumption Three: Research Questions

- What do firms hope to achieve from their plans or planning processes ?

- What might firms hope to achieve with the plans they prepare ? To what extent do the different styles of plan demonstrate adaptation to the different aspects of the process valued by the firm ?

- Are there reasons other than ignorance (e.g. McDonald and Wilson 1990) why real-life marketing planning activity might deviate from the standard textbook model and can we categorise firms according to their planning practices:
  - companies without formal marketing plans who are ignorant of marketing or marketing planning
  - companies who have deliberately rejected formal marketing planning and can give a convincing explanation of why
  - firms that would like, but are unable, to introduce marketing planning (e.g. through lack of skills or people, or resistance in the firm)
  - firms deliberately adapting the model and reflect this in matching the type of plan they produce to the benefits of planning which they value most
  - firms trying to implement the model, but unable to do so successfully.

3.4 ASSUMPTION FOUR: "THE PROCESS SHOULD BE SYSTEMATISED"

This assumption makes a much stronger assertion about the level of formality of the process; that not only should a formal process exist in the sense that there should be a written marketing plan, but that the steps in that process should be structured and controlled (Greenley 1986c: 8-9, McDonald 1984: 13). McDonald here distinguishes "**formalized**" as "written-down", from "**systematisation**" which "**provide(s) procedures for this process, in the form of standardized methods of presentation...**", and which is essential to ensure the logic of the plan (1984: 31).

In the strategic planning literature, the term "formality" is used loosely to encompass several ideas: the existence of a document, a managed process, standardisation of the procedure, or the degree of pervasiveness of planning into a firm's decision-making (Acklesburg and Arlow 1985, Al Bazaaz and Grinyer 1981, Bhatty 1981, Brandt et al 1980, Bracker and Pearson 1986, Bracker et al 1988, Camillus 1975, Rhyne 1987, Pearce et al 1987, Steiner et al 1983).

From the above it seems that a simple dichotomous variable cannot capture the complexity of this idea, and to measure its effect, we need a formality scale. We suggest the following measure which includes several of the ideas above:

- the production of a **written document**,
- with a specified **format** (sometimes in detail)
- a monitored **process** with deadlines, approval processes and feedback mechanisms.

What, then, is the claimed value of systematisation ?

McDonald (1984: 33) quotes Einstein in saying that "**the formulation of a problem is far more essential than its solution... (but this) requires creative imagination**". McDonald continues "**such creativity is rare**" among managers, and concludes that a standardised process (though it may drive out creativity) is the best option. This ensures that marketing planners cover the basics, reduces frustration, increases motivation, and helps senior management compare plans across the company (McDonald, 1984: 33/34), ideas closely related to planning as delegation without loss of control.

There is no discussion of the **possible costs of systematisation** of process and standardisation of output, although McDonald (1984: 181) asserts that there must be "**some mechanism for preventing inertia from setting in through the over-bureaucratization of the system**". There are possible dangers in an overformulated process: the exercise can become form-filling or bad ritual, and using the same structure each year may restrict consideration of new ideas or alternatives (e.g. Camillus 1975, Carpenter 1986, Hunsicker 1984). Even setting headings for analyses will predetermine the analysis to some extent (e.g. Allison 1969, Lenz and Lyles 1985). If one role of marketing is to reshape thinking (Simmonds 1986b), and marketing planning is the principal decision-making process, this is a major concern.

Bresser and Bishop's (1983) theoretical analysis suggests that planning should be more formalised only if the level of contradictions between intentions, actions and outcomes is low. They suggest that innovative ideas should be generated through less formal planning, followed by more formal planning to resolve emerging co-ordination and control problems. Consistent with our analysis (Section 2.3), they suggest (page 79) that the dysfunctional effects of planning in complex or uncertain environments would increase with formality.

The notion of a trade-off between "creativity" and "practicality" (or control) has been expressed by Shank et al (1973), and subsequently developed by Camillus (1975). Ramanujam et al (1987) however argue that the idea of a trade-off is an unnecessary restriction. They introduce the idea of "system capability" as a balance between the two to be optimised for the particular firm in its circumstances, rather than as a universal conflict to be resolved with the minimum damage. This is consistent with Jones (1990).

Overall, therefore, we question the universal utility of systematisation, particularly in firms in less predictable environments, or those valuing creativity where less formal systems might have greater value.

The Marketing Planning Evidence

John & Martin (1984) studied the effects of the organisational structure for marketing planning on the credibility and utilisation of the plan. They found that both a decentralised planning structure, and one with formal rules and procedures could enhance both plan credibility and utilisation. Participants in the process also rated the credibility and utilisation of the plan more highly than those who felt they had not been consulted. This does not directly measure plan "quality", or outcome, but provides a useful link in the chain between the internal context and the firm's actions.

The utilisation measure and all six aspects of the credibility measure registered similar levels of correlation with each independent variable, which suggests that either these elements are closely interrelated, or that the dependent variables all measure much the same issue, e.g. "people thought it was a good plan".

The credibility measure comprised: realism, accuracy, specificity, consistency, completeness, and assumption validity. Completeness may be a measure of textbook model output if the textbook model is understood, suggesting that increased systematisation increases the likelihood of producing a textbook model plan.

In a complementary study, Piercy and Morgan (1989, 1990) reviewed behavioural planning problems (hostility, fear of planning uncertainty) and the sophistication of planning techniques in relation to plan credibility and utilisation. The strongest associations of plan credibility and utilisation were with three organisational context factors: supportive of marketing, well integrated marketing organisation, strategic orientation. Piercy and Morgan (1990) develop this to suggest a taxonomy of process dimension interactions based on the analytical sophistication of planning techniques and the supportiveness of the organisation context. They suggest that an "**effective**" planning process has high scores on both dimensions, described as low behavioural problems and high plan credibility, while the reverse leads to "**ineffective**" planning. With low supportiveness and high sophistication they expect "**conflictual**" planning, marked by low ownership but good implementation while in the reverse case, they expect "**destructive**" planning marked by high ownership but poor implementation. This implies that analytical sophistication coincides with credibility and implementation, in line with the idea that systematisation leads to sophisticated (textbook model) plans which are more likely to be believed and used.

The Strategic Planning Evidence

The strategic planning literature has some evaluations of the role of systematisation, and more broadly, the management of the process of planning. Three issues are of particular interest:

- standardisation may cause firms to **focus on the process** not the outcomes with little creativity (Brandt et al 1980, Carpenter 1986, Hunsicker 1980, Lenz and

Lyles 1985, Lorenz 1988, Marx 1991, Saunders and Tuggle 1977) though this is not universally accepted (Hussey 1977, Stonich 1975, and Stubbart 1985).

- further, increased formality may not be associated with improved **financial performance** (Grinyer and Norburn 1974, Rhyne 1987).

- the process is generally understood as a **rational-economic analysis**, rather than a people process (Ewing 1967), or too rational (Brown 1983, Lenz and Lyles 1985).

Based on this review we have the following research questions relating to Assumption Four ("The process should be systematised"):

Assumption Four: Research Questions

- Does increasing systematisation lead to marketing plans that are closer to the textbook model? Are there variations in the level of systematisation by type of firm or environment?

- Do firms with more systematised processes outperform those with informal processes? Does this vary by firm type or environment?

- To what extent do the linkages between planning and budgeting (one measure of system capability) vary from firm to firm? What is the impact of tight coupling between plan and budget? Are firms without close budget linkage (in time) less likely to produce plans dominated by financial measures?

3.5 ASSUMPTION FIVE: TOP MANAGEMENT SHOULD BE INVOLVED IN THE PROCESS

The textbook model is clear that top management must approve marketing proposals (Kotler 1991:130) and is responsible for annual plan control (Kotler 1991: 709). McDonald (1984: 181) asserts that "**unless the chief executive understands and takes an active role in marketing planning, it will never be an effective system**". There are issues of responsibility for important decisions and controls, and also of motivation and training (Kotler 1991: 703) implicit in this view.

We are interested both in the way in which top management involvement might influence plan scope, and in the extent to which this involvement is necessarily benign. While it seems likely that top management involvement will make the process happen, it also seems likely that plans will be affected by the concerns of the relevant top managers. In particular, we are curious as to whether these plans are more "strategic" and less "action-oriented", and if so, whether this is contingent on the environment, as discussed above.

The Marketing Planning Evidence

Stasch and Lanktree (1980) reviewed marketing planning as a process and found it dynamic over time and in interaction between staff, mirroring the marketing role.

They gained six "**impressions**" during their research:

(i) senior managers should participate in the early stages of planning.

(ii) product managers are in need of regular guidance (written guidelines and routinised personal contact).

(iii) product managers should be required to get the best possible thoughts and best ideas from all feasible sources.

(iv) product managers should be encouraged to suggest new planning ideas at the beginning of the planning period.

(v) product managers should use both "up-down" communications and "horizontal" communications when developing plans.

(vi) planning procedures should include "checks and balances" which channel marketing plan development in the direction desired by senior management.

Implicitly, the plan is thus not a zero-based exercise but a document steered by what senior management wants or expects to see. The plan that suggests revolution rather than evolution must be presold.

Both Leppard and McDonald (1987) and Ames (1968) conclude that top level support is crucial to the success of a planning system. Ames (1968) also found that better planning for industrial companies was associated with more direction from the top, a better understanding of the source of competitive advantage, and more attention to implementation detail. Greenley and Bayus (1993) found that senior management was typically involved in key marketing planning decisions.

The Strategic Planning Evidence

The strategic planning literature has similarly criticised the role of top management for failure to make the system work (Gray 1986, Henry 1977, Koontz 1976, Marx 1991, Steiner and Schollhammer 1975).

Based on the above analysis, we develop the following research questions for Assumption Five ("Top management should be involved in the process"):

Assumption Five: Research Questions

- Is there significant variation between firms in the involvement of top managers in marketing planning (setting guidelines, frequency of feedback, role in the approval process, and direct input, e.g. by changing the plan) ?

- Are plans with top management involvement closer to the textbook model than plans without ?

- Are firms whose plans were made with significant top management involvement more successful ?

3.6 ASSUMPTION SIX: "MARKETING PLANNING NEEDS MARKETING PLANS"

This causal relationship (that marketing planning implies the existence of a marketing plan) is clearly suggested by Kotler (1991: 80). There is even some confusion about these as distinct activities (McDonald 1984: 11), although we saw on page 77 that McDonald is prepared to consider exemptions from written-down planning. But is the plan document necessary to achieve the aims of planning?

Kotler (1991), a plan enthusiast, paradoxically quotes Eisenhower's "**plans are nothing, planning is everything**". This is symptomatic of a more general confusion between marketing planning and marketing plans.

Peter and Donnelly (1992: 907) suggest the following reasons for the existence of a document:

(i) to ensure a **record** of the analysis is kept

(ii) to check the **logic** of the analysis (for internal consistency and consistency with the recommended actions, and by implication from (i), over time)

(iii) as an application for **funding** (especially of marketing expenditure), providing a reasoned basis for allocating resources in a competing market (either among products, markets, between functions, or between company and stockholders).

McDonald (1982), Greenley (1987), and Winer (1965) are clear that plans can exist without planning, e.g. "**Many companies have a marketing "plan", yet few of these represent any real planning**" (Winer 1965).

Therefore the two activities are not synonymous, raising the converse question: "can we have marketing planning without a marketing plan"? With our conceptualisation of planning as an organising framework for decision making, the requirement for a plan document is less clear than the textbooks suggest. The key requirement is that the decision framework involves the explicit analysis of the internal and external environment. For relevance, meaning, and control this process should arguably be integrated across the firm. We thus distinguish between planning, as used in the textbooks to describe the process of producing a document described as a marketing plan, and those activities or behaviours which we associate with the aims of planning, which we will generically call planning behaviours.

Thus a more relevant evaluation of formality, in our conceptualisation, is to determine to what extent the existence of a marketing plan influences firms' behaviours in certain key respects:

(i) the existence of **explicit marketing analysis** which may (or may not) form the basis of marketing decision-making.

(ii) the extent to which **integrated decision-making** is apparent.

(iii) the setting of objectives for the firm which could then form the basis for **monitoring and control** activities.

This has not generally been addressed by studies in marketing or strategic planning; the implicit definition of a firm as a "planner", the focus of almost all these studies, is that the firm has a written down marketing plan. Exceptions are Carson and Cromie (1989) (in very small firms) and Leppard and McDonald (1987) where the issue of "formality of planning" was specifically addressed. Neither of these studies present data or findings that allow us to understand the organising framework for decision making used where no formal process existed. Greenley (1982, 1984) apparently identified some of the decision processes of firms without marketing plans, but has not presented these results separately from those on firms with marketing plans.

No studies in strategic planning have been identified evaluating this; although Sinha (1990) starts from decision processes, he focuses on firms with planning systems.

Assumption Six: Research Questions

To understand the nature of marketing planning better, we suggest the following, questions:

- What do firms without marketing plans do instead, in terms of strategic plans, budgets, marketing mix decisions, and marketing analyses ?

- What planning behaviours exist in firms without marketing plans: explicit marketing analysis ? integrated decision making? integrated decision making based on explicit marketing analysis ? objective setting ? How does this compare with firms with marketing plans ? What patterns emerge relating to the environment of the firm ?

Chapter Three: Summary

We have identified six assumptions implicit in the textbook model of marketing planning that relate to our primary focus on the formality and scope of the organising framework for decision making. These assumptions are not self-evident. We have therefore suggested a set of research questions arising from each assumption which we aim to address in this research. In Chapter 4 we review our research methods.

CHAPTER 4: AIMS AND METHODS

In Section 4.1 we identify both the overall aims and the specific objectives of our research, describing the data we collected. We then, in Section 4.2, describe the population we studied and how we chose our sample. Section 4.3 describes the data collection process, and Section 4.4 the response to our study, looking at the value and cost of response. We describe some issues of data analysis in Section 4.5, and complete this chapter with a brief discussion of the limitations of our research methods (Section 4.6).

4.1 RESEARCH OBJECTIVES

Aims

This research had two main aims:

- First, we aimed to gain a more representative picture of marketing planning as an organising framework for decision making, replicating and extending previous research, and establishing a database of current practice. Here we focused on careful attention to sample selection and response rates, investigating organisations both with and without marketing plans, adding some new measures to allow us to evaluate practice in different ways, and developing the data analysis. This generated data that allowed us to look for between group differences, systematic patterns of behaviour, and to better understand firms' divergence from the textbook model.

- Second, we intended this as an investigative study to better understand firms' reasons for their behaviour, and to generate hypotheses for subsequent testing. In particular we focused on the questions raised in Chapter 3 in our discussion of the assumptions in the textbook marketing planning model.

We have tried to use the same terminology as previous research; limited only by the lack of an accepted methodology because there has been so little replication in earlier studies, and by the need to discard some of the terms which were not understood in our pilot research. The main focus of this research was the annual marketing plan, or equivalent, at the trading unit level, i.e. we were interested in the organising framework for repetitive marketing decision making.

We did not aim to explore the issues of integration or control. The separation of strategic and marketing planning identified by Greenley (1986a) suggests that the organising framework for marketing decision making can be looked at in isolation without excessive loss of information. Greenley (1982, 1984) identified the main methods of control in the marketing plan as budgetary control and management by objectives. We cover the objectives set in the plan, including financial objectives, but have not explored issues of control in any detail. To explore this fully would have increased the research process to unmanageable proportions, and the Greenley studies (1982, 1984) suggest that this does not significantly reduce our information.

The nature of marketing planning is such that valid, detailed and representative data are hard to collect. This is reflected in the response rates of earlier studies which we suggest have been constrained for a variety of reasons:

- companies are shy of releasing plan documents or even contents' lists of plan documents

- they are reluctant to release information over the telephone

- it is easier to gain response from certain types of company

- textbook definitions of standard marketing terms are not widely understood

- the volume of possible information to be collected, even within the boundaries defined, is very large.

- a generalised data collection instrument poorly describes the practices of some organisations (such as non-profit organisations).

- some respondents are reluctant to expose their firm's planning process to potential criticism, feeling that it falls short of the theoretical ideal.

Therefore considerable attention was given to data collection and the methodology is presented in some detail below.

The data we collected were mainly factual. The research aimed to determine, in decreasing amount of detail, for medium and large trading organisations in the UK:

- how many and what sorts of organisations produce something they describe as a written annual marketing plan, and whether this was a separate document or part of a corporate plan

- the contents of the plan documents, primarily in terms of analyses, objectives, strategies, and action plans

- the most valued aspect of the plan or planning process and why firms without marketing plans don't plan

- the process in marketing planning companies, in terms of who was responsible for writing, and approving the plan, whether (and if so, by whom) formal guidelines were issued, and how the timetable for the plan related to the timetable of the company budget.

- what firms without marketing plans do instead. Here we measured the prevalence, and various aspects of and responsibilities for strategic planning and budgeting including marketing mix decisions, and the extent and nature of explicit marketing analyses.

In addition, we collected classification data for all the firms in our respondent sample:

- existence of a marketing department

- type of industry

- size of trading unit by turnover and number of employees

- diversity of trading unit's product range

- perceived profitability relative to competitors

- perceived industry growth potential.

4.2 THE SAMPLE

The Population

The population we studied was all large and medium-sized trading organisations, and public sector trading and non-profit organisations operating in the UK. Specifically these were defined as:

"Companies operating in the UK and quoted on the UK stock market or USM, and privately owned companies featured in the Times 1000, and public sector trading and non-profit organisations, which:

(i) recorded a turnover of at least £10 million in their latest accounts
(ii) were not exclusively engaged in commodity trading."

We initially took the population from the MicroExstat database at the London Business School, but a subsequent check against the FT Share Index Service showed that some 9% of companies were missing. We supplemented the MicroExstat population with a "booster population" of these companies. These were typically newly floated companies that might differ systematically from the rest of the sample, for example by experiencing much higher growth. This gave a total population of 3200 companies.

We found the population of public sector trading and non-profit organisations by seeking expert opinion on organisations in this sector which might show "incomes" (equivalent to turnover for these organisations) of at least £10 million. The charities in the non-profit sub-sample were the top ten organisations in "Social Trends, 1987" published by the CSO. While this in no way exhaustively defines this population, no alternative source of this data was established, and we believe that it constitutes an adequate sample.

We chose this overall population because of the research aims to explore marketing planning practice in companies operating in the UK regardless of the home of their parent company, among those companies playing a major role in the UK economy, and among organisations for whose operations marketing planning could be relevant.

The Sample

The population was divided into six sub-populations by industry type according to the SIC code of the firm: industrial manufacturing, industrial services, consumer durable manufacturing, consumer non durable manufacturing, consumer services and public sector/ non-profit organisations. A random sample of approximately equal size from each sub-population was taken, since we wanted to facilitate intergroup comparisons between industrial and consumer companies, manufacturing and service operations, and private and public sector/non-profit organisations.

It became clear at the first pilot stage that classification by industry type was not straightforward. Many companies operated in several categories, sometimes even at the trading unit level. A preliminary screening was made for sample selection, but the first question on the questionnaire requested a self-definition according to the six industry types used. By conducting the data collection in two stages, the sample in the main research was adjusted for differences in self-classification from our prior expectations. We inspected those companies that self-classified differently for systematic differences in response: no such differences were found.

Having provisionally subdivided the total population into these six categories, the companies were ordered alphabetically. From each of the lists of private sector companies, 50 companies from each category were randomly selected, using a random number table. These companies formed the sample for the first stage. Subsequently 23 companies were added from the "booster sample" and a further 47 from the main sample, selected in the same way as before but in numbers adjusted to compensate for differences in self-classification by industry type.

Once the list of public sector companies was generated it was then expanded by taking regional parts of organisations, such as transport, and treating these as separate operations to give a large enough sample to allow us to make sensible comparisons between the public and private sectors. We did this only in organisations with regional autonomy where regions seemed analogous to separate trading units within a private sector operation. We anticipated, correctly, that the classification of some of these organisations would change to the private sector during the course of this research: this will provide an interesting future opportunity to study the effects of privatisation.

The data were collected at the trading unit level. Where the sample generated a holding company, a trading unit was selected at random from those listed in Who Owns Whom 1987. One respondent was contacted from each organisation. We reluctantly accepted the trade-off of proven reliability and the ability to gather sufficient company responses. Since most of our questions were factual and neither difficult to answer nor controversial, we felt that reliability should not be a major issue for most of our data (as our pilot studies demonstrated). However, for some key questions, we must adopt additional caution in interpretation (see page 124 below).

4.3 DATA COLLECTION

We collected our data in two ways: using a mail questionnaire, placed by telephone in companies that claimed to produce a written annual marketing plan, and by semi-structured telephone interviews with those companies that claimed they did not. Semi-structured telephone interviews were also used to gain response from those 25% organisations with a marketing plan that agreed to participate in the survey but did not, after several reminders, complete their questionnaire.

In our first successful contact with a nominated trading unit, we asked whether or not a marketing department existed, and if it did, to speak to a marketing manager. Receptionists were almost invariably helpful in interpreting this appropriately. Thus if, for example, a marketing director was the sole member of the marketing department, we were directed to them. If a marketing manager, or suitable surrogate existed, (s)he was the source of our initial response on the existence of a plan. If a plan existed, we obtained commitment to respond and sent them the questionnaire. If no plan existed, they were interviewed, subsequently, by telephone. If no-one with a marketing title existed, we had a structured sequence of people to contact (Appendix 4.1 shows the placement script). Our aim was to place questionnaires with the plan author or the immediate superior to the plan author. If no plan existed, we aimed to speak to someone who could describe the firms activities with respect to strategic planning, budgeting, marketing analysis and marketing mix decision making. The respondent sample is given in Table 4.1.

Table 4.1: Composition of the Respondent Sample

	Respondent				
Firms with plans	Author	Boss of author	Subordinate of Author	Other	Not known
(N=237)	57%	9%	15%	21%	2%
Firms without plans	Marketing	Sales/ Commercial		Other	Not known
(N=148)	37%	16%		17%	30%

In both firms with and without marketing plans the majority of the respondents in the "other" category were members of the Board, most typically the Managing Director. It was also the case that in many instances where our respondent was the subordinate of the "person responsible for writing the annual marketing plan", this corresponded with a particularly high level of attribution of authoring responsibility. We suspect that this relates to the interpretation of the word "responsible" rather than accurately describing who held the pen.

Questionnaire Data Collection

In designing the questionnaire to replicate and extend the current studies, we took the Hopkins study (1981) as our primary source. Hopkins gained access to actual plan documents and hence it seemed likely that his classification would reflect company practice. Certainly his definitions were better understood by respondents in the pilot than those of Greenley (1982, 1984).

We chose a mail questionnaire to collect the data from companies producing a written annual marketing plan in preference to other methods since:

- a large and geographically widely spread response was desired.
- the questionnaire was quite short and mostly straightforward to answer.
- some thought, or reference to documentation, was required for some questions which made telephone interviews less attractive for this part of this research. Where we could not gain a written response to the questionnaire, we compromised on this last point in the interests of response rate. Although the responses differed, we do not believe this to be an artefact of the research method, more of the respondent or company style (see pages 116-117).

Since previous empirical work has neither generated good response rates in general nor provided representative quantitative results, we looked for ways to ensure that the response rate would be high and evenly spread by category, including limiting the amount of data we sought.

It was decided to place the questionnaire by telephone for three main reasons:

- to reduce the problem of getting the questionnaire to the right person. It was sometimes necessary to locate a suitable operating company within the group and always important to find a suitable respondent.

- to gain commitment from a named potential respondent to complete the questionnaire in order to improve the response rate. The target response rate was set at 65% to reduce non-response bias.

- we wanted to interview organisations that did not produce written annual marketing plans; we expected their interest in this study to be low, and we felt that we would benefit from being able to be somewhat flexible in our approach.

As far as possible we adopted a consistent approach to questionnaire placement by using a script. We wanted to interest the respondents in the survey, and to make them feel they were taking part in an important piece of research. Respondents were promised individual confidentiality and offered a report showing the aggregate responses. In practice, the rapid turnover of respondents in our sample made this mostly unfeasible.

We used an assistant to help place the questionnaires, to call back to encourage response, and to collect some of the telephone interview data since data collection was very time-consuming. Our assistant worked to scripts prepared from pilot studies and revised in the early stages of data collection itself. The placement script is shown in Appendix 4.1.

Respondents who claimed to produce a written annual marketing plan were sent a questionnaire (Appendix 4.2) with an accompanying letter (Appendix 4.3). Each questionnaire was coded on the back with a unique number to ensure that respondents would not be contacted again after they had returned their questionnaire. This also enabled us to adjust the sample to gain fairly equal samples by industry type. One questionnaire was returned with the number removed. Although the identity of the company became clear by elimination, we did not include this firm in this analysis. Information about the companies other than that provided in the classification section of the questionnaire was not used in any subsequent analysis.

Questionnaires were despatched by first class post with a first class reply-paid envelope. The logistics of ensuring that questionnaires arrived midweek, our original aim, proved impractical because of disruptions to the post through an industrial dispute and the increase in mail as Christmas approached.

Non-respondents were contacted two weeks after we had sent a questionnaire. As a postal dispute was threatened and partially implemented during the placement, prospective respondents were asked whether or not they had received a questionnaire. We sent a second questionnaire when respondents indicated that this was desirable. The follow-up was designed to improve response, and the telephone used as the most effective method (Corner and Kelly, 1982). Three weeks after the first call back, a second follow-up telephone call was made where necessary. Up to five calls back were made, but this varied by respondent. We stopped calling as soon as a respondent indicated that they felt undue pressure was being exerted. Response took longer than we expected with a gap of up to nineteen working weeks between initial receipt and return. This time lag aggravated the problem of balancing the sample across industry types. Overall, respondents were extremely helpful, and seemed to understand why their response was important.

On average it took over 20 minutes to make contact with the appropriate contact in the company and either to place a questionnaire or to obtain agreement to take part in a short telephone interview at a (subsequent) convenient time. With 400 companies to contact and follow-up calls to chase up non-respondents, this proved a time-consuming exercise. We decided to focus first on placing the questionnaires, and subsequently to conduct the telephone interviews. This ensured that the questionnaires were despatched over a relatively short period of time.

Telephone Data Collection

Originally we had intended to use telephone interviews only for those companies that did not have a written annual marketing plan. In the event, we interviewed by telephone companies that:

- claimed they did not have a written annual marketing plan

- did not, despite prompting, return a completed questionnaire

- returned a completed questionnaire on which they claimed they did not produce a written annual marketing plan after all.

In order to obtain comparable data from the telephone interviews we used a semi-structured format, broadly keeping to a script. The questions investigated the nature of any short or long term marketing planning, strategic planning, budgeting, and sales forecasting. In addition, we investigated the way decisions about the marketing mix were made, and if and how marketing analyses took place. We also collected the same self-classification data as we had for firms with marketing plans. The script allowed for any respondents who decided that they did produce a written marketing plan (since several companies had changed their minds in the opposite direction) and so included the original questionnaire. The script is reproduced in Appendix 4.4.

While the script was used as a broad outline of topics to be covered it proved constrictive as a rigid model for firms without marketing plans, since some of these companies had planning and marketing mix decisions that were either very informal, or very tightly controlled by the chief executive. Thus, within the constraints of the time available for the telephone interview these topics and other areas of interest were explored. On average telephone interviews lasted 20 - 30 minutes, and four were typically completed in a five hour telephoning day.

Pilot research was instrumental in developing the overall methodology. A brief report on the pilot studies is available. Our original intention was to use depth interviews for this exploratory study. After six pilot interviews it became apparent that either a case study approach or a more structured approach would be more valuable. We had not appreciated the extent of the research opportunity. Since we found marketing planning systems were idiosyncratic, we were concerned that a case study approach would leave us with inadequate data to develop generalisable theory and we opted for a quantitative survey. We piloted a first questionnaire which focused mainly on the information flows in marketing planning. This proved intractable to the survey method, both from problems of definition and because the complexity of responses were not adequately captured by a questionnaire. We turned to the current focus of marketing planning as an organising framework for decision making, piloting a questionnaire that was a little more extensive than the one we finally used, seeking also to briefly explore the nature of strategic planning as well as marketing planning in firms with marketing plans. We subsequently dropped this aspect because we were worried about cross-sample reliability in the use of terms such as "strategic plan", and because of fears that the length of the questionnaire might have unacceptably reduced the response rate. The evidence of our main study suggests this latter concern was unwarranted.

During the pilot studies, we tested for reliability (in three cases) by approaching more than one respondent in the firm, and validity (in three cases) by interviewing respondents and checking their plans and timetables against the answers recorded on the questionnaire. We detected one anomaly; in one case the respondent claimed the budget was finalised at year end on the questionnaire, while it became clear during the interview that the budget was actually agreed one month later ("but this was not supposed to happen"). Our main concern is, therefore, that normalising may have occurred. We expected to find overclaimed inclusion of the elements of a marketing plan. Whilst we might not agree with their definition of "segmentation", for example, it was nevertheless true that where we checked, respondents claimed the existence of an element only if the issue was explored in the plan.

4.4 RESPONSE

The overall response was 385 out of the 412 companies in the sample; a response rate of 93.4%. We could not identify any systematic patterns among the 27 non-responding companies. This level of response begs the questions "why did we expend so much effort on data collection?" and "what was the overall value and cost of getting such high response?".

We had decided, before starting data collection, that we would aim for a significantly higher response rate than the earlier studies; as far as we could tell, the best response at that time for the main surveys was about 35% (Miller 1967). We thought it likely that there could be systematic differences between respondents and non-respondents, not least because of the problems in designing a non-intrusive research instrument. Our original target was 65%, but we persisted until we had achieved a much higher response rate for two reasons. Firstly, less firms claimed to produce marketing plans than we had expected and we needed more responses to be able to make the comparisons between planners that we had in mind. Secondly, the pattern of response was confusing leaving us concerned about possible non-response bias throughout the data collection process. These reasons are explained in more detail below.

We expected to find that three quarters of our sample produced marketing plans. This was based on Greenley (1987) who found 60-70% of all firms produced a marketing plan, modified by the findings of Doyle (1987) who found that larger firms were more likely to have marketing plans, since our sample excluded small firms. This estimate was supported by our first two pilot studies (where 73% and 79% respectively produced a marketing plan). In practice only 61% of our total sample claimed to produce any marketing plan (see Chapter 5 below). Further, the public/non-profit sectors proved to be at least as likely to produce a marketing plan (65% versus 61% of the private commercial sector) while we had expected them to be less likely. Table 4.2 shows that only by increasing the response rate were we able to achieve big enough samples in the sub-categories of planners in the private commercial sector that we wanted to compare. To achieve our targets by industry type, we needed an overall response of 80%, and to get the level of private sector response we wanted, we required 85.2% response from the private commercial sector.

Table 4.2: Sample of Firms With Marketing Plans: Actual versus Prior Expectations

Sector	Prior % plan	Expected # respond	# plans	Actual % plan	# respond	# plans
Commercial private	77	216	167	61	305	185
Public/non-profits	65	52	34	65	80	52
Total	75	268	201	61.5	385	237

Further, some firms responded with less prompting that others. Public sector organisations and manufacturing firms responded much more readily than firms in the service sector. On average it took 3.2 calls to get a response from an industrial manufacturing firm and 3.5 for a public sector/non-profit organisation compared with 6.2 calls to a consumer service firm. We were concerned to get enough responses from the more recalcitrant firms, which drew us into extended data collection.

Secondly, rather than casting our net wider and contacting a larger sample, we persisted with those already chosen. The emerging picture of response we received was confusing, with significant fluctuations in even the most basic measure: have/ have not a written annual marketing plan, where our estimate varied over the course of data collection between 55% and 79%. The fluctuating pattern of response simply increased our concern about possible bias among non-respondents. The picture was further confused during data collection because we completed data collection in two stages, and placement of later questionnaires in each stage was occurring simultaneously with follow-up of earlier questionnaires. It was only after the data collection process was completed that we were able to identify the systematic patterns in response.

We briefly discuss what we gained by persisting with the data collection to get such a response, what it cost, and make recommendations for future work.

Value of the Response

We saw above that the response to even the most basic measure in our survey fluctuated widely; estimates of the overall percentage of firms that claimed to produce a written annual marketing plan started at 79%, fell through various stages to a low of 55% with our final best estimate of 57% (with a maximum feasible range of 53.4%, if all the non-responding companies did not plan to 60%, if they all did).

The main reason for this dramatic change was that 80 firms eventually decided they did not have a marketing plan, having initially claimed that they did, and a further 14 firms had a marketing plan which they had originally stated was an annual plan, but subsequently claimed was not annual. Further, 6 firms who originally said they did not have an annual written marketing plan subsequently confessed to having one, and 3 firms who denied having an annual marketing plan were subsequently found to have had a marketing plan covering a different duration. The nature of our research process, where firms were either required to report in detail on their plan or in detail on what they did instead, means that we are now confident that we obtained an accurate response from all 385 firms.

The firms who "changed their minds" about whether or not they had a written annual marketing plan were disproportionately concentrated among the firms who were sent questionnaires but did not return them (Table 4.3).

Table 4.3: Firms final response on the existence of a marketing plan compared with their initial response and the research method used.

	Initial Response			
	"Have annual plan"		"No annual plan"	Total
Final Response	Returned questionnaire (N=233)	Did not return questionnaire (N=72)	Interviewed by telephone (N=80)	(N=385)
Annual marketing plan	77%	44%	11%	57.1%
Other marketing plan	3%	10%	4%	4.4%
No marketing plan	20%	46%	85%	38.4%
Total	100%	100%	100%	100%

At different stages of the research, we saw a different picture. For example, in each of four rounds of follow-up calls, firms returning questionnaires immediately were more likely to claim to produce a marketing plan than those returning them later.

Since this was a fundamental question which would influence much of the subsequent analysis of planners we wanted to a high degree of confidence in the response, which was only possible by persisting with the data collection.

The reported contents of the plans also varied between firms who responded quickly and those who took longer to respond. Thus, for example, we see significant differences in the reported plan contents (Table 4.4) when we compare firms with an annual marketing plan who returned questionnaires (179 firms), with those who did not (32 firms) and were interviewed by telephone, where the latter were the firms from whom response was hardest to achieve. Partly these differences reflect differences in the samples; questionnaire respondents were more likely to be manufacturing companies, larger firms, and more diversified companies in lower growth industries. This does not, however, account for all the differences we see.

Table 4.4: Plan Content of Firms that Returned Questionnaires and Those That Did Not

	Questionnaire returned (N=186)	Telephone interview (N=51)	Sig. level
Overall statement of strategy	74%	35%	p<.01
Key Assumptions	76%	41%	p<.01
Strengths/Weaknesses	79%	59%	p<.05
Opportunities/Threats	78%	52%	p<.01
Market size forecasts	72%	52%	p<.05
Contribution after marketing costs	56%	36%	p<.05
Pricing action plans	48%	29%	p<.1

Firms that returned their questionnaires ("standard respondents") were more likely to complete several key elements of strategic analysis, and focused more on the financial aspects of the plan. Firms that did not return questionnaires ("recalcitrant respondents") were more likely to include objectives and action plans ($p<.1$) for the marketing mix (except pricing), to consider alternative strategies and to review previous plans. Yet, although they included more elements of strategy, plans produced by the "standard respondents" were significantly more likely to value outcomes of control (34% versus 29%) and consensus (14% versus 3%) while the "recalcitrant respondents", were more typically concerned with setting direction (43% versus 26%).

Overall, "recalcitrant respondent" companies produced plans that differed more from the textbook version. In terms of the styles discussed in Chapter 7, 17% of "standard respondent" firms produced a textbook model plan and 41% a budget support document, compared with "recalcitrant respondent" companies where 10% produced a textbook model plan and 70% a budget support document.

A possible explanation of our findings above is that the differences are due to the different data collection method employed. However, the pattern was typical of firms' responses where it was difficult to get a response, regardless of the research instrument. Where we had to increase our effort to gain response, we found plans that differed more from the textbook model. It seems more likely that the differences arise because these firms were either busy "doing things" (as the focus of their plans suggest, and some of their comments to us confirmed) and so did not have the time to complete the questionnaire, or because it is harder to get respondents to return a questionnaire which fits poorly with their practice (since the textbook model was the norm implied by the questionnaire). It was both more difficult for them to make sense of it, and they may have felt an implied criticism in the instrument which we tried, but may have failed, to avoid.

Cost of Response[1]

To make initial contact took over 6 calls in 20% of companies. Hence the first 80% companies (299) were contacted with 771 calls (average 2.6) while the remaining 20% firms (73) required 824 calls to contact (average 11.3).

(1) For 13 companies out of the 412 in total, the data for this analysis are missing. This affects the percentages, with a maximum error of 2%, but does not materially affect the results.

Immediate response was forthcoming from 58% (216 companies). After one reminder call this rose to 75% (279 firms) and to 88% (329 firms) after two reminder calls. A further 148 calls were made to gain response from the remaining 12% (43 companies).

130 companies responded to the first questionnaire without prompting (42%) and a further 84 with prompting to give 214 firms (69%).

55% of responses were received in four weeks from despatch of questionnaire (169 out of 305) with a further 28 (9%) arriving in the second month after despatch and a further 25 (8%) later than that. The longest response time was 19 weeks after despatch. Early closedown would have significantly reduced response and, as above, skewed the sample and response.

Had the original plan been followed, 203 responses to the questionnaire, a 66% response to the questionnaire and a possible 71% overall response rate (203 questionnaires plus 80 telephone interviews out of 399 sample) would have been achieved. If, in addition, only 6 calls to try to contact had been made, response would have fallen to 270 responses (68% response rate). Closedown after 4 weeks would have further reduced response to 235 firms (59% overall response).

Potentially, this fall in response would seriously affect claims to representativeness of the sample because of the systematically different patterns in those companies from whom it was difficult to gain response.

The literature suggests ways in which response rates may be increased (see, for example, Jobber 1986). These methods were applied where possible but they generally describe successful response in the order of 70% (or less). In the event perseverance was needed to capture the very high response rates described above (1850 telephone calls, 400 questionnaires despatched, and some 80 hours of actual telephone interview) meant a total of about 600 man hours of data collection, excluding the pilot research.

4.5 DATA ANALYSIS

We analysed the data using the SPSS statistical package on a personal computer. Both the questionnaire and interview data were fairly straightforward to code for processing by computer, and both the number of observations (over 30,000), and the analytic techniques we intended to use made such processing desirable.

We chose SPSS for the Macintosh as it was easily accessible, and could manipulate the database to provide the frequency and cross-tabulation data (with statistical significance calculations) required. We also intended to use exploratory techniques, such as factor analysis, to identify dimensions of plan documents, and evaluative techniques, such as discriminant analysis, to explore relationships between variables such as the existence of a plan and firm characteristics in our evaluation of the research questions raised in Chapter 3. These analyses are both available on SPSS, and this programme is recommended for such analysis (e.g. Hair et al 1987).

Once coded, the database was run through a frequencies program and the results inspected for anomalies, and initial corrections to the coding accuracy were made. Subsequently the results from the database were cross-checked against some manual computations from the raw data, and random checks of data lines were made to check the accuracy of the database as a representation of the raw data.

Classification of Data

For those questions which were not "multiple choice", a classification scheme was needed. These classifications are explained below.

(i) Job titles were classified as a two digit number representing the function, and the level of seniority in the organisation.

(ii) Firms with marketing plans were asked to evaluate the most useful aspect of the marketing plan or planning process. Responses were received from 85% of these (194 firms), of which 185 were classified into five categories (95%). Some organisations gave multiple responses and the "dominant" value has been used in the analysis.

The responses were typed onto plain paper and an objective observer was asked to assign the responses to the categories developed. The results were compared to check for objectivity, and the (minor) discrepancies discussed.

(iii) 124 companies were asked, in their telephone interview, why they did not produce a written marketing plan. Two companies said they did not know and two companies declined to comment. We thus received 120 responses (97%). Respondents varied in the extent to which they seemed able to provide a "front of mind" reason for not producing a marketing plan. While some gave a clear impression that this had been considered and rejected, others seemed to be post-rationalising. Some respondents were also explaining a decision that they themselves had not made.

Although this post-rationalisation raises concerns about the validity of these responses, we quality of response seems equivalent to those explaining the most valuable aspect of the plan or planning process from firms with marketing plans. We have taken both these responses initially at face value. In both cases we subsequently discuss their validity.

In a similar way to the free-form responses about the value of a marketing plan, we classified the responses received to this question into six types which covered all responses. We used the same check for objectivity as in (ii) above.

(iv) All our data on "the purpose of the long-range/strategic plan", on determining the sales forecast and the marketing mix, on customer needs analysis, on new target market analysis and on competitor analysis were free form responses. These data were typed and classified. A random selection was then recoded by an outside observer into these categories to check for objectivity.

Analytical Tools

While frequency data and crosstabulations are widely used in our analysis (using the Pearson significance level, with $p \geq .1$ as "not significant"), we also use: discriminant analysis (Chapters 6 and 8), and factor analysis, using a shadow data set (Chapter 7). The rationale for choosing these techniques, and the key statistical measures associated with their use are included in appendices at the relevant place.

4.6 LIMITATIONS OF, AND ISSUES RELATING TO, THE METHODOLOGY

Our research method, combining a mail survey and semi-structured telephone interviews, has limitations, some of which are inherent, while others became apparent during the research, discussed in Chapter 10. There are also general issues of note in this research.

Claimed Behaviour

All the data collected were claimed behaviour and have not, for the most part, been verified independently. For example, firms were asked "Does your company/ division/ trading unit produce a written annual marketing plan?". We made it clear that such a plan could be part of a corporate plan, and we were also able to record their response if they worked on a different time scale from the usual annual cycle. But then we left it to respondents to decide whether their firm had a written marketing plan. The issue here is not their veracity. The problem lies in semantics. We are measuring a respondent's belief about the existence of a marketing plan.

This raises a non-trivial issue of who defines what respondents do. In some cases there is a clear textbook definition of a term (e.g. market segmentation) such that, in other circumstances than a mail survey, we could objectively evaluate whether or not a market segmentation analysis was included in the marketing plan. But for those elements where the definition is less precise, a judgement must be made. For example, the definition of a marketing plan is not clear. Previous authors (e.g. Winer 1965) have suggested implicitly (page 98), that there are minimum requirements for a plan, without clarifying what these are. McDonald (1982) and Greenley (1987) avoid this issue by introducing the term "full" or "complete" marketing planning, but this refers only to textbook plans (produced by a very small minority of firms). We have chosen to accept firms' definition of the existence of a marketing plan in our initial analyses, but we later challenge this, both among self-defined planners and non-planners.

The drop in the percentage of firms that claimed to produce a written marketing plan from 80% on initial contact to 61% after further investigation raises concerns about the reliability of the research. We suggest three possible reasons for this change:

(i) firms wanted to see the questionnaire (and so said they had a written annual marketing plan when they knew they did not).

(ii) firms believed they had a marketing plan until they had seen the "suggested" contents.

(iii) firms were not sure whether they would call a document a marketing plan (they did not use that term internally, but felt the document might be called a plan).

Similarly respondents were asked to report plan contents and processes against a predetermined list of 90 variables. For several reasons we would expect overclaim:

(i) firms may have claimed to include elements they think they "ought" to have included in the plan,

(ii) firms may have misunderstood some concepts and think they included elements that they did not (a familiar example, perhaps, is market segmentation where, had we investigated in the same way as we did for the existence of a plan we might have found a number of firms that "changed their minds"), and

(iii) firms may have normalised their responses to reflect what "usually" happens.

In the pilot we tested this and found only the third effect. Firms who "usually" did something included it in their responses about "last year's plan" although that plan in practice was different. We have not been able to review enough of the total sample's plans (or even lists of plan contents) to make statements with confidence about the likelihood of this pattern being a dominant one for our survey.

To make the text more readable, we report our findings without overt reference to the fact that this is claimed, rather than verified, behaviour. We talk, therefore, of firms "with" a marketing plan, plans that "include" certain contents. etc. We highlight areas where the claimed nature of our findings is of particular relevance.

Terminology

Some terms were explained in the questionnaire following the pilot results to ensure respondents understood the question. The mail questionnaire defined some terms, such as strategy, for respondents but left others to the definition of the respondent, such as "written annual marketing plan". We used the pilot study to identify and to establish definitions of the most confusing terms and included these definitions in the mail questionnaire (e.g. "objectives", "strategies", and "action plans"). The response to the main survey suggests that respondents were able to distinguish between these concepts; for example, idiosyncratic patterns of including these for each marketing mix element measured was a feature of the response. However, some terms may be specific but non-standard meanings for some firms.

Evaluative responses were not necessarily consistent across firms. Two firms denied that they produced a written annual marketing plan adding comments such as "more of a budget really" and yet described a document that was far closer to the textbook model than that described by other organisations who seemed more confident that their document should be accorded the status of a plan. However, most questions were "factual" (within the constraints described above).

Some responses were consistent between our survey and other surveys, but did not necessarily elicit the data we wanted. Following the research of Hopkins (1981), respondents were asked "What was the title of the person with prime responsibility for writing the most recent annual marketing plan?". This question caused no confusion among the pilot sample and our overall results are similar to the Hopkins (1981) survey, but there were surprisingly few responses of "product manager" given the product management literature (e.g. Luck and Nowak, 1965). In the telephone interviews we asked "Who is responsible for the sales forecast?" and "How is it determined?". The responses suggested that the Board or Managing Director was ultimately responsible for this although they might have taken no part in its preparation and the response to "How is it determined?" was sometimes simply to name the person who would actually prepare the figures. This suggests that, rather than a result that conflicts with the product management literature on plan authorship, we have a careful distinction between the author and the person with prime responsibility for writing the plan. Ironically this latter phrase was chosen to avoid the confusion that arose from asking about the "plan author" in those companies where the plan document was a co-ordinated effort.

Trade-offs in the Data Collection Process

The telephone interviews were semi-structured for ease of analysis. It became clear that this would be necessary as the proposed number of interviews grew to a total of 192. Structuring the interviews ensured a greater communality of topic covered but reduced the richness of the data collected. This trade-off was accepted as more in the spirit of this research project.

Despite the additional work in coding, the open-ended questions were very valuable in giving insight into the how marketing planning was seen inside companies.

While we aimed to make the data collection as non-judgmental and neutral as possible, we have (by asking specific questions) imposed our own frame of reference on this process. This was relevant to both the mail questionnaire and, more especially, to the semi-structured telephone interviews. We explore this further in Chapter 10.

Interpretation

Interpretation of the open-ended questions has been discussed above. Two other questions deserve a specific mention, both because of their subjective nature and because they emerge as important measures in our analysis. One asked respondents about the growth potential of their industry over the next five years, while the second asked respondents to evaluate the profitability of their firm relative to competitors in their industry.

Our "growth potential" measure asked for firms to assess the growth potential of the industry over the next five years on a five point scale: high growth, modest growth, stable, modest decline, sharp decline. This aimed, within the spirit of planning, to ask about the future, but probably elicited an optimistic view of current industry or firm growth.

The question relating to profitability relative to industry competitors was also measured on a five point scale: well above average, a little above average, average, a little below average, and well below average. 22% did not respond to this question, of whom almost half (9%) were public sector/non-profits for whom the question had little or no meaning. Table 4.5 shows the frequency with which each of these were mentioned. We see that 58% of firms perceived their profitability to be above average, presumably a combination of optimism and company pride. We use, primarily, the three combined categories: well above average, above average, and average or below, which divides our data into three, approximately equal, parts.

Table 4.5: % of Firms With Various Perceptions of Relative Profitability

	(N=299)
Well above average	27%
A little above average	31
Average	27
A little below average	12
Well below average	3
	100%

Perceived relative profitability is a problematic measure. First, it is subjective rather than objective which is of particular concern since we used a single data point in each company. It concerns profitability at the trading unit level (not reported by most firms) compared with some notion of an industry average (not usually available). We chose to use this rather than requesting absolute profitability, since product markets may systematically differ in levels of achieved profitability, and they may also be influenced by reporting conventions, transfer pricing etc. Further, respondents were anxious about disclosing such information which threatened our aim of generating a representative survey. We distinguish "well above average" and "a little above average" but indicate those findings which differ when we stop distinguishing "well above average" as a separate category. A second issue is that we used the term "profitability" which may have been interpreted differently in different firms (e.g. return on sales, return on capital employed etc.).

This matters because we used the measure to investigate the relationship between firms' planning behaviour (measured in various ways) and their perceived relative profitability. Two important further difficulties are associated with this: planning behaviour relates to the future while this measure relates to the past, and causality in any such relationship cannot be implied. The former issue may be less problematic in repetitive annual marketing planning, the focus of our research. The latter is structural. We nevertheless report the findings because they occur consistently (if weakly) and in a systematic way throughout our data. We cannot stress too strongly, however, the caution that is needed in interpreting and using these results.

We look next at the findings of our survey, starting with the general findings and a comparison with previous research.

PART 2: FINDINGS AND DISCUSSION

CHAPTER 5: REPLICATION AND EXTENSION OF PREVIOUS STUDIES

In this chapter we report on the basic findings on the scope and formality of the planning process and the people involved, making comparisons with previous studies of marketing planning, establishing a preliminary framework for summarising our data, and then assessing how far the scope of plans reflects marketing management decision making responsibilities.

First, we identify **which firms produced written marketing plans** and how the incidence of this varied across different types of firm. (Section 5.1). We look at the **contents of the plans**, including an analysis by industry type, and compare these findings with previous empirical studies. We then aggregate our data on plan content into the **broad elements recommended in the textbook model** to identify the extent to which this was used, and how this varied in different types of firms. (Section 5.2).

We suggested (page 57) that the scope of marketing plans might be constrained by the decision making responsibilities of the plan author. Further, since surveys of marketing management (e.g. Luck and Nowak, 1965) suggest that the marketing plan is seen as important within marketing departments, we conjecture that the plan will cover all those areas of responsibility. We, therefore, **compare the plan contents with the decision-making responsibilities of product managers**. (Section 5.3).

Finally, in Section 5.4, we review the **people involved in the marketing planning process** in writing, approving, making final changes to, and issuing guidelines for the plan. We compare these findings with those of Hopkins (1981) and Sutton (1990).

5.1 FIRMS WITH MARKETING PLANS VERSUS FIRMS WITHOUT

Initially, we simply look at the proportion of firms with a written marketing plan, and then study between group differences. We have taken the "annual marketing plan" as the unit of analysis here; this accounts for 93% of the existing plans, and is the recommended form. Almost identical results emerge from analysing all marketing plans. We record separately the results for the existence of separate marketing plan documents and corporate plan documents which contain the marketing plan only where differences occurred.

57.1% of the organisations in our sample produced a written annual marketing plan for the current year. A further 4.4% produced a marketing plan on a different time scale, bringing the total with a marketing plan at all to 61.5%. A further 4.2% claimed to be producing, or to be about to produce, their first written marketing plan. The remaining 34% of the sample had neither produced last year, nor were they about to produce, a marketing plan at all (Table 5.1).

We have not included those firms that "were about to produce a first plan" with the firms with plans in any subsequent analysis. Our study aimed to explore actual behaviour (within the constraints of our methodology) rather than aspirations. For most of these firms, it was also true that no "proposed contents" existed.

Table 5.1: % of Firms With A Written Marketing Plan (N=385)

Annual Plan (separate document)	35.1
Annual Plan (part of corporate plan)	22.0
Total Annual Marketing Plan	**57.1**
Plan prepared, but not annually	4.4
Total Existing Marketing Plans	**61.5**
About to Write a First Plan	4.2
No Written Marketing Plan	**34.3**
Total	100.0%

Some respondents were uncertain of the status of their marketing plan; thus comments such as "more of a budget than a plan, really" were made explicitly by three respondents. In this chapter we coded the responses according to whether or not they, in their response to the question "does your company produce a written annual marketing plan?", ticked "yes" or "no", or according to their response to this question in a telephone interview. We explore the nature of this claim further in Chapter 9.

Comparison of the Incidence of Marketing Plans With Previous Studies

Overall 61% of the responding sample had a written marketing plan while 39% had not. This is comparable with Greenley (1987): "nearly 70% of firms claimed to practice full marketing planning", and McDonald (1982) who found that 67% of firms claimed to practice complete marketing planning.

However, there are two differences between the surveys to take into account.

(i) The questions posed by Greenley (1982, 1984) and McDonald (1982) were much stronger than the question in our survey. From the annotations to the questionnaire mentioned above, some of our respondents might not have categorised their marketing plans as "full" or "complete". With this question our result would, presumably, have been somewhat lower, although this was probably not a major factor.

(ii) By definition, our sample included less smaller companies than the samples of McDonald (1982) or Greenley (1982, 1984). Yet larger companies are more likely to produce a marketing plan (Doyle 1987, and below). This also suggested we should find a higher proportion of firms with marketing plans.

A third difference in the surveys, perhaps accounting for these differences, lies in the response rates, or representativeness, of the sample. In our survey the initial response to this question was much higher than the final response (almost 80% dropping to 61%), and those that responded without prompting were more likely to be firms with marketing plans. McDonald (1982) reports responses to this question that were elicited from participants on workshops on marketing planning, while Greenley does not report response rates from any of his surveys but we can see that response is patchy (at best).

The Marketing Plan as a Separate Document or Part of the Corporate Plan

35.1% of organisations produced a written annual marketing plan that was a separate document rather than part of an annual corporate plan. This split between separate marketing plans and marketing plans that were part of the corporate plan (36% of all marketing plans were claimed to be part of a corporate plan) was similar to Hopkins' (1981) study (30% of all marketing plans). Sutton (1990) found approximately 26% of firms whose marketing plan was part of the corporate plan. However, he also finds a further 7% whose plans were unclassified. Table 5.2 shows that taking the firms by industry type with a separate marketing plan as a proportion of firms with a plan classified as separate or part of a corporate plan, our survey findings were almost identical with Sutton (1990), and consistent with McColl-Kennedy et al (1990).

Table 5.2: % of firms with a marketing plan whose plan was a separate document

	Consumer	Industrial	Service	Total
Hopkins (USA: 1981)	66	54	57	59
Cousins (UK: 1986/7)	70	60	57	64
Sutton (USA: 1990)	70	61	58	63

VARIATIONS IN THE INCIDENCE OF MARKETING PLANNING

Manufacturing versus Services Firms

In the private sector **manufacturing companies were significantly more likely to produce an annual marketing plan than services companies.** (62% versus 47%, $p<.01$, Table 5.3.). This confirms a tentative finding of George and Barksdale (1974) who also found this pattern although their result was not statistically significant ($p>.1$). Hooley et al (1984) found a small difference in the likelihood of annual marketing plans between manufacturing and service firms in the UK (73% versus 66%), but suggest that their response to this question may be unrepresentative (pages 69-70) which may account for their less clear-cut result.

Fewer than half (47%) of the services firms produced a written annual marketing plan (compared with 62% of manufacturing companies) accounted for by the finding that only 24% produced a separate annual marketing plan (compared with 40% of manufacturing companies). We will see, in Chapter 9, that over half of these "non-planners" did not produce a strategic or long-range plan either (54% versus 46% of manufacturing companies) and 14% of these "non-planners" did not even produce a budget (versus 4% of manufacturing companies). Their reasons for not producing a marketing plan did not differ significantly from those of manufacturing companies.

While individual differences are not very large, they amount to a consistent pattern suggesting that the concept of marketing planning has found less relevance to date in the services sector. We find a similar pattern in the contents of plans in service firms which on average, included a lesser "amount" of planning (e.g. on average, each measured objective was claimed to be included in the annual marketing plan by 55% of service firms compared with 69% of manufacturing companies, and see page 145).

Dickson and Kalapurakal (1991) suggest that service firms are new to planning, and Sutton (1990) found service firms emphasised marketing planning more than in the earlier, comparable study of Hopkins (1981). We find only minor differences in the number of firms in each sector "about to write their first plan" (3 manufacturing firms, versus 5 service firms), which is not consistent with the idea that the service sector are just taking up planning.

Grönroos (1980) claims that marketing departments in service firms cannot plan and implement their activities. This relates to the nature of marketing in the service firm. Much of the literature on service organisations recognises inherent differences between goods and services firms (e.g. Bateson 1977, 1979, Berry 1980, Knisely 1979, Lovelock 1981, Shostak 1977) but the only quantitative study we identified that compared marketing practices in manufacturing and services firms was that of George and Barksdale (1974) which provides no help in this. A search of the Social Science Citation Index revealed no citations of this research.

The lower incidence of formal marketing planning observed in this study is consistent with the observation of Lovelock et al (1981) who suggests that marketing in service firms is "**rarely planned... by professional marketing managers**" with strong explicit analysis. Grönroos (1980) argues more forcefully that where marketing is introduced, "**separate marketing departments have frequently been established**" which he deplores since the installation of a marketing department allows other departments to abdicate responsibility for marketing where this was previously an accepted part of their role. The suggestion (Grönroos 1983) that corporate plans are more relevant than separate marketing plans receives some support as this was the only area in which service firms matched up to manufacturing firms (22% of each produced a corporate plan).

This argument relates primarily to the issue of inseparability of marketing and operations in the service firm, though the issues of intangibility and heterogeneity add further complications (e.g. Parasuraman et al 1985). Certainly the incidence of formal marketing departments in services firms in our sample was lower (65% compared with 77% in manufacturing firms, $p<.05$). If formal marketing in a service business leads to the development of a marketing department (Grönroos 1980) then the lower incidence of marketing departments is consistent with a lower incidence of formal marketing, manifested as the absence of a written marketing plan. However, there is a lower incidence of marketing plans among services firms with a marketing department (54% compared with 72% in manufacturing firms with a marketing department, $p<.1$).

We suggest, therefore, that service firms are not simply laggards in implementing marketing plans. This may be true, but it seems the reality is more complex than this; at least, that there are structural reasons why this is the case. These reasons may, however, be more to do with the style of planning adopted than any disadvantage from planning (relative to manufacturing firms) *per se*.

Consumer versus Industrial Companies

We found **no significant difference between consumer and industrial companies** in their likelihood of producing a marketing plan (58% versus 52%, table 5.3).

Table 5.3: % of Firms With an Annual Marketing Plan by Type of Industry in the Private Commercial Sector

	Manufacturing (N=174)	Service (N=131)	Total (N=305)
Consumer (N=166)	64*	49	58
Industrial (N=139)	59	44	52
Total	62	47	55

* of which durables 57% (N=51), non-durables 70% (N=54).

Although early studies by Ames (1963, 1971) observed problems of implementation of the product management concept in industrial companies, Eckles and Novotny (1984) found that the product management concept had become more widely adopted in this sector. Nor did we find a significant difference comparing consumer and industrial manufacturing companies (64% versus 59%), consistent with the Hooley et al (1984) result (76% versus 69%).

Public/Non-profit Versus Private Sector Organisations

Public utilities, both trading and non-profit, were significantly more likely to produce an annual marketing plan than private sector companies. (68% versus 55%, $p<.05$). We attribute this finding to a combination of the prevailing UK political environment, with its focus on privatisation and the positive value of market forces, and the tradition of planning in the public sector. The private non-profit sector were as likely to produce written marketing plans as the private commercial sector (Table 5.4).

Table 5.4: % of Firms With an Annual Marketing Plan by Sector

Public sector trading (N=41)	68%	55%	Private commercial (N=305)
Public sector non-profits (N=22)	68%	53%	Private non-profits (N=17)
Total Public Sector (N=63)	**68%**	**55%**	

Diverse versus Single Product Organisations

Companies with a more diverse product/ service range were more likely to produce a written annual marketing plan than single product/service companies. (65% multi-product companies versus 41% single product companies, $p<.01$). Similarly **companies serving several markets were somewhat more likely to have annual marketing plans than companies serving only one market** (60% versus 50%, $p<.1$). This replicates the findings of McDonald (1982) for industrial manufacturing companies.

Large Versus Small Organisations

Larger companies were more likely to produce a written annual marketing plan than smaller companies, with size measured as both turnover and number of employees, although the former is the more robust finding. (e.g. 65% of companies with a turnover over £20 million had plans compared with 42% of companies with a lower turnover, $p<.01$). We had expected the issues of size and control/ communication, discussed by McDonald (1982), and Leppard and McDonald (1987) as reasons for needing plans (page 77), to be more closely related to employee numbers than turnover. The result repeats using different divisions for turnover (but not for number of employees). For example, organisations with a turnover of at least £50 million were more likely to produce a written annual marketing plan than those with a smaller turnover ($p<.05$). This replicates a result for industrial manufacturing companies (McDonald 1982) across all sectors, and is consistent with McColl-Kennedy et al (1990). In Chapter 6 we explore these findings on size and diversity further.

Existence of a Marketing Department

Companies with a marketing department (70% of our sample) were much more likely to produce a written annual marketing plan, (67% versus 31%, $p<.01$). Table 5.5 shows that the plans produced by marketing departments were more likely to be separate marketing plans than part of a corporate plan (68% versus 50%, $p<.05$).

Table 5.5: % of Firms With Annual Marketing Plans According to the Existence of a Marketing Department

	With Marketing Department (N=262)	Without Marketing Department (N=112)
Annual marketing plan	67%	31%
of which		
Separate Document	68%	50%
Part of Corporate Plan	32%	50%

Organisations in Environments with Higher or Lower Perceived Growth Potential

Firms in different perceived industry growth potential environments were equally likely to produce a written annual marketing plan. McDonald (1982) found that a high growth rate was sometimes given as a justification for not planning. We did not encounter this rationale, but we return to this issue in Chapter 6.

Overall, therefore, larger firms, more diversified firms, firms in manufacturing or the public sector, and firms with a marketing department were more likely to have a written annual marketing plan.

5.2 THE CONTENTS OF THE PLANS

We turn now to the 61% of firms that claimed to produce a written marketing plan. **Objective-setting** was present in almost all plans, suggesting a strong emphasis on control (and perhaps commitment), with **strategy formulation** as the next most prevalent activity and **action planning** as a poor third. Plans were more likely to have a financial orientation than market orientation and least likely to have a marketing mix orientation (Tables 5.6 and 5.7).

Summarising the Plan Content Data

Previous studies have included little analysis of the findings on the scope of marketing plans. One issue is to find a way of summarising the data. We have chosen in our research to focus on the textbook model as presented by Kotler (1991). We have, therefore, taken the substantive elements (i.e. excluding the executive summary) specifically mentioned in Kotler (1991: 73), and aggregated our data to these categories. Thus, for example, we measured four possible action plans relating to product issues. If any of these were included we define the firm as including a product action plan. An explanation of these categories is given in Table 5.8.

The most common contents of the marketing plan were **financial objectives**, for budgeting and control purposes (55% of plans included specific objectives for revenue, marketing expenditure, and profit margins). Strategic analysis and a statement of overall strategy were the next most widespread activities in the annual marketing plan, although this did not generally include all the expected analyses (42% of plans included both an opportunities and issues analysis and a statement of strategy). Only 26% of plans included a comprehensive programme of marketing action for the year, that is at least one action programme for each of the four main elements of the marketing mix (Table 5.9).

The **strategic analysis tended to be superficial**. Most companies reviewed changing customer needs, while many reviewed market demand, share trends and segments. Key assumptions and a SWOT analysis were typically included. These are features of a strategic document. Yet in only half these firms did key assumptions and the SWOT analysis include competitor strategy forecasts. (21% of plans included the strategy formulation variables above <u>and</u> a forecast of competitor strategy), and only 16% included alternative strategies. Overall the apparent aim of making the plan an analytical strategy document was not fully developed.

Table 5.6: Statements of Intent in Marketing Plans

The proportion of firms with marketing plans, N=230, that included:

	Objectives	Strategies	Action Plans
	%	%	%
Financial			
Sales revenue	82	62	54
Sales volume	80	63	56
Marketing expenditure	77	63	58
Profit margins	73	47	42
Contribution after marketing	52	33	28
Any financial	**94**	**80**	**76**
Market Share			
Market share	58	55	44
Competitor market share	27	24	17
Any market share	**58**	**57**	**45**
Marketing Mix			
Product improvement	70	67	52
New products	66	65	55
Customer service	44	41	39
Presentation	42	42	35
Any product	**81**	**79**	**92**
Advertising	70	67	58
Sales promotion	66	63	56
Field sales	48	38	41
Sales training	39	30	34
Any promotion	**83**	**78**	**70**
Pricing	**64**	**56**	**44**
Availability	41	33	30
Distributor relations	31	29	28
Any channel	**52**	**46**	**42**
Any marketing mix	**95**	**92**	**83**
Marketing research	58	52	49

Table 5.7: Analyses Reported In Marketing Plans (N=230)

Proportion of firms including:	
Market trends analysis	
Changing Customer Needs	81%
Government Regulation	46%
Technological Trends	45%
Other Environment	42%
Market Demand Forecast	67%
Market Share Trends	62%
Market Segmentation	59%
Any Market Trends (specified)	**93%**
Control mechanisms	
Review Previous Plan	56%
Elements Of Strategy Formulation	
Strengths & Weaknesses	73%
Opportunities and Threats	71%
Key Assumptions	69%
Competitor Strategy Forecast	35%
Alternative Strategies	27%
Contingency Plans	26%
Any Strategy Formulation	**91%**
Any Analysis	**96%**
Overall Statement of Strategy	66%

Taking the second broad strand of planning activity, **action planning and control**, only 17% of plans included marketing objectives, action plans and the key budget variables. Despite the apparent emphasis on budgeting in the plans, only half included a review of previous plans (to identify systematic biases in forecasting), and only half a pricing plan in support of a sales revenue objective. There were few checks to control the resource allocation/budgeting process; only 36% of plans contained the budget variables and a review of last year's plan.

Table 5.8: Defining the Terms Used in Key Aspects of the Plan Content

In order to understand our data better, and to make comparisons with the textbook model, we have aggregated our findings into the key elements of the textbook model described by Kotler (1991: 73). The terms we use are defined below:

Term Used:	Criteria for inclusion:
Customers/Environment	Any of changing customer needs analysis, government regulation trends, technological trends
Market	Any of market demand forecast, market share trends, market segmentation analysis
SWOT	Strengths and weaknesses and Opportunities and threats analyses
Opportunities and Issues	Customers/Environment and Market and SWOT analyses
Strategy Formulation	**Statement of Strategy and Opportunities and Issues**
Key Objectives	**Sales volume and market share and profit margins objectives**
Action Plans: Promotion	Any of advertising, sales promotion, field sales effort, or sales training action plans
Product	Any of product improvement, new product, presentation, or customer service action plans.
Price	Pricing action plan
Place	Either product availability or distributor relations action plans
Action Plans for Mix	**All of promotion, product, price and place action plans**
Objectives & Action Plans	Key objectives and action plans for mix
Budget Objectives	**Sales revenue and marketing expenditure and profit margins objectives**
Action plan: Objectives, Action Plans and Budget	Key objectives and action plans for mix and budget objectives
Textbook Model Plan	**Action plan and strategy formulation**

Table 5.9: Key Aspects of the Plan Content (N=230)

Opportunities and Issues Analysis		
Customers/Environment	90%	
Market	80%	
SWOT	66%	
Opportunities and Issues	55%	
Statement of Strategy	66%	
Strategy Formulation		**42%**
Key Objectives		
Key Objectives		**44%**
Action Plans		
Promotion	70%	
Product	67%	
Price	44%	
Place	42%	
Action Plans for Whole Mix		**26%**
Objectives + Action Plans	18%	
Profit and Loss		
Sales Revenue	82%	
Marketing Expenditure	77%	
Profit Margins	73%	
Budget Objectives		**55%**
Action Plan Model		
Objectives, Action Plans and Budget	17%	
Current Textbook Model		
Textbook Model Plan		**11%**

In summary, 55% of firms included an opportunities and issues analysis (although a customer/environment analysis was included by 90%, a market analysis by 80%, and a combined SWOT analysis in two thirds of plans), two thirds a statement of strategy with 42% of firms including both these elements of strategy formulation. Key objectives were included in 44% of plans. Firms included action plans for some elements of promotion in 70% of plans, for the product in 67%, for price in 44% and for place in 42% of firms. However, only 26% of firms proposed action plans for the entire marketing mix. Indeed, taking any combination of three out of four elements of the mix, only 26%-33% of firms included these in their plans, depending on the combination. 55% of firms included all the recommended budget objectives (although individually each was included by at least 73% of firms).

Marketing Plans and the Textbook Planning Model

These companies who did have a marketing plan seldom followed the textbook model of Kotler (1991). Even with these broad definitions **few companies included all the key elements of the textbook model (7% of the sample, 11% of the firms with a marketing plan).** Plans including all the elements of the original marketing planning model (Winer 1965) were prepared by 17% of firms with plans (10% of the sample). These include firms with current textbook model plans. In the main (74%), the plans partially completed the entire model but did little of it comprehensively (Table 5.9).

COMPARISON WITH PREVIOUS EMPIRICAL STUDIES OF MARKETING PLANNING

The most comprehensive previous studies of marketing plan contents are the two US Conference Board surveys. Here we compare the contents of all marketing plans at the detailed level as the aggregated form we use is not available for the US studies. We also make some comparisons with the work of Greenley in the UK.

1. Hopkins (1981) and Sutton (1990) (see Appendix 5.1: Tables 5.10 - 5.15)

The studies allow us to make some comparisons between the UK and US, and also to speculate about changes over time; the studies were conducted at approximately 5 year intervals. Hopkins' and Sutton's studies reviewed industrial manufacturing, consumer manufacturing and services firms in different proportions from our sample. We look at each sector in turn, and then draw some broad conclusions. Overall we find few differences between the studies. Greenley and Bayus (1993) found less use of some methods in the US from the UK but otherwise similar results. McColl-Kennedy et al (1990) found the same picture of more firms with objectives than strategies that we found, but report higher overall levels of inclusion of plan contents.

For industrial manufacturing firms, overall, our findings were broadly similar to Hopkins (1981) and Sutton (1990). We found that more firms included objectives (average 62% for the items measured) than strategies (average 54%), and more included strategies than action plans (average 48%). Table 5.16 shows that neither Hopkins (1981) nor Sutton (1990) found the same effect.

Table 5.16: Comparison of Firms' Average Likelihood of Including Objectives, Strategies and Action Plans, in Industrial Firms Across Three Studies

	Hopkins (N=138)	Cousins (N=44)	Sutton (N=109)
Average objective	48%	62%	45%
Average strategy	44%	54%	52%
Average action plan	53%	48%	48%

The main exception was "profit margins", the only financial variable included in all three studies, where the pattern occurred in both the Hopkins (1981) and Sutton (1990) studies.

Comparing our study with that of Hopkins (1981), we find that the proportion of firms claiming to include any particular action plan was remarkably similar. In the analyses included, there were more differences. Changing customer needs, technological trends, and market segmentation were all significantly more likely to be claimed in our study, while market size and share trends were somewhat less likely. We have equated "risk factors" with key assumptions and found this much more likely in our study, which may be an artefact of our comparison. A review of the past plan was much more likely in our study (56% versus 17%). The other measured elements of analysis all showed great consistency.

We thus looked at the Sutton (1990) report to see if the differences reflected trends over time. Sutton did find increased emphasis on market segmentation, changing customer needs, technological trends, and risk factors, with market size somewhat less likely. He also found a small increase in the likelihood of reviewing the previous plan. These changes do not fully account for differences in the studies.

However, we find overall that our study is broadly in line with the two US studies with the following differences: the plans of our industrial manufacturing firms in our sample were more likely to include objectives (and to a lesser extent, strategies), and more likely to include a review of the past plan. They were also significantly more likely to claim to include an analysis of changing customer needs. More surprising, given the different samples, was the degree of consistency between the studies.

Turning to the **consumer manufacturing firms** a similar pattern emerged. Again the pattern of falloff from objectives to strategies to action plans was less pronounced in the US surveys, but the prevalence of action plans was similar. The main difference was in the likelihood of setting plans for the field sales force effort (more likely in the US). Again the UK study found a much higher incidence of changing customer needs analysis and key assumptions (which may be a semantic difference), but a much lower incidence of market segmentation analysis. The plans in our survey were also much more likely to include a review of last year's plan.

For **service firms**, there were more marked differences, which might be attributable to the smaller and less homogeneous sample, with industrial and consumer services combined whereas industrial and consumer manufacturing were separated. However, in our sample we did not find significant differences between service firms supplying industrial or consumer markets, though we did find differences in the analytic frameworks used by small and large service firms (and by definition Hopkins and Sutton focused on large firms). However, accounting for any sample effects simply accentuates the different findings between the UK and US studies.

While we found a (lesser) falloff from objectives to strategies to action plans among service firms, Hopkins found no difference and Sutton found the reverse (on average 40% for objectives, 47% for strategies, and 51% for action plans). While we found a lesser amount of planning in general in the service sector, Sutton found the same amount (although of different types). All the studies found overall a lower level of concern for profit margins. In our study the concern about new products and customer service was at about the same level in service firms as in industrial manufacturing firms whereas Sutton found more new products concern and both US studies found more customer service concerns in service firms. Pricing concerns were more generally prevalent among the Sutton sample than either our study or that of Hopkins. Marketing research was more important in the US studies, especially the later survey. The US studies found changing customer needs less important and segmentation more important. We can conjecture that there is increasing concern with pricing, profitability and sales promotion (which could relate to a less benign environment). We can also conjecture greater concern with market research, segmentation, technology and new products which also suggests a more intensely competitive environment (or limits to growth from existing businesses). Overall the results differ more and are less stable in this sector. We suggest this is largely caused by smaller samples of a more diverse range of firms, since the US studies differ more from each other for service firms.

2. Greenley (1982, 1984): Appendix 5.1 (Tables 5.17 - 5.20)

We are limited in the comparisons we can make with the Greenley (1982, 1984) studies, because of differences in terminology and uncertainty about the unit of analysis in the Greenley studies. Greenley aggregates manufacturing companies into one category and services firms into another. We have, therefore, followed this in our comparison. For both manufacturing and service companies the overlapping results are quite similar, with Greenley reporting slightly lower levels of inclusion of the different elements. Smaller firms in our sample were somewhat (but not significantly) less likely to include the various specified contents (Cousins 1994).

BETWEEN-GROUP DIFFERENCES IN PLAN CONTENT

"Because of this interrelatedness (of decisions), uncertainty (of outcomes), creativity and the uniqueness of each industry and company, it is impossible to prescribe a general procedure for creating a marketing plan" Hughes (1978). We might then expect to find variations in plan content between different types of organisation. Details of this analysis are given in Cousins (1994).

Manufacturing (N=113) Versus Services (N=67) Companies

Service firms were only half as likely to claim to produce a marketing plan conforming to the full textbook model as manufacturing firms in the private sector. (18% versus 9%, $p<.1$). This is partly due to the lesser importance of financial issues (including pricing considerations) in the plans of services companies in the private sector. Since manufacturing companies (at the trading unit level) offered a more diverse product range than services organisations we might expect them to compare businesses in financial terms because of the problems of comparing product markets (Barwise et al, 1987).

In general, the plans of service firms included fewer of the elements we measured in their plans, although in both cases wide variations were recorded (Table 5.21).

Table 5.21: % of firms with percentage of measured contents falling in percentiles:

	1-25%	26-50%	51-75%	76-100%
Manufacturing	8	30	42	21
Service	10	53	27	10

Consumer (N=104) Versus Industrial (N=76) Companies

Consumer companies in the private sector were twice as likely as industrial companies to produce a marketing plan with contents conforming to the textbook model. (18% versus 9%, $p<.1$).

Table 5.22: Prevalence of the Textbook Model Among Various Types of Private Sector Firms

	Manufacturing (N=113)	Service (N=67)	Total (N=180)
Consumer (N=104)	21%	12%	18%
Industrial (N=76)	12%	6%	9%
Total	18%	9%	15%

There was little difference in the prevalence of individual elements of the textbook plan. Indeed, the industrial firms were more likely to include some elements. The difference arises from the nature of the plans prepared. Industrial firms' plans, on average, have as many plan contents as consumer firms' plans, but in the industrial firms the number of elements included in each plan is more evenly spread across firms. In contrast, consumer firms show more of a hierarchy of planning, with a core of firms following the textbook model and then sets of firms omitting certain elements. This pattern was repeated in both the manufacturing and services sector, although the individual results are not statistically significant (Table 5.22).

Private Sector (N=180) Versus Public Sector/ Non-profits (N=51)

The plans of firms in the public and non-profit sector were significantly different from those of private sector commercial organisations. **No public sector or non-profit organisation produced a marketing plan that included all elements of the textbook marketing plan** (compared with 14% of the private commercial sector, $p<.01$). This is not simply a result of the lack of relevance of "profit margins" in the non-profit sector. The public and non-profit sectors were less likely to include almost every element of the plan. More details are given in Cousins (1990).

Large (N=179) Versus Small (N=39) Companies

There were **few differences between the plans of large and small companies** (12% of large firms produced a textbook model plan compared with 8% of smaller firms, ns). Companies with a larger turnover (but not more employees except as far as these coincided) were more concerned with issues of market share, market research and market segmentation, and we expect these issues to be of more concern to firms with larger market shares. There were no other major differences between the smaller and larger firms (measured by turnover or number of employees).

Product Range Diversity

There were **no major differences between single product (N=58) and multi-product (N=167) firms, between single market (N=67) and multi-market (N=156) firms, or in single product or market firms (N=96) versus multi-product multi-market firms** (N=129) in their plan contents. In this sense the additional formality firms should adopt as they become more diverse, suggested by McDonald (1984), was not apparent in the plan contents.

Existence of a Marketing Department (N=184 versus 37 without)

Firms with a marketing department were significantly more likely to include several elements of the textbook marketing plan model, although the difference in likelihood of producing a textbook model plan was not statistically significant, perhaps because the sample of firms with plans but no marketing department is small (13% versus 5%). Overall firms with a marketing department included more of the measured plan contents than firms without.

Companies in "High Growth" Versus "Lower Growth" Environments

There were significant differences in the plans produced by firms in different growth potential environments. **Firms in high growth industries were least likely to prepare a marketing plan containing all main elements of the textbook model (4%), while firms in stable or declining industries were most likely to include all key elements** (16%). This result is the aggregation of a series of similar results throughout each major element of the textbook marketing plan with only budget objectives where there was no significant difference.

More Profitable Versus Less Profitable Companies

There were **no significant differences in the contents of plans produced by firms with different levels of perceived relative profitability.**

5.3 COMPARISON WITH PRODUCT MANAGEMENT AND RELATED LITERATURES

In this section we compare plan contents with the decision making responsibilities of product managers. Kotler (1991: 62) describes the marketing plan as the central instrument for co-ordinating and directing the marketing effort. Luck and Nowak (1965) identified eight task areas for product managers, which included "**devise product strategy and plans**" as the seventh most important responsibility of the product manager. Dawes and Patterson (1987) found that "**prepare annual brand plans**" was the fifth most important task of a product manager after implementing plans, monitoring results against plan, co-ordinating new product launches and co-ordinating functional groups. Indeed, they found that for the marketing plan, atypically, senior marketing executives ranked product managers performance in preparing the annual marketing plan as highly as they ranked its importance. Overall, 37% of their sample of senior marketing executives considered that product managers had full responsibility for the preparation of annual plans. In a comparative study of American and European product management, "**success in developing marketing plans**" was the fourth most important criterion for evaluation perceived by product managers in both the US and Europe, while "**accomplish annual marketing plan**" which was sixth on the same scale in the US, ranked equal second in Europe (Venkatesh and Wilemon 1980). We thus might expect the contents of the marketing plan to coincide with the decision-making areas of marketers.

Seven key empirical articles describe the responsibilities of product managers: Lucas (1972) and Clewett and Stasch (1975) in consumer nondurable products, Hise and Kelly (1978) and McDaniel and Gray (1980) in consumer and industrial products, Eckles and Novotny (1984) who surveyed industrial manufacturing and services product managers, Cummings et al (1984) who compared industrial and consumer product managers, and Dawes and Patterson (1987) who studied mainly manufacturing firms. Other articles (e.g. Buell 1975, Kleizen et al 1985) review aspects of decision making, but do not provide data suitable for comparisons.

We compare the prevalence of those elements specifically mentioned in the plan with the prevalence of the same elements as key factors in the job of the product or marketing manager. For comparative purposes, we have taken a subset of our data; firstly we excluded companies with no marketing department and then we matched the sample of the comparative study as far as possible. Rather tortuous data manipulation is required to compare our study with Cummings et al, and we have not included the comparisons here: details are given in Cousins (1994).

We report on the findings for marketing plans in firms with a marketing department rather than focusing exclusively on the subset of plans where the main responsibility for authorship lay with a product manager. There were very few of these. However, the results for all marketing departments' and product managers' plans were very similar. In two areas the plan contents of product managers differed markedly from all marketing departments: they were much less likely to include objectives for marketing expenditure or distribution variables, two areas where we report frequency of inclusion higher than the typical frequency of product management responsibility for the decision.

The Findings Compared (see Appendix 5.2 for details)

The product management studies are consistent in the picture they present of decision making responsibilities. Taking the decision making responsibilities and ordering them by the frequency with which they were held by product managers, we see the same order occurring across the various studies. So, for example, distribution policy, described in Marketing (1991) as "**the wallflower of the marketing mix...and it often gets left out**", was invariably the marketing mix responsibility for which fewest product managers had responsibility. Both this order and the consistency with which it occurred held for the equivalent sub-samples of marketing plan contents in our study. The similarity of these findings in the product management literature and the contents of marketing plans supports the notion that the marketing plan has a central role.

Further, the absence of any major discrepancy suggests that the commonplace criticisms of the marketing plans are not wholly valid. Where equivalent decisions were measured, decisions included in the marketing plans were broadly in line with the decision making responsibilities of the authors of the plan. Where marketing plans omitted some key elements of the textbook model, it may be that the plan author did not have responsibility for those elements. This raises questions about where the "missing" elements are decided in these companies, and suggests that any criticisms here would more rightly be directed at decision making in the organisations rather than at the plan authors. In other words, the operationalisation of the marketing concept within marketing departments has not happened in the way suggested.

Overall, however, we find additional grounds for confidence in our study, since this similarity is as we would expect.

In general, our findings for comparative purposes fell in the middle of the range generated by the product management studies. The variations in our findings are a result of comparing different sub-samples to match the relevant product management study as closely as possible. We show the results for **product decisions** in Table 5.23, **pricing decisions** in Table 5.24, and **promotion and distribution decisions** in Table 5.25. Sample sizes are given where we first mention the study or comparative set of our data.

Table 5.23: Involvement in product decisions

	Previous study	Cousins	
Product/ Product Improvement			
McDaniel and Gray (N=257)	96%	69%	(N=105)
Hise and Kelly (N=198)	79%	85%	(N=99)
Eckles and Novotny (Objective) (N=69)	70%	79%	(N=76)
Eckles and Novotny (Strategy)	67%	70%	
New Product Development			
McDaniel and Gray	73%	72%	
Eckles and Novotny	64%	57%	
Dawes and Patterson (N=201)	62%	62%	(N=40)
Average	73%	71%	
Range	62-96%	57-85%	

Table 5.24: Involvement in pricing decisions

	Other study	Cousins
McDaniel and Gray	86%	68%
Hise and Kelly	80%	84%
Eckles and Novotny	55%	59%
Average	74%	70%
Range	55-86%	59-84%

Table 5.25: Involvement with Promotion and Distribution

	Other study	Cousins
Lucas (advertising strategy) (N=60)	80%	72% (N=85)
Eckles and Novotny (promotion)	57%	51%
Average	69%	62%
Range	57-80%	51-72%
Eckles and Novotny (distribution)	39%	51%
McDaniel & Gray, (distribution)	18%	57%
Average	29%	54%
Range	18-39%	51-57%

We have only limited data from the product management literature on responsibilities for specific analyses. One which is covered by Hise and Kelly (1978) is **market segmentation** analysis, where we did see a difference (Table 5.26). However, **market research** produced similar results.

Table 5.26: Involvement with Market Segmentation Analysis and Market Research

	Other study	Cousins
Segmentation		
Hise and Kelly	85%	67%
Market Research		
Hise and Kelly	86%	78%
Lucas	70%	86%
Average (market research)	78%	82%
Range	70-86%	78-86%

Similarly, looking at **overall statements of strategy** in the same two studies we find Hise and Kelly reporting 94% indicating much involvement, compared with only

70% of our sample that claimed to include such a statement in their plan. We have no suitable data to compare the areas for the key objective of market share.

In Table 5.27 we compare the findings on **financial objective setting**. We find that, in general, these were a little higher in our survey, as indeed they were higher when we compared our sample's plans with those of Hopkins (1981) and Sutton (1990).

Table 5.27: Involvement with Budget Objectives

	Other study	Cousins
Sales		
Hise and Kelly	95%	90%
McDaniel and Gray	72%	90%
Eckles and Novotny	55%	78%
Marketing Expenditure		
Hise and Kelly	87%	85%
McDaniel and Gray	61%	84%
Eckles and Novotny	61%	79%
Profit		
McDaniel and Gray	87%	84%
Eckles and Novotny	62%	79%
Average	73%	84%
Range	55-95%	78-90%

COMPARISONS WITH RELATED LITERATURES

There is a small literature relating to decision making and analysis among marketers, apart from the product management literature. Here we compare our findings with three articles from that literature as a further check for consistency and support for both sets of findings. Only these limited comparisons are possible; some other articles exist (e.g. Farley et al 1980, Banks 1973), but do not provide us with comparable data. The findings from our study and earlier surveys are broadly comparable.

Marketing objectives were studied by Piercy (1983) and Shipley (1985). We found similar levels of profit objectives to those measured by Shipley (1985) and Piercy (1983) in the UK. Shipley found that 90% of his sample of manufacturing firms set profit as their top priority objective in domestic markets, while 79% of Piercy's sample of medium-sized exporting manufacturing firms set profit as a major objective for their UK operation (either "maximum long-run profit" or "satisfactory rate of profit"). In our study, 73% of firms claimed they set a profit margins objective in their annual marketing plan. Within the private sector, 81% set a profit margins objective and, among private sector manufacturing firms with a marketing plan, 86% set profit margins objectives. For these firms, only sales volume (88%) and sales revenue (88%) were included more frequently.

5.4 THE PEOPLE INVOLVED IN THE PLANNING PROCESS

In this section, we report on our findings related to plan authorship, plan approval, plan changes, and issuing of guidelines. We then review the sorts of plans that emerged depending on the combinations of feedback, guidelines, guidelines issuer, author, approver and changer.

Overall, the responsibilities for different aspects of the process shown in Table 5.28 were broadly similar to the findings of Hopkins (1981) and Sutton (1990). They are qualitatively similar to McColl-Kennedy et al (1990), who do not report detailed statistics on this.

Table 5.28: Overall Responsibilities for Process

	Cousins	Hopkins	Sutton
1. Plan Author	(N=221)	(N=265)	(N=197)
Board	16%	12%	7%
Marketing	67%	77%	63%
Other	17%	11%	30%
2. Plan Approver	(N=233)	(N=262)	(N=197)
Board	82%	81%	82%
Marketing	12%	11%	12%
Other	6%	8%	6%
3. Plan Changer	(N=221)		
Board	78%	n/a	n/a
Marketing	15%	n/a	n/a
Other	7%	n/a	n/a
4. Guidelines Issuer	(N=185)		
Board	41%	n/a	n/a
Marketing	39%	n/a	n/a
Other	30%	n/a	n/a

AUTHORSHIP, APPROVAL, CHANGES, AND GUIDELINES

Most plans were written within the marketing department with (virtually) all the rest accounted for by companies without a marketing department. Of perhaps more interest is the finding that the approver of the plan, almost always a different person, almost invariably changed the plan in some way prior to approval (88% of cases).

Plan Author

We saw on page 108 the response to the question "What was the title of the person with prime responsibility for writing the most recent annual marketing plan?" suggested that respondents focused on the word "responsibility" rather than "writing". Perhaps because of this we received less responses of "product manager" than we expected. From Dawes and Patterson (1987) we expected 37% of the (mostly manufacturing) firms with a product management system to respond with "product manager"; the percentage of product managers they found with full responsibility for preparing annual plans. From Buell (1975) and McDaniel and Gray (1980) we might expect approximately 70% of manufacturing firms to have a product management system, and hence at least 26% of manufacturing firms to have responded with "product manager" given that some of these would not have marketing plans. From this alone, we should expect to find 12% of firms in our sample in which primary responsibility for writing the plan lay with the product manager. In fact **only 6.5% of firms in our survey with marketing plans attributed responsibility for writing the plan to a product manager** (Table 5.29).

Table 5.29: Responsibility for Writing the Marketing Plan (N=221)

Marketing Director	33%
Marketing Manager	23%
Product manager	7%
Sales	6%
Managing Director	8%
Board	8%
Planning titles	7%
Commercial	6%

There were few differences in the amount of guidance or feedback received by different authors, simply somewhat more written guidance for more junior marketers. Overall the plans written by marketers were more market and action oriented, while the others were broader in scope, more concerned with profitability but less detailed.

Writing the plan was more likely to be the responsibility of the marketing department in manufacturing than services companies where the managing director or Board was more likely to be responsible. Thus in services businesses the annual marketing plan seemed quite frequently to be a top-down process whereas in manufacturing businesses the planning process seemed more typically a top-down-bottom-up process. There were no significant variations between industrial and consumer firms in responsibility for writing the plan, suggesting a change from the findings of Buell (1975), nor was there any difference between organisations in the private and the public/ non-profit sector.

Perhaps surprisingly, as the trading unit size increased, the status of the person with primary responsibility for writing the plan **increased**. The marketing department was more typically responsible in the larger firms, and the status of the person responsible rose with the turnover of the trading unit. Similarly, while there were no significant differences relating to the diversity of operations of the firm, as the scope of the task increased from a product-market plan to a single plan for the trading unit, so did the status of the person assigned responsibility for writing the plan.

In firms that perceived themselves to operate in a high-growth-potential environment the plan was more likely to be written outside the marketing department while the marketing director was more likely to take responsibility in lower growth potential environments (Table 5.30).

Table 5.30: Author of the Plan by Industry Growth Potential

	High growth (N=69)	Modest growth (N=100)	Stable (N=25)	Decline (N=14)
Marketing Director (N=139)	27%	33%	40%	54%
MD/ Other (N=69)	43%	40%	28%	23%

Final Approval for the Plan

Plans were finally approved by a senior member of the firm. 66% of plans were finally approved by the managing director, 14% by the Board and 10% by the marketing director (Table 5.31). Some minor variations emerged by industry type, and firm size.

The factor that correlated best with variations in the pattern of approval was the type of plan: corporate plan or separate marketing plan. The managing director was more frequently responsible for corporate plans.

Plans approved by the managing director were more broad-ranging in their analytic base and included measures of profitability. In contrast, marketing directors were quite likely (one in three) to approve plans without a changing customer needs analysis.

Table 5.31: Person Responsible for Approving Plans

	Corporate plans (N=80)	Separate marketing plans (N=144)	All plans (N=224)
Managing director	80%	59%	67%
Board	9%	18%	15%
Marketing director	8%	10%	9%

Last Person to Make any Changes to the Plan

Only 12% of plans were approved without changes. In 60% of companies the managing director was the last person to make any changes to the plan, in 18% the Board, and in 15% the marketing director. There were no significant differences by type of industry. In general the final approver was the last person to change the plan (73%). The managing director or Board were most likely to make the final changes to plans written outside the marketing department. When plans were written by the marketing manager or the product manager, the marketing director more typically made the final changes.

Who Controls the Output?: Issuer of the Guidelines

Guidelines typically originated in the marketing department or from the managing director but in a minority of companies were issued by others, e.g. the finance director (Table 5.32). Some minor variations relate to the type of industry.

The perceived importance of marketing planning is suggested by the finding that the marketing department set guidelines in only 29% of firms. However, there was a clear pattern, again, relating to the type of plan involved with greater involvement from the managing director in the corporate planning process. The managing director was much more likely to set guidelines for the corporate plan while the marketing director was more likely to set them for the marketing plan.

Table 5.32: Origins of Guidelines

	Any (N=181)	Written (N=121)	Oral (N=84)
Managing director	30%	25%	39%
Board	11%	9%	11%
Total	41%	34%	50%
Marketing function	29%	29%	31%
Finance	9%	13%	2%
Planning	13%	18%	6%
Other	8%	4%	11%

Overall we see a significant level of involvement by top management and we return specifically to this issue in Chapter 8.

Chapter Five: Summary

In this Chapter we have explored the extent to which our data replicated previous studies. We found less firms with marketing plans than the literature suggests, but attribute this to the representativeness of our sample. The scope of plans was focused more on objectives, especially financial objectives, than previous studies suggest.

The scope of the plans we studied was less than the textbook model suggests (only 7% of our sample produced a textbook model plan), with most plans including financial aspects, a lower proportion including strategic analysis, and only a quarter with a full set of action programmes for the plan year.

Very few plans were accepted in the firm without changes. The scope of these plans seemed to reflect the decision-making responsibilities of their authors, suggesting that the poor realisation of the textbook model in firms may relate more to the failure to operationalise the marketing concept through the marketing department, than necessarily poor understanding of the marketing planning process, *per se*.

We turn now to the main research questions raised in Chapter 3.

CHAPTER 6: SHOULD ALL FIRMS HAVE MARKETING PLANS?

In this chapter we address the questions relating to Assumption One in the textbook model: that **every organisation should produce a written marketing plan.** In Section 6.1 we explore the **relationship between producing a marketing plan and perceived relative profitability**, and compare our findings with existing evidence in both the marketing planning and the strategic planning literatures.

Some authors (McDonald 1984, Leppard and McDonald 1987) have suggested that **smaller, less diverse companies** may have less need for a written-down marketing plan, while Grönroos (1983) suggests that a marketing plan may be less suitable for a **service organisation.** We saw (on pages 130, 133-134) that organisations varied in their likelihood of producing a written marketing plan, according to these criteria, in line with the prescriptive suggestions of these authors. In Section 6.2 we examine the **extent to which these three factors account for the variation in the incidence of annual marketing plans**, using discriminant analysis. We then examine the evidence supporting this as a prescriptive, rather than a descriptive statement. We compare this finding with the findings of the strategic planning literature.

Turning to our sample of companies without marketing plans in Section 6.3, we examine their stated **reasons for not producing a marketing plan** and compare these explanations with findings in the strategic planning literature.

Finally, in Section 6.4, we identify the most important intervening variable, **industry growth potential, in the relationship between the existence of a marketing plan and variations in the level of perceived relative profitability.**

6.1 DO ORGANISATIONS WITH MARKETING PLANS PERCEIVE THEIR PROFITABILITY TO BE HIGHER THAN THOSE WITHOUT?

The Existence of an Annual Marketing Plan and Perceived Relative Profitability

Firms that claimed to produce a written annual marketing plan were also more likely to claim they were well above average in profitability relative to their competitors. (31% of firms that claimed to produce an annual marketing plan perceived their profitability to be well above average versus 21% of the firms without annual marketing plans, p<.1). There was, however, **no difference** between firms with and without annual plans in the proportion of firms that perceived their **relative profitability to be above average.** The results here replicate if we consider all marketing plans rather than just annual plans (as they do elsewhere unless specifically mentioned). We have, therefore, limited support for the assumption that all firms should produce marketing plans. Given the mixed evidence in both the strategic and marketing planning literatures, it would be surprising to find a clear cut result here.

Comparison with Previous Studies

Our result replicates Hooley et al (1984) who found that, on self-assessed profit performance relative to major competitors, companies with good performance were more likely to write annual marketing plans than those who perceived their performance to be average who, in turn were more likely to produce them than those who perceived their performance to be poor (Table 6.1).

Table 6.1: Existence of an Annual Marketing Plan by Perceived Relative Profitability: Cousins versus Hooley et al (1984)

	Cousins (N=299)	Hooley et al (N=1704)
Well above average/ High profitability	70%	77%
Above average/ Medium profitability	59%	72%
Average or below/ Low profitability	61%	61%

Verhage and Waarts (1988) found the same overall likelihood of producing an annual marketing plan (61% versus 57% in our study) but the difference in perceived profitability between firms with and without an annual marketing plan was much greater in their study than ours (Table 6.2).

Table 6.2: Perceived Relative Profitability by Existence of an Annual Marketing Plan: Cousins versus Verhage and Waarts (1988)

% of firms with an annual marketing plan that perceive their firm to have:	Cousins (N=186)	Verhage and Waarts (N=82)
Above average profitability	59%	57%
Average profitability or below	57%	40%
Significance level	ns	p<.05

Van der Walt et al (1989) found a lower incidence of marketing planning (37% of the firms in their sample which included more smaller firms). They also found that firms with high perceived relative profitability were **least** likely to have a marketing plan, whereas firms with low perceived relative profitability were most likely to have a marketing plan (Table 6.3).

Table 6.3: Existence of an Annual Marketing Plan by Perceived Relative Profitability: Cousins versus van der Walt et al (1989)

	Cousins (N=299)	Van der Walt et al (N=513)
Well above average/ High profitability	70%	32%
Above average/ Medium profitability	59%	38%
Average or below/ Low profitability	61%	45%

Lysonski and Pecotich (1990), from the same data set but using a different profitability measure, conclude that formalisation of the marketing planning effort is, albeit weakly, related positively to performance. We cannot, however, directly replicate their analysis with our data set.

Overall, our findings support the existing evidence on planning and profitability in both the strategic and marketing planning literatures; that any relationships are weak, and do not occur consistently.

Marketing plans versus corporate plans and perceived relative profitability

Our result relating profitability and annual marketing planning becomes stronger when we look at perceived profitability amongst companies who claimed to produce a separate annual marketing plan. Companies were significantly more likely to perceive themselves to be above average in profitability if they produced a **separate annual plan document called a marketing plan** than if they produced a written annual marketing plan that was part of an overall corporate plan document (Table 6.4). Indeed firms with an annual marketing plan that was part of a corporate plan were no more likely to see their profitability to be well above average than firms with no marketing plan.

Table 6.4: Perceived Relative Profitability by Existence of an Annual Marketing Plan that is a Separate Document or Part of a Corporate Plan

	Separate plan (N=110)	Corporate plan (N=72)	Sig. Level	No plan
Well above average profitability	36%	22%	p<.05	21%
Above average profitability	30%	25%	ns	37%
Average profitability or below	34%	53%	p<.05	42%
Total	100%	100%		100%

Insofar as we find a result linking marketing plans with higher perceived relative profitability, it relates to separate marketing plans, rather than those that were part of a corporate plan.

Assumption One: Discussion

Overall, therefore, we have some limited support for the assumption that all firms should produce marketing plans. In particular, we found a weak relationship between firms who perceived their profitability to be well above average and firms that produced an annual marketing plan. Kotler suggests that an annual marketing plan alone is one stage in a process towards a full strategic and annual marketing planning process (1984: 277-279), and the results of Hooley et al (1984) and Verhage and Waarts (1988) who both found increased perceived profitability related to the existence of a long range plan support this. There is mixed evidence reported on the New Zealand study. We might assume that simply looking at the performance of firms with annual marketing plans will, in textbook model terms, confound firms at different stages of development.

In our data we found that the overall relationship between profitability and planning was **only** with firms with a separate marketing plan rather than those where the marketing plan was part of a corporate plan. While it seems logical that the operational plans of different functions should be integrated across the firm, this finding suggests this might be better accomplished through co-ordinating plans than by preparing an all-encompassing annual corporate plan. It also suggests that we must be careful in analysing results where the "quality" of planning may affect the outcome and also in using results from strategic planning. Nevertheless it seemed worthwhile to study our limited data on this issue further.

We go on to explore possible contingencies which may affect the findings, starting with the suggestions of McDonald (1984), Leppard and McDonald (1987) and Grönroos (1983) that some firms benefit more from marketing plans.

6.2 ARE MARKETING PLANS MORE IMPORTANT TO LARGER, MORE DIVERSE AND MANUFACTURING FIRMS?

WHAT DISTINGUISHES FIRMS WITH ANNUAL MARKETING PLANS FROM THOSE WITHOUT?

In Chapter 5 we saw that smaller, less diverse and service firms were less likely to produce an annual marketing plan than larger, more diverse and manufacturing firms, respectively. We here explore the extent to which these three factors account for variations in the likelihood of producing an annual marketing plan and which variables best distinguish between firms with and without annual marketing plans. Finally we review the extent to which our perceived relative profitability data support the prescriptive statements that some firms need marketing plans more than others.

Analysis

We used discriminant analysis to identify the variation in the likelihood of producing an annual marketing plan that was accounted for by the size, diversity and industry type of the firm. We required a model of qualitative choice, and since we were particularly interested in the issue of producing an annual marketing plan, we selected a binary choice model, with the dichotomous dependent variable: "produced a written annual marketing plan" or "did not produce a written annual marketing plan". Since we wanted to assess the prescriptive value of the descriptive model, we chose discriminant analysis (Hair et al 1987). Further details of the rationale, method, and the key statistics for each discriminant function generated, are given in Appendix 6.1.

To improve the chances of finding a discriminant function described by the categorical classification variables, we aggregated these into dichotomous variables using the breakpoints previously identified as giving the largest differences in the likelihood of having an annual marketing plan. The exception was industry type where three main categories were used: manufacturing firms, service firms, and public sector/non-profit organisations. Here two dichotomous variables were formed. For the discriminant analysis we formed dummy independent variables for the classification variables. Using dichotomous independent variables violates the assumption of a Normal distribution of these variables but has been shown to perform adequately, especially with large samples (e.g. Gilbert 1968).

Results

1. Size, diversity of operations, and industry type

Our first analysis examined how well **firm size** and **diversity of operations** distinguished firms with from firms without an annual marketing plan, following the assertion that as firms grow and diversify, marketing plans become more important (McDonald 1984). Details of this, and the following analyses are given in Appendix 6.1. A discriminant function was found using these variables, but it was a very poor predictor for non-planners. Although these variables did, to some extent, describe those firms with a marketing plan, they did not, in isolation, adequately explain variations in the prevalence of marketing plans. When we additionally included **industry type** as an independent variable, the function improved slightly in its ability to distinguish firms with or without marketing plans.

The variables can be ordered by importance of discriminating power using the loadings given in the structure matrix (Hair et al 1987: 91-92). Most important in distinguishing firms with marketing plans was diversity (multiple products), then size (turnover above £20 million), and finally industry type (with services less likely to produce marketing plans). This order broadly reflects the degree of force with which the claims of the advantages of planning are suggested.

This analysis was more interesting when we studied the misclassified cases (page 168 below). While the function partially described behaviour, albeit accounting for only 12% of the variance, we question this as a prescription.

2. All variables

Here we simply aimed to identify the "best" discriminant function from our data. The additional factors we included were: industry growth potential, size in terms of number of employees, and the existence of a marketing department. Other factors, whether external: such as volatility or competitiveness of the market, or internal: such as style or structure, were not directly measured, but could provide more insight into the difference between firms with and without marketing plans. Some such factors emerged in the response to why firms did not produce a marketing plan and are discussed in Section 6.3 below.

The closest variable we measured relating to the impact of structure was the existence, or not, of a marketing department. When we included this variable in the set of possible independent variables it (just) became the dominating variable. The resulting discriminant function correctly classified 68% of cases. The variables included, in order of importance, were the existence of a marketing department, diversity, size (in turnover), and industry type. This remains a weak result in distinguishing firms with and without annual marketing plans.

Overall we found that the variables: diversity, size, and industry type were explanatory variables, accounting for a small part of the variation between firms with and without written annual marketing plans. With the exception of the existence of a marketing department, we had no better explanatory variables.

Should firms follow the prescriptions relating to size, diversity, industry type and the need for a marketing plan?

The discriminant functions we found showed a high level of misclassification. We suggested earlier that there might be some confusion about marketing planning among firms, and that our empirical results might reflect that confusion. If the suggestions that size, diversity and industry type should influence the degree of formality of the marketing plan are, indeed, valid prescriptions, it may be that we can obtain a clearer picture by reviewing planning and profitability data using the contingency framework generated by the discriminant functions. Specifically we ask the following questions which the prescriptions of previous authors suggest should be true:

(i) Did firms classified by the discriminant function as "planners" that produced plans outperform those classified as "planners" that did not? This would support the idea that larger, more diverse, and manufacturing firms should produce plans.

(ii) Did firms classified as "non-planners" and that did not plan perform as well as those classified as "non-planners" that did produce a plan? This would support the view that a written-down marketing plan is less important among smaller, less diverse and service operations.

Size, Diversity, Planning and Performance

Our first analysis took the two variables: size and diversity, and compared the perceived relative profitability of firms classified as planners or non-planners, and firms with and without an annual marketing plan. The results of this analysis are shown in Table 6.5. We found the opposite result to our expectations.

(i) Firms classified as "planners" perceived the same levels of relative profitability whether or not they produced a written annual marketing plan.

(ii) Firms classified as "non-planners" perceived their relative profitability to be higher if they did produce a marketing plan.

Table 6.5: Perceived Relative Profitability of Firms Classified as Planners and Non-planners (on size and diversity) that Did and Did Not Produce an Annual Marketing Plan

% firms that perceived their relative profitability to be well above average	Produced plan (N=181)	Did not produce plan (N=104)	Sig. level	Total
Classified as planner (N=206)	28	24	ns	27
Classified as non-planner (N=79)	32	14	p<.1	23
Total	29	20		

Thus the larger, multi-product firms (classified as planners) recorded a similar level of perceived relative profitability, regardless of whether or not they produced an annual marketing plan. Of those classified by the model as planners, 28% of those that produced an annual marketing plan also perceived their relative profitability to be well above average. Conversely, of this group classified as planners, 24% of those that did not produce an annual marketing plan, nevertheless perceived their relative profitability to be well above average. The same relationship emerged comparing firms with "above average" perceived relative profitability, i.e. for these complex firms, marketing planning showed no impact on perceived relative profitability.

However, for those firms that were smaller and less diverse, the firms for which planning was least recommended, and that were classified by the discriminant function as likely to be "non-planners", we did find a difference in perceived relative profitability depending on their status as producers of annual marketing plans. While only 14% of the firms in this category who did not produce marketing plans perceived their relative profitability to be well above average, 32% of those firms with marketing plans claimed their relative profitability to be in this top category. In other words, among these firms, those producing marketing plans (where most did not) were more likely to perceive their relative profitability to be well above average.

Our findings, therefore, conflict the prescriptive assertions of McDonald (1984). McDonald's empirical research was all conducted on industrial manufacturing firms and did not take account of possible differences in service firms.

When we completed the same analysis for the discriminant function including industry type we found qualitatively the same result. Where the literature is most clear about the benefits of marketing plans, there was no difference in their perceived relative profitability, whether or not they had one. Where plans are apparently least important, more firms with plans than without perceived their relative profitability to be high.

Size, Diversity, Industry Type and Existence of a Marketing Department

We then looked at the discriminant function which included the existence of a marketing department as a discriminating variable. We again found the same result: that firms classified as "planners" (being more likely to be larger, offering more products to market, in manufacturing and with a marketing department), perceived their relative profitability to be equal whether or not they produced a marketing plan. The firms classified as "non-planners" (smaller, less products, in service businesses and without a marketing department) perceived **higher** levels of relative profitability if they did produce a marketing plan (Table 6.6).

Table 6.6: Perceived Relative Profitability of Firms Classified as Planners and Non-planners (on size, diversity, industry type, and existence of a marketing department) that Did and Did Not Produce an Annual Marketing Plan

% firms that perceived their relative profitability to be well above average	Produced plan (N=172)	Did not produce plan N=103)	Sig. level	Total
Classified as planner (N=166)	27	24	ns	27
Classified as non-planner (N=109)	36	18	p<.05	26
Total	30	20		

We thus found a consistent pattern of results; that while the existing prescriptive contingencies for producing an annual marketing plan did to some extent describe current practice, our data suggest that, if anything, they should be reversed.

Interpretation

How do we interpret these results? Perhaps the most interesting aspect lies in the asymmetry. This suggests that it is unlikely that the firms classified as "non-planners" with a marketing plan believed they performed better because they were more systematic about their marketing since we would then expect to have seen a similar result among the "planners". Examination of the individual relationships between planning, perceived relative profitability and size, diversity and industry type in turn, does not highlight any drivers of this behaviour. We offer some conjectures.

Large diverse organisations may, perhaps, be in many mature markets where the stability of their environment, the understanding of competitors, and of the "rules" of that industry may mean that few major strategic moves are made. Most competitors (at least in value) use marketing planning. It is possible that the plans produce little more than incremental moves on last year, which could be adequately provided for by the budgeting system. While this would not hold for industries in sharp decline, these form a small part of the sample. Thus the marketing plan might make little difference except at the margin. We return to this issue in Section 6.4.

In comparison, smaller, less diversified, and service firms, may, on average, be younger and newer to planning and may be able to exploit its advantages without being so trapped in the "ritual" that firms describe as a problem with long-established planning systems, and so can use it to improve their competitive position. The results hold especially strongly for simple service firms in lower growth environments. We can conjecture that they benefit from gains in efficiency and in consistency between analysis and decisions and among decisions from planning. These benefits only materialise in a firm whose small size and environment allow it to implement planning without a destructive loss of flexibility. This is, however, a different argument from those previously proposed, where a major benefit of planning is implicitly presumed to be that of co-ordination and communication - which mainly applies to larger firms. In other words, our findings here suggest that planning may have more impact in its decision-making role than in its integrating role.

A further possibility lies in the nature of planning we have studied. In this analysis the most important variable in discriminating, at least in the first analysis, was diversity. Leontiades and Tezel (1981) found that as firms became more diversified, proportionately more time was devoted to corporate level planning and less to business level planning (although this did not hold significantly for size). It might be, therefore, that we would see differences if we could measure company wide planning as well as business marketing planning.

Our results are consistent with the studies of small firms by Acklesberg and Arlow (1985), Robinson et al (1986), Bracker and Pearson (1986), Bracker et al (1988) and Ansoff et al (1970) although contradicted by Robinson and Pearce (1983). The evidence supporting planning among service firms is consistent with the overall balance of evidence from strategic planning. Indeed the evidence for service firm planning appears stronger in both strategic and marketing planning surveys than that for manufacturing firms.

6.3 WHY "NON-PLANNERS" DO NOT PLAN

We categorised respondents' reasons for why their firm did not produce a marketing plan into six groups; 60% of firms were categorised as responding either that marketing planning was not relevant to their firm, or that the costs of planning outweighed the benefits (Table 6.7). We describe and illustrate each type of response.

Table 6.7: Reasons Given for Not Producing a Written Marketing Plan (N=120)

Not relevant	39%
Costs outweigh benefits	21%
Not understood	18%
Lack of resources	11%
Hostility to the idea	7%
Just about to start	5%

1. Marketing planning "not relevant to their circumstances"

39% of firms gave the reason that a marketing plan was not relevant. This category includes the reasons:

(i) volatility of demand, and the need to retain flexibility in the face of uncertainty (17%)

e.g. **"the market is so volatile, so open to abuse by other competitors that real market planning is impossible"**

In some markets, demand is very volatile, and the company needs to respond flexibly to market conditions (e.g. fashion businesses with rapid change, or construction with "lumpy" demand). A marketing plan would be out of date before it could be implemented. This runs counter to the textbook claim that planning **increases** flexibility (Ewing 1968) and is a way of dealing with the "rapidly changing environment" (Jain 1985: 14). It has been suggested, however, that planning is more suited to dealing with complexity than uncertainty (in providing an integrated framework (Quinn 1980: 1) and in programming the strategy (Mintzberg 1990: 271) while it reduces flexibility (Mintzberg 1990: 146).

For these firms, it seems possible that "strategic" marketing planning: deciding target markets, developing strategies by which such markets could be reached, and choosing the basis on which the firm intends to compete with a longer time horizon (and perhaps broader scope) might be of more practical value. The main value may lie in understanding their environment, and escaping the "4P's" framework, if market understanding is genuinely strengthened, rather than prejudices simply confirmed (Boxer and Wensley 1986). The "annual marketing plan" would then become a contingency action plan and target budget for control purposes. We look at firms' use of strategic plans and budgets in Chapter 9.

(ii) CEO or top management decides what will be done (13%)

e.g. **"the directors know what they want and pass it on by word of mouth"**

Respondents felt that if the CEO or top managers decide what, in detail, the company will do, there can be little added value in producing a marketing plan. This presumes adequate knowledge at senior levels to make these decisions which, in turn, suggests simple product-market structures. In practice, these firms were the same as the total sample in terms of product or market diversity (and hence a little **more** diverse than the average non-planning firm), but more likely to be smaller in turnover (half under £20 million versus one quarter of the total sample). This replicates Lorange and Vancil's (1977: xii/xiii) finding that management style influenced strategic planning systems.

(iii) customers or suppliers "write" the marketing plan (8%).

e.g. **"we use marketing plans provided by our suppliers"**

If marketing plans were prepared for the firm by dominant customers or suppliers, the value of planning seemed less clear, though programming tasks might be valuable (Mintzberg 1990: 339).

2. "The cost of planning outweighs the benefits"

21% of firms' responses were categorised as stating that the costs of planning outweighed the benefits, including "invisible" costs of loss of motivation and autonomy among managers. The reasons here were that:

(i) units were diverse and autonomous (13%)

e.g. **"we believe in autonomy, we would lose initiative"**

Here, standardised marketing planning was seen to be inappropriate in three ways: diversity meant one format was not suitable for all, autonomy was important, and motivation could be threatened if the system was perceived as a control mechanism. This raises concerns about the value of standardised marketing planning for diversified firms in helping complex organisations manage diverse businesses. The notion that planning reduces unit managers' flexibility, autonomy and, perhaps, initiative and motivation has not previously been overtly recognised in the marketing planning literature, although we are familiar with the notion of the value of local decisions in the globalisation literature (e.g. Day 1990).

(ii) they were small units (4%)

e.g. **"we're a very small company - it needs to be informal"**

Where the company was divided into small units, individual units could plan informally (as has been suggested for small firms), sometimes structured by a strategic plan.

(iii) the market was so stable that planning in a formal sense was not required (3%)

e.g. **"the needs of our market are fairly obvious - you don't need to be 'Brain of Britain' to work out what the customer wants"**

If the market was very stable and well understood, full marketing planning (as opposed to simple budgeting) was seen to be an expensive way of achieving annual incremental improvements.

3. Marketing or marketing planning not understood in the company

18% of firms were categorised as "marketing or marketing planning not understood in the company". This was far fewer than we might have expected from the statements of, for example, McDonald (1989), who describes marketing planning as "**one of the last remaining bastions of ignorance in marketing**". Firms in this category were explicitly unaware of what a marketing plan was, or, in some cases, what marketing was.

e.g. **"we did do some marketing once, about 25 years ago, but we couldn't quantify the results so we stopped"**

"there is no-one in charge of marketing. We don't do things like that in this company"

4. "Lack of resources"

11% of firms explained that they lacked the resources to produce a marketing plan. These firms either aimed simply to survive and described marketing planning, together with everything else not directly concerned with making and selling, as a luxury they could not afford at the time, or described themselves as lacking the key people to do it, typically through the recent loss of a key executive.

e.g. **"because the company is badly under-resourced"**

5. "Hostility to the concept" or a production orientation

This response, from 7% of firms, was most typically given by beleaguered marketers in organisations they perceived to be hostile to the marketing concept. They wanted to introduce marketing planning but the organisation did not see its value.

e.g. **"I think there is a need for marketing planning, but there has not been a need defined by the board."**

18% of firms without a marketing plan said that there were either inadequate resources or commitment to the concept within the organisation. Hopkins (1981) found that some companies no longer planned after a bad experience with planning, and McDonald (1982) described lack of senior management support, including resources and management time, as a problems associated with implementing planning. Taken together with our finding on the comparative perceived profitability of firms with separate marketing plan (page 163), this further supports the view that if a firm intends to have a marketing plan, then they should do this thoroughly.

5. Just about to produce their first marketing plan

These firms, one in twenty of our sample of firms without marketing plans, were just about to start, and most typically were in the public or non-profit sectors.

BETWEEN-GROUP DIFFERENCES IN REASONS FOR NOT PLANNING

However we categorised non-planning firms, all subgroups explained their behaviour with a similar mix of reasons. There were some differences in the prevalence of different reasons between different groups, especially between service and manufacturing firms. Table 6.8 shows that service organisations were more likely to fall into the "not understood" or "the cost/benefit relationship is unfavourable" categories while manufacturing companies were more likely to fall in to the "not relevant to our business" category.

Table 6.8: Reasons for not planning: Manufacturing versus Service Firms

	Manufacturing (N=50)	Service (N=49)	Total (N=99)
Not relevant	48%	33%	40%
Costs outweigh benefits	16%	29%	22%
Marketing not understood	14%	27%	30%

We found no differences in perceived relative profitability between those companies with the least understanding or sympathy for marketing and/or marketing planning and firms with more "rational" reasons for not producing a marketing plan. This was not surprising given recorded statements of companies who "don't need marketing planning" because they are "doing alright without" (McDonald 1982).

Why "Non-Planners" Do Not Plan: Summary

Overall, we can see three types of reason for not producing a marketing plan.

- The first are a series of objective product/firm characteristics that relate to size, product range diversity (confirmed in this study) and stage in the life of the firm, and product type (product versus service, which affects the nature of internal decision making because of the inter relatedness of decisions in service firms). Our limited evidence did not support these reasons for not producing a formal marketing plan.

- The second set of reasons related to the business environment; demand volatility, and buyer/ supplier power, which we partially evaluate in the next section.

- A third set refers to organisational style, structure, and the characteristics of the manager responsible for planning (or not).

Below, we briefly explore planning and profitability and the existence of the marketing department (our only measure of structure). We return to the issue of style in Chapter 8.

The perceived relative profitability of firms with and without marketing plans and marketing departments (Table 6.9), gave an interesting result. For firms with a marketing plan there was no statistically significant difference in their perceived relative profitability based on whether or not they had a marketing department. Firms without a marketing plan were significantly more likely to perceive high levels of relative profitability when they had a marketing department.

One interpretation may be that firms may need a formalised plan or a specialist person to co-ordinate and direct the marketing effort, but that either is adequate.

Table 6.9: Perceived relative profitability by firms with and without an annual marketing plan and a marketing department

% Firms who Perceive their Profitability to be Well Above Average

	With marketing department (N=214)	No marketing department (N=75)	Sig. level	Total
With marketing plan	29%	38%	ns	31%
Without marketing plan	27%	13%	p<.1	21%
Sig. level	ns	p<.05		
Total	29%	23%		

6.4 PLANS, PROFITABILITY, AND GROWTH

Many respondents in "non-planning" companies gave reasons relating to the external environment for not using formal marketing planning. Lorange and Vancil (1977: xii/xiii) suggest that the industry may influence a strategic planning system. Although marketing planning is invariably recommended for firms in high growth, its impact has been debated (pages 76-77). We suggested (page 59) that formal planning may be less appropriate for such firms. We therefore examine the perceived relative profitability of firms with and without marketing plans according to their perceived industry growth potential.

More firms in high-growth-potential industries perceived their profitability to be well above average (40% firms in industries with high-growth-potential compared with only 21% firms in industries with modest, zero or negative growth potential, p<.01). However, there was no difference in propensity to produce a marketing plan based on perceived growth potential in the industry (59% in high-growth-potential industries, 57% in modest growth, 59% in stable or declining industries).

Companies in high-growth-potential industries in the private sector were much more likely to be service firms (52% of service companies in high growth industries compared with 20% of manufacturing companies, p<.01), and hence less likely to have produced a marketing plan (page 130). But planning was equally likely in all growth potential environments. Thus service companies in high-growth-potential industries were significantly more likely to plan than services in low-growth-potential environments (Table 6.10). This did not hold for manufacturing companies (the focus of McDonald's 1982 study).

Table 6.10: % of Private Sector Firms with Annual Marketing Plans in Different Growth Potential Markets by Industry Type

	Manufacturing (N=158)	Service (N=118)	Sig. level	Total
High/ modest growth	64%	51%	p<.1	58%
Stable or declining	73%	29%	p<.01	59%
Sig. level	ns	p<.1		

The Impact of Environment

Table 6.11 shows that:

- Firms in high-growth industries were more likely to claim that their profitability relative to competitors was above average if they did **not** produce a written annual marketing plan.

- Conversely, in low-growth industries, it was the planners that were more likely to claim that their profitability was above average, while no difference was recorded in modest growth environments.

Table 6.11: Perceived Relative Profitability by Existence of an Annual Marketing Plan and Industry Growth Potential

% firms that perceived their relative profitability to be above average	Non-planners (N=110)	Planners (N=186)	Sig. level	Total
High growth	72	59	ns	64
Modest growth	57	59	ns	58
Stable/decline	40	58	ns	51
Total	58	59		58

These findings are not statistically significant. They are however consistent with the balance of the strategic planning literature: Fredrickson (1984), Fredrickson and Mitchell (1984) and Kallman and Shapiro (1978), Bracker and Pearson (1986) although inconsistent with Malik and Karger (1975).

If this result were to generalise (i.e. if it was not caused by sampling error) there could be at least three possible interpretations:-

(i) A Measurement Effect

It could be that firms without annual marketing plans have less idea of their relative profitability. This is not really supported by our evidence on the competitive awareness and financial awareness of the non-planners (see Chapter 9). It would, however, explain why firms in high-growth industries, with perhaps high income growth, believed they were performing well relative to competitors, while firms in stable or declining industries, seeing the opposite, believed they under-performed.

(ii) A Perceptual Effect

Firms may believe an enacted environment (Weick 1979) of growth exists because their flexibility allows them to be opportunistic. Here we interpret "enacted environment" as a perceived environment which can be influenced by the firm's activities, as distinct from the more usual interpretation of environment as an objective reality which a firm must discover and adapt to. We have, of course, measured perceived environment in this study. Given this interpretation of cause and effect in flexibility and the enacted environment, the reverse would hold in stable or declining enacted environments. In these environments, a focus on efficiency rather than opportunity might sometimes result in an enacted environment of stability or decline. We could hypothesise that two firms in the same industry could view the growth potential of that industry as high or in decline, as a result of a style and culture (of which planning is just one example) which was opportunistic and flexible in the first and cost-focused and mechanistic in the second.

(iii) A Genuine Contingency Effect

Finally, taking the finding at face value, it could be that formal planning really is more appropriate to mature market environments. In high growth, planning may reduce flexibility and prevent firms from being opportunistic and increasing profitability. Being opportunistic would not necessarily mean either that the firm was making the best strategic moves for the longer run, nor that it was making errors, simply that it was increasing profit in the short term. In low growth, firms may need more planning and control; efficiency may be the dominant required focus in an increasingly price-competitive environment (e.g. Porter 1980). In other words there may be a different trade-off between the costs and benefits of planning in different market growth environments (e.g. Loasby 1967). This was the essence of our argument on page 59.

We must interpret this result with caution. This individual result is not statistically significant, and even if it were a causal interpretation would not be shown (Lenz 1981). Linking planning and profitability is problematic since there are too many intervening variables, and we would expect the results, if any were observable, to emerge over time (Beard and Dess 1981). The data are, in themselves, wholly perceptual; we measured the respondents' claimed perceptions of their firm's profitability relative to competitors, their claimed belief about the growth potential of their industry over the next five years, and their claim to produce a written annual marketing plan (or not). The result is interesting because it can be explained in common-sense terms given the comments of the firms without marketing plans, and our theoretic review. Moreover, as we see in Chapters 8 and 9, results linking planning formality, profitability and growth emerged consistently in our study.

Chapter Six: Summary

In summary, therefore, we find that there was a weak overall relationship between producing an annual marketing plan and an increased likelihood of perceiving relative profitability to be well above average. This relationship held only for separate marketing plans. While the propensity to produce an annual marketing plan was somewhat contingent on size, diversity, and the type of business (manufacturing or service), the evidence on perceived profitability did not suggest this should be prescriptive. The strongest relationship between producing an annual marketing plan and perceived relative profitability was contingent on perceived industry growth potential, where plans were associated with better performance in stable or declining industries, and worse performance in high growth potential industries. From firms without marketing plans, we have suggestions that, in some cases, they may not be relevant, and the costs may outweigh the benefits.

CHAPTER 7: WHAT SORTS OF PLANS DO FIRMS PRODUCE AND WHAT DO THEY HOPE TO ACHIEVE WITH THEM?

In this Chapter we examine Assumptions Two and Three of the textbook model, relating to the scope of marketing planning:

- that there is **one best style** of marketing plan
- that firms obtain **multiple benefits** from marketing planning.

Firstly, in Section 7.1, we establish the **extent and type of variation of marketing plans**. In Section 7.2, we identify **styles of plan,** and seek explanations and evaluations of variations in style. We first look at styles of plan in terms of their inclusion (or not) of the key textbook model variables. We then identify the underlying dimensions of plan content, and briefly review how well these fit with textbook theory. We then examine the extent to which our classification variables explain differences in plan structure.

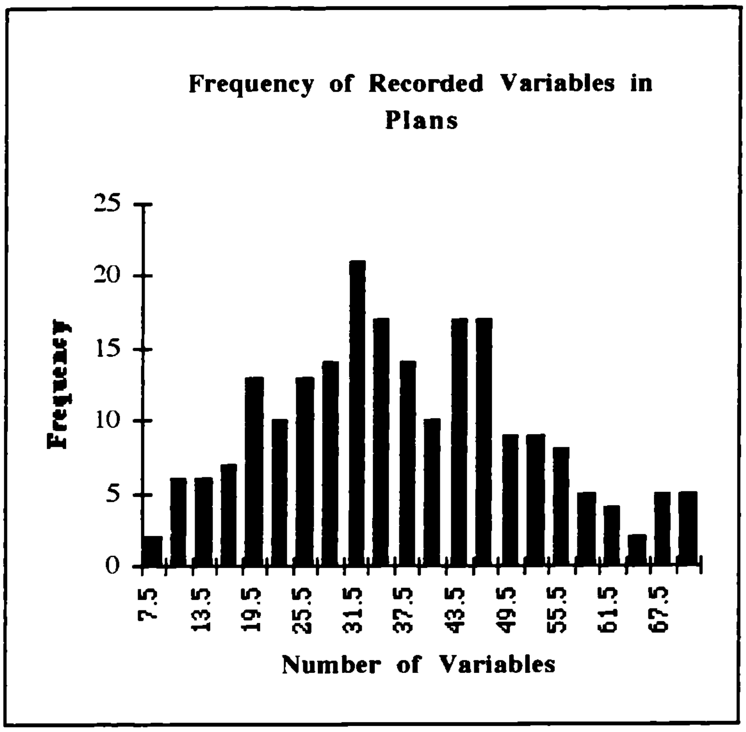
We turn, in Section 7.3, to the **aspects of the plan or planning process most valued** by respondents which we use as a proxy for the desired outcomes of planning. We assess the extent to which the plans firms produced were consistent with the achievement of these outcomes.

On page 91 we suggested that there were many reasons why firms might produce plans that differed from the textbook model or not produce a marketing plan at all. We conclude this chapter by quantifying these reasons.

7.1 VARIABILITY OF THE PLANS

Here, we explore the heterogeneity of the content of marketing plans. We know that some issues are addressed by more firms' plans than others, with very few addressing all the elements suggested in the textbook model. We find that plan contents vary greatly. Figure 7.1 shows a simple count of the number of elements of a marketing plan included by our sample (out of 72 listed possibilities). We see that firms differed greatly in the number of issues covered in the document, the "amount" of planning they did.

Figure 7.1



The minimum number of items any firm claimed to include was 6, while the maximum was 72. The average was about half (mean 37, median 39, mode 31). The variation seems too much to be attributed to situation-specific aspects of these firms' marketing plans as suggested by Hughes (1978:8-9). The results also conflict with Kotler' assertion that most plans include sections describing the main elements of the textbook model (1991:72).

Two conflicting interpretations of this variability are:

(i) There is "nested variation" in plan content: that is, the plan of a firm with few variables would roughly form a subset of the plan of a firm with many. This would be consistent both with a theory of the evolution of marketing planning (e.g. Kotler 1984: 277-279), and with the view that firms differ in what they mean by marketing planning, with some firms describing a forecasting and budgeting document as a marketing plan (McDonald 1982, Winer 1965). We use the structural elements of the textbook model to evaluate this (see below) but have no previous evidence for comparison.

(ii) Plans are idiosyncratic, with variations in structure which will endure because they are intrinsic to the characteristics of the firm or the environment in which it operates. This conflicts with a key assumption of the textbook model.

We thus examine the extent of "nesting" of plan contents and then analyse the duplication of the key plan elements which allows us to make a more complex evaluation.

THE EXTENT OF "NESTING" OF PLAN CONTENTS

From Table 5.9 (page 140) we know the relative prevalence of the different elements of both the key strategy formulation variables (customer/environment analysis 90%, market analysis 80%, SWOT 66%, and strategy statement 66%), and the four main elements of the textbook model (strategy formulation 42%, key objectives 44%, action plans 26%, and budget objectives 55%).

If plans evolved in a predictable way towards the textbook model, the various elements would be added as plans became more sophisticated. We would thus expect virtually all the plans with a statement of strategy or a SWOT analysis also to include a market analysis, and all plans with a market analysis also to include a customer/environment analysis. Further, the strategy statement and SWOT analysis would occur in essentially the same plans. We find, however, that 12% of firms included all the strategy formulation variables except a statement of strategy, while 15% included all the strategy formulation variables except a SWOT analysis. Similarly, all the firms without a customer/ environment analysis included at least one of a market analysis, SWOT analysis, or strategy statement. In other words, the strategy formulation contents of simple and complex plans were not "nested".

The overall structure showed the same pattern. Although only 2% of plans included only action plans, and 4% only key objectives, 11% included only strategy formulation, and 9% only budget objectives. Finally, taking all seven elements together, no suggestion of "nesting" emerged.

This suggests that firms aimed to include all elements but were either unclear about what these should be or had rejected some elements as inappropriate to their businesses. Most firms (74%) included at least some part of each of the main structural elements, but few included all.

DUPLICATION OF PLAN ELEMENTS

To get a picture of the overlap of the variables, we examined the duplication coefficients of the key elements. The duplication coefficient of elements a and b (D(a,b)) is defined in the following way.

$$D(a,b) = \frac{p(a,b)}{p(a)p(b)} = \frac{p(b|a)}{p(b)}$$

where: p(a,b) is the proportion of firms including elements a and b
p(a) is the proportion of firms including element a
p(b) is the proportion of firms including element b
p(b|a) is the proportion of firms with element b among firms with element a

For example, 73% of firms included a Strengths and Weaknesses audit, 71% included an Opportunities and Threats analysis, and 66% included both. The duplication coefficient of these elements is:

$$D(sw,ot) = \frac{p(sw,ot)}{p(sw)p(ot)} = \frac{0.66}{0.73 \times 0.71} = 1.27$$

A duplication coefficient of 1 implies that the elements were independent.

Overall, the findings suggest that no dominant development pattern for plans existed. It further suggests that a number of plan types exist which focus on different key elements of the textbook model, rather than any clear nesting among plans.

A table showing every possible duplication is rather daunting. There are over 2500 duplications, since we have measured whether or not firms included 72 content variables, describing:

- 19 possible objectives,
- 21 possible strategies (strategies for achieving the objectives, an overall statement of strategy, and alternative strategies),
- 20 possible action plans (action plans for the objectives, and the existence of contingency plans), and
- 12 main analyses.

Table 7.1 shows a subset which demonstrate the main issues.

The duplication coefficients are bounded. The absolute percentage of firms including any individual item ranged from 17% to over 80%. Duplication with a variable included by 80% of firms cannot yield a coefficient above 1.25, and typically also has a lower bound unless the item with which the duplication is measured is used by 20% or less of firms. We show the upper bound for each row and column on the leading diagonal of the table.

The table has been arranged into groups of contents: budget objectives, market share objective, marketing mix objectives, key analyses, strategies, and action plans. The categories themselves, and the items within the categories, have been (more or less) arranged in ascending order of possible duplication. Statistically we would expect the number to increase from the top left to the bottom right of the table.

Table 7.1
Duplication Coefficients

	Budget Objs			Mkt	Marketing Mix Objectives					Analyses									Strategies						Action Plans				
	Sales Rev	Mktg Exp	Profit Mgn	Share Obj.	Adv	Prod Impr	Price	Sales	Avail	Cust	SW	KA	Dem	Share	Seg	Rev	Tech	Govt	State	Adv	Prod Impr	Price	Avail	Alts	Adv	Prod Impr	Price	Avail	Cont
Sales rev obj	1.24																												
Mktg exp obj	1.04	1.30																											
Profit obj	1.11	1.08	1.39																										
Mkt shr obj	1.09	1.06	1.11	1.70																									
Adv obj	1.01	1.09	1.00	1.07	1.39																								
Prod imp obj	1.09	1.02	1.03	1.10	1.04	1.40																							
Price obj	1.13	1.09	1.18	1.21	1.06	1.14	1.58																						
Sales obj	1.08	1.16	1.14	1.13	1.16	1.05	1.17	2.06																					
Avail obj	1.13	1.12	1.21	1.18	1.10	1.19	1.29	1.46	2.44																				
Cust analysis	1.05	1.02	1.07	1.03	1.03	1.05	1.08	1.09	1.14	1.24																			
SW	1.06	1.03	1.07	1.01	0.97	1.04	1.06	0.99	1.09	1.04	1.35																		
Key assn	1.06	1.05	1.06	1.11	0.99	0.99	1.10	1.01	1.07	1.03	1.11	1.41																	
Mkt demand	1.04	1.07	1.10	1.16	0.98	1.02	1.13	1.12	1.19	1.08	1.08	1.18	1.45																
Mkt shr trend	1.04	1.08	1.11	1.33	1.06	1.05	1.18	1.11	1.18	1.08	1.10	1.18	1.26	1.62															
Seg analysis	1.10	1.07	1.06	1.14	1.08	1.08	1.12	1.20	1.24	1.10	1.10	1.18	1.20	1.35	1.67														
Review plan	1.11	1.07	1.09	1.11	1.05	1.11	1.10	1.14	1.14	1.03	1.09	0.97	1.00	1.00	1.06	1.77													
Tech trends	1.10	1.04	1.07	1.01	0.98	1.13	1.16	1.16	1.28	1.15	1.13	1.15	1.15	1.17	1.26	1.05	2.15												
Govt trends	1.08	1.01	1.00	1.05	1.04	1.12	1.05	1.08	1.22	1.10	1.03	1.03	1.09	1.09	1.05	1.11	1.29	2.15											
Strat state	1.04	1.07	1.04	1.10	1.01	1.01	1.07	1.04	1.07	1.05	1.08	1.27	1.16	1.18	1.12	1.06	1.12	0.99	1.48										
Adv strat	0.98	1.10	0.99	1.08	1.16	1.01	1.01	1.09	1.06	1.04	1.03	1.04	1.02	1.14	1.06	1.02	0.94	0.99	1.03	1.48									
Prod imp str	1.06	1.00	1.01	1.05	0.98	1.20	1.07	0.98	1.10	1.05	1.08	1.05	1.02	1.11	1.10	1.02	1.20	1.10	1.03	1.07	1.48								
Price strat	1.12	1.11	1.17	1.14	0.98	1.09	1.38	1.14	1.14	1.05	1.03	1.15	1.15	1.20	1.16	1.09	1.23	0.98	1.15	1.07	1.14	1.78							
Avail strat	1.12	1.18	1.17	1.08	1.00	1.09	1.18	1.20	2.01	1.09	1.04	1.09	1.08	1.22	1.13	1.06	1.15	1.14	1.10	1.20	1.31	1.28	3.10						
Alt strats	1.10	1.05	1.13	1.07	1.08	1.15	1.14	1.19	1.14	1.08	1.27	1.21	1.16	1.12	1.28	1.42	1.25	1.33	1.16	0.99	1.09	1.08	1.45	3.80					
Adv act pln	1.02	1.09	0.99	1.12	1.20	1.03	1.02	1.12	1.15	1.03	1.03	1.04	1.05	1.13	1.06	1.04	0.98	1.06	1.04	1.32	1.04	1.07	1.13	1.02	1.67				
Prod act pln	1.08	1.03	1.04	1.10	1.07	1.29	1.10	1.04	1.15	1.05	1.12	1.03	1.01	1.11	1.09	1.13	1.16	1.20	1.07	1.11	1.37	1.12	1.27	1.22	1.23	1.84			
Price act pln	1.14	1.15	1.20	1.18	1.04	1.17	1.47	1.20	1.27	1.07	1.10	1.14	1.13	1.26	1.18	1.12	1.28	1.15	1.10	1.12	1.17	1.65	1.42	1.17	1.21	1.33	2.26		
Avail act pln	1.13	1.09	1.14	1.13	1.02	1.16	1.18	1.31	2.06	1.12	1.06	1.13	1.16	1.19	1.21	1.10	1.30	1.25	1.10	1.07	1.26	1.25	2.52	1.54	1.36	1.49	1.54	3.30	
Cont plan	1.06	1.05	1.03	1.17	0.98	1.03	1.07	0.98	1.10	0.98	1.10	1.11	1.05	1.14	1.18	1.15	1.26	1.09	0.94	1.04	1.08	1.17	1.00	1.38	1.17	1.08	1.12	1.13	3.94

We have included only the most widely used and/or representative variables for this table. So, for example, we have included sales revenue but not sales volume, product improvement but not new product development, presentation or customer service, strengths and weaknesses but not opportunities and threats. Inevitably some information is lost, and we first describe these findings.

- In only one instance did the duplication coefficient equal the upper bound; no firm included a competitor market share objective (or strategy or action plan) unless they also included a market share objective for their firm.

- In a few cases, the duplication coefficient was below 1. These were disproportionately concentrated among a few variables. For example, about 12% of duplications with the advertising variables, 15% of duplications with the contingency plan variable, and 10% of duplications with the review of previous plan were less than 1.

- In general, the numbers were low. Over the 29 variables shown, the average duplication was 1.12 compared with an average upper bound of 1.91.

- A few exceptions to this stand out.

(i) Marketing mix and budget variables duplicate even less with the key analyses.

(ii) Where objectives were set, duplication with strategies and action plans for the same issue was quite high. As Table 7.1 shows for advertising, the duplication coefficients were:
    - 1.16 for objective and strategy (feasible range 0.53 - 1.39)
    - 1.20 for objective and action plan (feasible range 0.40 - 1.39)
    - 1.32 for strategy and action plan (feasible range 0.37 - 1.48)

(iii) Price duplicated more with the budget variables than the rest of the marketing mix.

(iv) The SWOT analysis duplication was high and the market analyses duplicated with each other and, to a lesser degree, with the market share objective. Alternative strategies duplicated more with the key analyses than any other group.

(v) In general, contingency planning and alternative strategies duplicated poorly with other variables. To a lesser degree, the review of the previous plan duplicated little with other variables.

(vi) Field sales effort duplicated more with channel variables (availability and dealer relations) than the other promotion variables (advertising and sales promotion).

We show the duplication coefficients for the seven key textbook model variables in Table 7.2 (the shaded cells of the leading diagonal show the upper bound for each row and column). Here we see generally low duplication coefficients, with no marked patterns of duplication emerging except that statistically expected, and perhaps with budget objectives. This suggests that there are many types of plan.

Table 7.2: Duplication Coefficients for the Textbook Model Variables

	Environment	Market	Strategy statement	SWOT	Budget objectives	Key objectives	Action plans
Environment	1.11						
Market	1.06	1.23					
Strategy	1.05	1.13	1.47				
SWOT	1.05	1.07	1.10	1.49			
Budget objectives	1.06	1.08	1.13	1.10	1.87		
Key objectives	1.05	1.16	1.21	1.08	1.51	2.28	
Action plans	1.07	1.14	1.14	1.14	1.57	1.61	3.79

Table 7.3 shows the duplications when we aggregate the strategy formulation variables. This confirms that the highest levels of duplication arise with the budget objectives, suggesting slight support for the view that plans develop from budgeting documents.

Table 7.3: Duplication Coefficients for (4) Textbook Model Variables

	Budget objectives	Strategy formulation	Key objectives	Action plans
Budget objectives	1.87			
Strategy formulation	1.22	2.27		
Key objectives	1.51	1.32	2.28	
Action plans	1.57	1.36	1.61	3.79

The pattern that emerges from this analysis is that the contents of annual marketing plans show wide variation in the elements included. Clear styles of planning will only emerge in a limited way and as a second-order effect, since it is frequently difficult to aggregate the included elements in a way that we can rationalise. **Plans followed idiosyncratic patterns.** To further explore the data we needed to take quite broad aggregations and accept that a significant proportion of firms would fall into the category of "none of these". Thus a "strategy formulation" aggregate variable will exclude over half the sample, even though most of these will include some of the strategy formulation components. With only 223 cases we would otherwise be unable to form adequate sized sub-samples.

There are 2^{72} possible different plan formats (given the 72 dichotomous variables measured). i.e. it is theoretically feasible to generate approximately five thousand million million million types of plan from the variables measured. To generate less than 220 options we can use only 7 variables. This gives some idea of the possibilities for variability in the plans, if idiosyncrasy is taken to extremes. The styles of plan are explored further in the following section.

7.2 STYLES OF PLAN

The extent of plan heterogeneity discussed above makes it difficult to categorise plans, and perhaps explains why previous research has focused mainly on reporting the percentage of firms including each element of a plan rather than attempting to classify them into groups.

To look for patterns, we used two types of analysis: first we identified sets of firms with "similar" styles of planning using the textbook model variables as the building blocks for a plan. Second we adopt a more exploratory approach, identifying underlying dimensions in the plan content variables. The nature of our data set precludes the use of cluster analysis for establishing groups of firms with similar styles of plan. With dichotomous variables the solutions are structurally unstable since no decision rule can isolate one best solution; different orderings of the data, or switching from an agglomerative to a disaggregative method produces different clusters. We therefore identified the groups of firms and their associated styles of plan by inspection. R factor analysis was used to identify plan dimensions.

Our analysis revealed that the textbook structure gave the best basis for distinguishing styles of plan, but that practitioners seem to use individual elements of the structure in groupings that are not explicit in the textbook model. We found no evidence to support the view that one style was better than others.

7.2.1 THE PREVALENCE OF DIFFERENT STYLES OF PLAN

Initially, we used the four main elements of the textbook model (strategy formulation, key objectives, action plans, and budget objectives) and identified the styles of plan on the basis of whether or not they included these elements. By using these, and predetermining the components of each variable, we have excluded from a category some firms whose plans showed some bias towards a style of plan, but did not fully execute it. This analysis remains of value since it enables us, from within the conceptual framework of the textbook model, to identify trends which may relate to the particular objectives or constraints of the firms. We then extended the analysis to all seven elements of the textbook model, and to a customer or competitor focus (Dickson and Kalapurakal 1991).

Using the four main textbook model variables gave us sixteen groups, which by inspection we collapsed into first six, then three and finally two groups. We do not claim that this produces <u>better</u> solutions than those that emerge from cluster analysis; simply, given our data set, cluster analysis cannot produce one "best" solution with any non-trivial method and non-trivial variable set. We have chosen between these competing alternatives on the basis of those solutions that allow us to understand the data better, both here and in Chapter 8.

Generating Styles Using the Textbook Plan Model Variables

We aggregated the sixteen possible groups using a scheme that allowed only those solutions which minimised within-group and maximised between-group distance, except for reclassifying very small groups of less than 2% of cases, in ways that made more intuitive sense. The maximum number of cases "misclassified" in this way was 3.6%. The sixteen-group solution from which our styles are formed is given in Appendix 7.1. The six styles of planning formed and their interpretation is shown below in Table 7.4. This analysis only considers the 25 variables specified by Kotler.

Table 7.4: 6 Styles of Plan Using 4 Textbook Plan Model Variables (strategy formulation, key objectives, action plans, budget objectives)

None of the variables (N=53)	24%	
Objectives (mostly budget, some share/volume) (N=53)	24%	
Total budget support documents		**48%**
Strategy formulation only (sometimes key objectives) (N=31)	14%	
Strategy formulation and objectives (N=31)	14%	
Total direction-oriented		**28%**
Textbook Plan (N=34)	15%	
Action plan focus (original model) (N=32)	9%	
Total action oriented		**24%**

Almost half the plans were grouped in a way that reflect the criticism that they represent more **budgeting** than planning. The two largest groups (24% each) are of those firms with none of the four (aggregate) textbook model variables, or with a style of plan driven by budget objectives, sometimes supplemented with market share and volume objectives. This is consistent with our earlier analysis of duplication coefficients. The size of the category described as "none of the variables" results from the idiosyncratic nature of the plans where all plans included at least some of the variables we measured, but not necessarily all those specified by Kotler (1991:72) to qualify as including that key element.

The second main style could be described as "**direction setting**". Firms with "strategy formulation only" plans could be described as "strategic/ analytic" and accounted for 14% of the sample, while a further 14% had similar plans but also included budget objectives, and some share objectives (but not action plans).

The third, and minority, main style of plan found in this solution identifies (approximately, if a little generously) firms with textbook model plans, and the plans that follow the earlier model of Winer (1965). These are essentially the only plans to include the **action plan** variable: at least one action plan for each main element of the marketing mix.

Overall, therefore, the assumption that there is one best style of plan, the textbook model, does not as Kotler (1991: 72) suggests, describe current practice. The 34 firms categorised here as using the textbook model amounted to only 15% of all firms with formal marketing plans, and only 9% of the total sample including "non-planning" firms.

Systematic Variations in the Styles of Plan

Some systematic between-group differences in the styles of plan were identified. For this analysis we collapsed the original six groups into the three main categories given above. We describe these as "budgeting" orientation, "direction setting" orientation and "action planning" orientation. The most marked variation in the style of plan produced related to the industry type to which the firm belonged. From Table 7.5 we can see that plans written by manufacturing firms were much more likely to be action oriented that those of service firms or organisations in the public/non-profit sector, and somewhat more likely to be direction setting than service firms. If plans develop as planning systems mature, then we would expect marketing plans to be most sophisticated in manufacturing firms, and least sophisticated in the public and non-profit sectors. The styles of plan identified seem reasonably consistent with this, although the public sector/ non-profits gave more attention to strategic issues than this argument would suggest. However, policy making is an important activity in the public sector which may account for this.

Table 7.5: Style of Plan by Industry Type (%)

	Budgeting (N=106)	Direction setting (N=62)	Action planning (N=56)	Total
Manufacturing (N=109)	36	30	34	100%
Services (N=64)	56	22	22	100%
Public /Non-profit (N=51)	61	29	10	100%
All industry types	48	28	24	100%

The diversity of product markets served also correlated with different styles of plans. Table 7.6 shows that action-planning models of plan were more prevalent, and budgeting models were less prevalent, in firms operating in multiple product markets. Broadly, more complex firms produced more complex plans.

Table 7.6: Style of Plan by Diversity (%)

	Budgeting (N=101)	Direction setting (N=61)	Action planning (N=55)
Single product/market (N=92)	58	25	16
Many products/markets (N=125)	40	31	30
All firms	48	28	24

Finally, we found differences in the styles of plan produced by firms in markets with different perceived growth potential. Table 7.7 shows that firms operating in high growth potential markets were more likely to follow a budgeting model of plan, while firms in lower growth environments were more likely to include analysis, statements of strategy, and action plans.

Table 7.7: Style of Plan by Industry Growth Potential (%)

	Budgeting (N=98)	Direction setting (N=61)	Action planning (N=56)
High growth (N=70)	60	21	19
Lower growth (N=145)	40	32	28
All environments	48	28	24

Comparison with Greenley's Findings

We saw on page 83 that Greenley (1982, 1984) classified plans into four different formats and an unclassified style. We compared these results with our styles as far as possible (Table 7.8). Where Greenley describes plans as "comprehensive", we used our "textbook model" plans. We compare his "marketing mix" format with our "original model" style of objectives and action plans. "Sales" plans are compared with plans with budget and key objectives (a subset of our budget objectives style), and his unclassified plans are compared with our style "none of the textbook variables". Finally we compare his format, "company's own" with the plans in our sample that remained unclassified. We separate the comparisons for manufacturing and service firms, since the results differ considerably.

Our results are reasonably consistent, especially among the "action-oriented" styles where we have most confidence in our comparisons. For example, manufacturing firms were somewhat more likely than services to produce a textbook/comprehensive plan and overall about 20% of private commercial firms' plans could be classified in this way. Marketing mix plans were much less prevalent overall (less than 10%) and about twice as likely in manufacturing than service firms.

Table 7.8: A Comparison of the Frequency of Plan Styles: Greenley versus Cousins

Manufacturing Firms: firms with plans in the following categories:

Greenley	(N=45)	(N=109)	Cousins
Comprehensive	24%	21%	Textbook model
Marketing mix	11%	11%	Original model
Sales plans	9%	13%	Subset of Budget incl. Key objectives
Unclassified	27%	13%	No textbook variables
Company's own	29%	42%	Others

Service Firms: firms with plans in the following categories:

Greenley	(N=31)	(N=64)	Cousins
Comprehensive	19%	16%	Textbook model
Marketing mix	6%	6%	Original model
Sales plans	0%	8%	Subset of Budget incl. Key objectives
Unclassified	26%	28%	No textbook variables
Company's own	48%	42%	Others

Styles of Plan and Perceived Relative Profitability

There were no differences in perceived relative profitability according to the style of plan produced. We cannot, therefore, support the prescriptive statement that there is one best style of marketing plan, although this clearly does not prove the contrary. Nor were there any significant differences relating to perceived relative profitability and style of plan according to the perceived industry growth potential.

Grouping Plans on Kotler's Seven Textbook Variables

In order to understand more fully the structure of the plans represented by these styles, we replicated this analysis but with the seven main elements of Kotler's textbook model: customer/ environment analysis, market analysis, SWOT analysis, statement of strategy (the variables that comprise the strategy formulation composite variable). and key objectives, action plans, and budget objectives. This gave 128 possible types of plan, of which 58 different types were represented. Overall the same groups emerged. But there were two additional interesting features:

- **only just over 3% of plans included none of these seven elements.** In the earlier analysis, over 20% of firms were classified as including "none of the variables" because they omitted one or more elements of strategy formulation. The decomposition of the strategy formulation variable makes this classification almost comprehensive; virtually all firms doing formal marketing planning did at least some of the seven main elements.

- the largest single group of firms omitting one element of strategy formulation only, ignored a statement of overall strategy (20% of the firms without the entire strategy formulation variable). This suggested that it would be of value to identify styles of plan based on analysis (opportunities and issues but not necessarily a statement of strategy), intent (statement of strategy and market objectives), action (as before) and accountability (budget objectives). We pursue this idea below.

Other Classifications of Plan

Although our main focus has been on how the practice of firms relates to the textbook model of marketing plan, we have considered alternative ways of aggregating the data which might increase out intuitive understanding of marketing plans in practice.

We first looked at a minor modification, which intuitively might relate to the diverse functions of the marketing plan. We grouped the plans on the basis of four composite variables: analysis (opportunities and issues of Kotler (1991: 73), intent (strategy and market share objective), action (action plans), and accountability (budget objectives). The solution was determined as before, and the 16 original groups are shown in Appendix 7.1. The main difference here from the earlier analysis was to specifically review the role of analysis versus strategy formulation as discussed above. Six styles are shown in Table 7.9, accounting for 96% of firms.

One of the most striking findings of this analysis was less the apparent focus on accountability (over half the plans, but they are annual plans), but more the focus on analysis (over half the plans) while actions were only included in half that number, 26% of firms (22% of these styles and the 4% of firms that were not classified). This is not surprising given the association of the strategy statement with the analyses rather than market share objectives, seen in our duplication analysis (Table 7.1).

Table 7.9: 6 Plan Styles on Basis of Analysis, Intent, Action & Accountability (N=216)

None of these biases	18%
Accountability only	17%
Analysis/ Intent	22%
Analysis and Accountability	17%
Action and Accountability	10%
All of the variables	12%

Finally we looked at the orientation of plans according to three primary variables, and their overlaps. We label these variables: internal orientation, customer orientation, and competitor orientation. They were suggested by the planning literature (e.g. Hunsicker 1980, Norburn et al 1988) and Day and Wensley (1988).

The definitions of these variables are clearly subjective, and driven by the limitations of our data set:

"Internal": Included a strengths and weaknesses analysis, or a technology trends analysis, or a government regulation analysis

"Customer": Included a customer needs analysis, or market segmentation analysis, or market share objective, strategy or action plan, or a full SWOT analysis

"Competitor": Included a competitor strategy forecast, or competitor market share objective, strategy, or action plan.

Of the eight groups created by these primary variables, only six had membership, and only two had any significant membership: include all orientations (50%), and internal and customer orientation (42%). In other words, 92% had the first two of which over half had the third.

Both these two main groups were equally likely to include the strategy formulation elements described in the textbook model, except for a market analysis (78% for the style without a competitor analysis versus 93% with, p<.01). **Taking account of competitors is not explicit in the textbook model,** except in the SWOT analysis which is intended as an analysis **relative** to customer needs and to competitors. Whether or not this relativity is reflected in the plans is more uncertain. Overall there was a difference in propensity to include strategy formulation in the plan.

Table 7.10 shows that the firms with plans showing a competitor focus were much more likely to include all the textbook model elements. Dickson and Kalapurakal (1991) found a positive directional relationship between the inclusion of a competitor analysis and a customer analysis, which they suggest shows that firms who analyse their competitors become more aware of customer needs. Our analysis shows that firms with competitor analyses are likely to produce more comprehensive plans. We suggest, however, that firms develop more complex plans and <u>then</u> include competitor analyses (which are not directly mentioned in the textbook model).

Table 7.10: Plans with and without competitor analysis by key textbook variables

	Strategy formulation	Key objectives	Action plans	Budget objectives
With competitor analysis (N=104)	54%	61%	36%	66%
Without competitor analysis (N=87)	42%	32%	20%	45%
Significance level	p<.1	p<.01	p<.05	p<.01

There were no patterns in perceived relative profitability that related to the inclusion or exclusion of a competitor analysis.

Overall we find that the most successful classification of plan styles used the four main elements of the textbook model, producing six styles of plan to include the textbook model itself. For most of our subsequent analysis we use the three summary styles of plan: action-oriented, direction-oriented, and budget-oriented.

7.2.2 UNDERLYING DIMENSIONS IN PLAN CONTENT

In order to explore the intrinsic structure of the plans which might not use the textbook model hierarchy, we analysed the content data using factor analysis. Details of the method and key statistics are given in Appendix 7.2. The analysis was done in stages.

Initial Analysis

On inspection, we saw that the correlation matrix for all our 72 plan content variables did not contain enough sufficiently high correlations for factor analysis to proceed (only 444 out of 2485 (18%) were above 0.3, and the mean was 0.18; the correlation matrix was ill-conditioned). This was not surprising given the low duplication coefficients. We needed, therefore, to reduce the variable set before we could proceed with factor analysis. Initially thirteen variables were excluded because they added little information. This reduced the matrix to 1653 entries, shown in Table 7.11 in Appendix 7.2.

We divided the variables into groups suggested by the correlation matrix, and inspected the average within-group and between-group correlations, shown in Table 7.12. Above average correlations were recorded between budget and marketing mix objectives and action plans, and between analysis and market share variables.

Table 7.12: Average Correlation Coefficients Between Selected Groups of Variables

	Budget	Objectives	Action plans	Strategies	Analyses	Market share
Budget	0.35					
Mix objectives	0.21	0.25				
Mix action plans	0.20	0.19	0.35			
Mix strategies	0.17	0.24	0.22	0.24		
Analysis	0.19	0.14	0.12	0.13	0.21	
Market share	0.18	0.13	0.16	0.15	0.32	0.42

Key: Budget = budget objectives and action plans
Mix objectives, action plans and strategies refer to the marketing mix
Market share = market share objectives and action plans

We chose to focus initially on two sub-matrices, to identify the underlying dimensions of these. It was possible to aggregate variables by creating new composites, such as a sales promotion objective or advertising objective, so that the correlation matrix was well-defined. We chose, however, to look for underlying relationships between variables, and then to combine the variables to take account of these underlying dimensions.

The marketing mix strategy variables correlations generally fell between those for the marketing mix objective and action plan variables. This occurred at the individual correlation level as well as the aggregate level, and hence they added little information to the set including objectives and action plans. Moreover, including them in the objectives and action plans variables doubled the cell count, and again resulted in an ill-conditioned matrix, since too few of the cells had sufficiently large entries. Nevertheless they did represent the marketing mix when added to the analysis and market share variables, and the combined matrix was well-conditioned. We therefore included the marketing strategy variables with the analysis and market share set, which also had intuitive appeal as the strategy formulation variables were all in one set. We tried some alternative ways to split the variable to check that no better ways existed. The proposed split gave the best solutions we were able to find.

In summary, therefore, we first analysed one sub-matrix that included financial and marketing mix (but not market share) objectives and action plans, and then a second that included the statement of strategy, alternative strategies, contingency plans, and key assumptions together with all the analysis variables, and market share objectives and action plans. Further inspection of the correlation matrix suggested this ignored one important linkage, between budget objectives and analysis variables. We hoped to identify the nature of this in combining the matrices.

Budget and Marketing Mix Objectives and Action Plans

Here we considered the dimensions of plans suggested by the financial and marketing mix objectives and action plans. A seven factor solution was extracted which accounted for 69% of the variance. The seven factors were made up as follows:

1. Sales and distribution objectives and action plans
2. Volume, revenue, profit and price objectives
3. Volume, revenue, marketing expenditure, profit and price action plans
4. Product improvement and new product development objectives and action plans
5. Marketing expenditure objectives, sales promotion and advertising objectives
6. Sales promotion and advertising action plans
7. Market research objectives and action plans.

Analysis and Strategy Variables

In this second analysis we considered the dimensions of plans suggested by the analysis, strategy and market share variables. An eight factor solution was extracted which accounted for 63% of the variance. The factors comprised:

1. Key assumptions, strategy statement, customer needs analysis, market size, share and segmentation analysis, SWOT and pricing strategy
2. Competitive share objectives and action plans, contingency plans, alternative strategies and competitor strategy forecast
3. Sales and distribution strategies
4. Product strategies (all variables)
5. Market share objectives and action plans
6. Sales promotion, advertising, and market research strategies

7. Technological and other environmental trends analysis (and government trends when included)
8. Review of previous plan

Two interesting issues emerge from this. First, to some degree, the factors individually suggest variables that tended to coexist in a plan and separately show sets of variables that distinguish plans. This gives us some insights into the nature of marketing plans. Second, we can examine the plans of different subgroups of our sample to see whether these subgroups differed in the structure of their plans.

Looking at the factors we can see the following:

(i) **Sales and distribution variables** consistently appeared in the same factor, and separate from sales promotion and advertising.

(ii) **Pricing** was either associated with the budget variables, or with the strategy variables, but did not appear in a "marketing mix" factor.

(iii) **Market share objectives** could not sensibly be included in the objectives and action plan analysis. They were "structurally" part of analysis and strategy, associated particularly with market demand forecasting and share trend analysis. This increases confidence in the data since market share objectives and market analyses were physically distant from each other on the questionnaire, yet intuitively should be related.

(iv) **Reviewing the previous plan** did not correlate well with any other variable but did explain some of the differences between plans.

(v) **Competitive share objectives and action plans, contingency plans, alternative strategies and competitor strategy forecast** are all elements of the plan which are not included in the basic Kotler model, but which might be considered a sign of sophistication of the marketing plan. They appeared jointly as one factor.

(vi) **Technological and other environmental trends analysis** (and government trends when included) are variables which have been identified in the strategic planning literature as a sign of more comprehensive strategic planning (e.g. Boulton et al 1982). These variables were isolated in our analysis (unlike all the other analytic variables except those mentioned in (v) above).

(vii) Finally this gives a different view of the structure of plans. Unlike the sequential divisions of the textbook model: analysis, objective and strategy setting, action plans and budgets, the factor analysis suggests **themes**. We see, for example, a suggestion of pricing as a "budget" variable. Intuitively, it makes sense to consider price, volume, and hence revenue as outcomes of the marketing mix, rather than to view price as an element of it. This may, however, simply imply that organisational pricing was seen as part of the budgeting process, perhaps strongly influenced by finance and top management, whereas the other elements of the marketing mix were controlled by sales/marketing. Similarly, combining sales and distribution variables has intuitive appeal, taking a managerial perspective. It is also consistent with the product management literature, which found these less frequently a responsibility of marketing, but appear jointly to be a decision responsibility or not (Cousins 1994).

The main analysis variables were included in one factor together with the statement of overall strategy; customer and segmentation analysis, market demand and share trend analysis and share objective setting. They emerged as an element which implicitly considers competition, and the SWOT analysis and key assumptions which are intended to summarise these. A further, and more sophisticated dimension of competitor analysis was suggested by the factor considering competitor strategies and share forecasts, alternative strategies and contingency plans. Similarly, more sophisticated (or perhaps longer term) environmental monitoring was reflected in the technological and government trend analysis variable.

Identifying the Underlying Structure

We constructed 22 composite variables from the original 72, based on the dimensions that emerged above. In this way we hoped to identify dimensions that explained the overall nature of plans. A six factor solution was found which accounted for 65% of the variance (over half of which was in the first unrotated factor):

1. Budget variables, product variables, key assumptions, strategy statement, environmental analysis, customer analysis, market analysis and SWOT analysis
2. Impersonal communication (advertising and promotion) and market research
3. Sales and distribution

4. Price
5. Market share
6. Alternative strategies, competitor strategy forecasts, review of previous plan.

This six-factor summary contained no surprises and added little further insight relative to the earlier, more detailed analysis.

Our analysis of plan structure yields some insights, but in a context where the main pattern is that plans are idiosyncratic subsets of the textbook model, neither "nested", nor falling into well-defined styles. The factor analysis here describes some second-order patterns.

Did Different Types of Firm Structure Their Plans In Different Ways?

In order to identify the extent to which the content differences between plans were related to different types of firm, we took the factor scores generated by the analyses of the two sub-matrices and used these as independent variables in a discriminant analysis of the sample, divided in various ways. For example, we expected sales and distribution to be associated with industrial firms while advertising and sales promotion would be more associated with consumer firms. Discriminant analysis was suitable since the factor scores were metric and our ways of classifying the sample were all categorical (Hair et al 1987:75).

We analysed the data to see the extent to which different types of plan, identified by a linear combination of the factors, were associated with industry type, turnover, diversity, and growth, and to see if perceived relative profitability could be distinguished by the plan type. A summary of the method and key statistical results are given in Appendix 7.3.

Our main finding is that **plan type, defined in this way, did not correlate with different types of firm**, measured in the ways we had available. Although in all cases except perceived relative profitability, a discriminant function could be found, the predictive abilities of these were weak; for most analyses the discriminant function classified more than half the cases in one group incorrectly. There were only two statistically robust findings.

We looked first at the factor analysis based on objectives and action plans.

- Manufacturing firms could be distinguished from the rest by budget and price action plans and objectives, impersonal promotion and expenditure objectives, promotional action plans, and market research (all more likely).

No other analysis was statistically robust. The only analysis that used the sales and distribution factor as a distinguishing variable related to firm size, where it was included as the second of four factors to give a poor discriminant function.

Factors from the second analysis based on analysis and strategy variables produced equally unconvincing results with typically poor predictions for at least one group. The only statistically significant results again related to distinguishing manufacturing and service firms.

- Manufacturing firms were more likely to include the analysis and price variables, product variables, market share variables, sales promotion, advertising and market research variables, but were less likely to include a technological, regulatory or environment analysis.

This confirms that the contents of marketing plans were largely idiosyncratic to each firm. Little of the variation could be accounted for by industry type, size, diversity, or growth.

Confirming the Inter-relationship Between the Textbook Model Variables

Finally, we aimed to check the validity of the styles of plan generated from the textbook model elements. We completed a factor analysis of ten elements of the textbook model contents (Appendix 7.2). The content factors were:

- any environmental analysis
- any market analysis
- a SWOT analysis
- a strategy statement
- key objectives
- any product action plan
- any price action plan
- any promotion action plan
- any channel action plan
- key budget objectives

We further tested the impact of including key process variables in the above analysis. None of our process variables was strongly correlated with any of the content variables, nor did they play a significant role overall, and we discontinued this approach.

Using this different type of analysis we established the same three broad categories of plan based on content variables only that we identified earlier. Three factors emerged which accounted for 58% of variance. The rotated factors showed reasonably clear patterns of a "strategic analysis and statement" factor, an "action plan" factor, and an "objectives" factor. This supports the validity of the style of plan analysis based on the four key elements of the textbook model (page 193). We use these styles, as the most consistent and sensible emergent pattern, when we examine the impact of managing the process in different ways in Chapter 8.

7.3 THE OUTCOMES FIRMS VALUE

We look next at the aims that respondents hoped to achieve from the plan or the planning process, and then evaluate the extent to which the style of plan they produced was consistent with these aims. We use the data collected on "the most valuable part of the plan or planning process" as a proxy for the aims of planning. This builds on a concept from the strategic planning literature, "objective fulfilment" (e.g. King 1983, Steiner 1979: 307), where plans are evaluated according to whether or not they are perceived to have achieved what was intended for them.

Respondents' favoured outcomes were in line with the benefits attributed to planning and, at the aggregate level, consistent with the styles of plan produced. However, at the individual plan level and in the detail of the contents of the plans, there were significant mismatches between content and aspirations. Nor could these mismatches be accounted for by the different types of respondent.

We asked the respondents in firms with marketing plans to evaluate the most useful aspect of the marketing plan or planning process, and categorised the responses into five types (N=115):

Control/Discipline	33%
Direction	30%
Review	11%
Communication/ Consensus	11%
Action Planning	10%

We explain the categories, and give examples of the responses below:

1. Control/ Discipline

The control objectives related to control of both the analysis and of the business ("accountability"). The quality control of analysis was often expressed as "discipline":

> **"the discipline of formal and regular analysis and evaluation"**

but also in terms of improving accuracy and consistency

"realistic forecast of potential new business..."

Previous work by Greenley (1982, 1984) suggested that control focused on sales or profit rather than market share or any other objectives, i.e. budget controls rather than distinct marketing plan controls. The suggestion of accountability, in as far as this was explicit, is also a focus on budgetary objectives (sales volume, marketing expenditure) rather than other objectives.

"as a management control"

2. Direction

Direction-setting was concerned with both goals and strategy formulation:

"forward strategy"

"identification of priorities to develop strategic direction"

These aims are in line with the suggestions of the textbook model but would be equally plausible as aims for a strategic plan. We return to this issue in Chapter 9.

3. Review

There were two types of review implicit in the responses given here. Some firms seemed to be trying to catch up with what was going on in their markets:

"total review, consolidation of information and ideas, thoughts"

Other firms were reviewing their underlying beliefs about the market.

"review of commonly held assumptions"

4. Consensus

Within our category of consensus, we have included communication (both horizontal and vertical), co-ordination, and commitment-gaining. These are described as being key roles in marketing (e.g. Dawes and Patterson 1987, Meyers and Wilemon 1989) and have led to a focus on the boundary-spanning activities of product managers (e.g. Lysonski 1985, 1989). Given this, it is perhaps surprising that this featured so little as a key aim of the marketing plan or planning process. Those respondents who did attribute this as the most valuable aspect of the process described it in the following ways, paired into communication, co-ordination and commitment:

> **"it forces cross-functional communication"**
> **"the discussion of it with senior management"**
>
> **"coordination of direction and effort"**
> **"integrating activity programmes.."**
>
> **"it ensures everyone works for the same goal..."**
> **"involvement of staff in commitment"**

5. Action Planning

Finally, 10% of firms expected benefits of action planning to emerge. This was a minority opinion compared with the value of creating an overall framework, or of setting milestones against which performance could be measured.

> **"objectives and action plans"**
> **"conversion of market analysis into action"**

Overall, the valued aspects were consistent with the benefits implicit in the textbook marketing planning model and, in this sense, there were no unrealistic expectations. However, we note that only **a minority of respondents saw the plan or planning process as an organising framework for decision making** (taking the direction-setting and action plan responses). The other possible meanings, of integration and control, and understanding (as a subset of deciding), were slightly more prevalent.

The respondents who were most clear of what they expected to get from the plan or planning process were in those organisations that were about to produce their first plan; a conscious decision had recently been taken. It would be interesting to return to these companies in a number of years and discover whether or not the rationale for the system was still as clearly understood by the practitioners.

Between-Group Differences

There were few significant between-group differences in the most valued aspect of the plan or planning process. We report only those relating to perceived relative profitability and industry growth potential.

- Control was valued more by firms with well above average perceived relative profitability than by firms with above average profitability or below.
- The desired outcome of direction-setting was more important among companies that perceived their relative profitability to be below average.
- The companies that perceived themselves to be well above average in relative profitability were the most likely to value the outcome of action plans.
- Firms that perceived their environment to have high-growth-potential favoured outcomes of action planning and consensus.
- In more modest growth environments, control was most prized.
- In stable or declining environments, firms sought direction and control (but not action or consensus).

COMPARING THE AIMS WITH THE STYLES OF PLAN

But to what extent did the style of plan match the most valued aspect of the plan or planning process? Here we evaluate the objective fulfilment of the plans.

At the aggregate level, the most valued aspects were broadly consistent with the benefits one might expect from the styles of plans produced. Control was the most valued aspect, followed by direction setting and then action planning (we cannot assess the objectives of integration from plan contents). Similarly, objective-driven plans were most prevalent, followed by direction-setting plans and then by action-oriented plans.

However, **the style of plan produced correlated little with the most valued outcome.** Taking our six styles of planning (page 193), we match these against the valued outcomes of planning. We find that firms with the "strategy formulation only" style were proportionately more likely to cite action plans as the most valued outcome. Firms whose plans were objective (especially budget) oriented were more than averagely likely to value control. The most curious finding was the difference in most valued aspect between firms with the strategy formulation only style and those with the strategy formulation and budget style; while the former valued direction and action plans more than the average firm, the latter valued control and consensus. These two, apparently close, styles correlated with the largest difference in aspects valued. Where we have aggregated these styles of plan, we have checked to ensure that we have not concealed other associations.

A summary of the most valued aspect associated with each style of plan is given in Table 7.17. For simplicity the categories of valued aspects were combined into four broad categories for this table by combining control and review (the majority of reasons for review had aspects of control to them). We refer later to differences between the plans associated with these two valued aspects.

Table 7.17: Most Valued Aspect of Plan or Process for Each Style of Plan

	Control %	Direction %	Consensus %	Action plans %
Textbook model (N=34)	**46**	36	11	7
Action plan focus (N=22)	**53**	24	6	**18**
Strategy only (N=31)	29	**42**	8	**21**
Strategy and Budget (N=31)	**62**	24	14	-
Budget/ key objectives (N=53)	**50**	25	16	9
None of the key elements (N=53)	38	35	16	11
Total	45	32	12	11

To some extent these findings are an artefact of our classification scheme; the styles of plan are second-order effects to the main finding of idiosyncrasy of the plans. However, the styles do highlight the areas (as delineated by the textbook model) where the plans were focused. In this sense, we might expect plans to include at least those elements relating to the most valued aspect.

When we look at all the plan contents and some of the processes followed, rather than simply the main contents specified in the textbook model, we find further examples of ways in which firms may not be achieving their primary aims. Although those organisations valuing control focused on financial control (including pricing), they were no more likely than the average to review previous plans or to issue guidelines for the plan. Thus it was not clear how the objective of imposing quality control on the objective setting or marketing analysis would be met. Indeed they were less likely to analyse changing customer needs, perhaps the most fundamental of the marketing analyses. Companies valuing direction did not focus on analysis, strategy alternatives or feedback during the process as we might have expected. However, they did offer oral rather than written guidelines (and hence imposed less structure on the process which might act as a constraint to the creative strategy formulation process). Those valuing action plans were no more likely than any other firm to have included these in their plans.

The most coherent matching of outcome and content or process we measured appeared among those organisations seeking consensus. They were much more likely to offer feedback during the process. Weick (1979: 91) suggests that people converge on means rather than ends. However, these firms were no more likely than the rest to include action plans.

These findings suggest that many firms may not have achieved the outcome they valued most. This may be partly explained by the fact that the view of one respondent does not necessarily represent the organisation view (although that in turn suggests that communication of the benefits of the process is incomplete). Given the tensions in the textbook model, it also seems possible that firms have not resolved the trade-offs implicit in the textbook model.

ADAPTING THE TEXTBOOK MODEL ?

To explore the possibility that firms were adapting the textbook model, we looked at those firms that entirely excluded one of the four main elements of the textbook model. In other words we focused on those firms whose plans omitted all relevant variables of at least one of strategy formulation, key objectives, action plans, or budget objectives. One in four companies (26%) had excluded at least one entire section of the textbook model and might, therefore, have been deliberately adapting the model. (18% entirely omitted one element, 4% omitted two, while 4% completely omitted three of the main textbook elements). Two thirds of these excluded the element associated with their most valued aspect (!) and only one third (36%) of these had included the key element that would deliver the benefits they sought. This then gives the largest possible number of firms that could be said to have adapted the textbook model to deliver the aspect they valued most.

The other 74% of firms seemed to be trying to use the textbook model, although only 11% of firms (taking the strictest definition) actually produced a textbook model plan.

The reality of the plans suggests that, for most firms, Assumption Three ("marketing planning yields multiple benefits") does not hold. The contents of plans seemed to suggest that the benefits of the process were much less than promised: frequently some, slightly superficial, strategic analysis and a budget. In the textbook marketing planning model, strategy comes first and is then expressed in the action plans for the year. However, the results of this study suggest that neither is really worked out in the plan, although the strategy, perhaps being "more important", receives more attention. Moreover, the likely benefits were not particularly consistent with the respondent's view of the most valued aspect of the plan or planning process.

Finally we look at firms both with and without marketing plans to assess the view that firms fail to achieve the many benefits of marketing planning through ignorance. By examining the plan contents, and the comments of planners and non-planners, we aim to identify the extent to which ignorance is driving behaviour in this area, and how far other reasons contribute to the style of plan, or the lack of plan. In terms of the original conjectures in Chapter 3, we quantify the reasons as follows:

1. 7% of the sample were wholly ignorant of the model.

2. 23% of the sample rejected the model.

3. 9% did not produce a marketing plan but were either just about to start, or would try to use the model if the organisation context were different.

4. 45% of companies were trying to use the model, but only 7% claimed to include all the aspects mentioned in the Kotler (1991) version.

5. The remaining 16% omitted at least one element of the Kotler plan model but, at most, one third of these (6% of companies) demonstrated any clear sign of matching their plan to their most valued aspect of the plan or planning process.

Chapter Seven: Summary

In summary, we find a huge variety of plan styles; individually plans were very heterogeneous in content, and structurally they differed substantively.

As a second order effect we identified three main styles of plan: action-planning, direction-setting and budget-oriented, but these were secondary patterns to the main pattern of idiosyncrasy in plan content. No clear overall structures of plans emerged. Plans' structures had two parts: financial and marketing mix objectives and action plans, and market share, analysis and strategy formulation. The hierarchical structure of the textbook marketing plan was not an underlying dimension; rather themes of analyses, objectives and actions emerged.

Firms valued control (one third), direction (one third) and action planning, consensus and review (10% each) as outcomes of the marketing planning process.

We found no support for the claim that there is one best style of plan. Many styles existed and none were overall associated with an increased likelihood of high levels of perceived relative profitability. Indeed, this result was unique in that no difference in perceived relative profitability could be found, regardless of the perceived growth potential of the industry.

We found that firms could not generally expect the multiple benefits described in the textbooks from their marketing plans. At the aggregate level, the styles of plan produced and most valued aspects of the process were broadly consistent, but for many firms at the individual plan level the match was poor.

CHAPTER 8: THE IMPACT OF THE PLANNING PROCESS

In this Chapter we look at the level of formality of the planning process, evaluating Assumptions Four and Five:

- that the process should be **systematised**
- that **top management** should be involved in the process.

We first (Section 8.1) consider Assumption Four that marketing plans should be **systematised**, and the view that it is systematisation or formalisation that distinguishes marketing planning from other aspects of management (e.g. McDonald 1984). We describe the plans associated with different levels of systematisation, and evaluate the extent to which systematisation is associated with firms more likely to perceive their relative profitability to be high.

We then, in Section 8.2, look at the impact on the style of plan produced of the people involved in writing the plan, approving the plan, changing the plan, or issuing the guidelines. In particular, we assess Assumption Five: that **the role of top management** is critical to ensure that the planning process is effective. We look for associations between firms with and without significant top management input into the marketing planning process and perceived relative profitability.

In Section 8.3, we describe the timetables followed in producing plans. Shank et al (1973) suggest that firms should consider the balance between "reach" and practicality in a plan and that this can be assessed by a number of factors, including linking the **timetables of the plan and budget**. We then assess how this impacts on both the plan output and any relationship with the perceived relative profitability of the firm.

Finally, in Section 8.4, we combine the findings on plan style and process. We identify variations in **plan style and process according to the perceived growth potential of the environment**, and review the levels of perceived relative profitability associated with these.

8.1 SYSTEMATISATION AND FORMALISATION

Here we consider the notion that it is systematisation or formalisation that distinguishes marketing planning from other aspects of management, and assess its impact. We suggested, on page 92, that we could evaluate formality at three levels:

- the production of a written document
- a specified outcome
- a monitored process with deadlines, approval processes and feedback mechanisms.

We find that increasing systematisation leads to plans more likely to follow the textbook model. However, these plans were not consistently, or on average, associated with firms with higher levels of perceived relative profitability. In industries with high growth potential, systematisation was associated with lower levels of perceived relative profitability.

On page 161 we identified the impact of a written process, and found a weak positive relationship between the likelihood of claiming to produce a written annual marketing plan and those who claimed their profitability was well above average relative to their competitors. The result there was solely due to firms whose marketing plan was a separate document (page 163). This result was contingent on the perceived growth potential of the industry (page 180).

CONTROL OVER MARKETING PLAN OUTPUT

The next level of formalisation or systematisation could be described as having some form of written or oral guidelines. This acts as a quality control mechanism on the final output of a marketing plan (or even as a training programme for managers new to marketing planning). By specifying the outputs required, the manager setting the guidelines can ensure that all the key elements (s)he perceives are discussed in the plan, i.e. it should result in more comprehensive plans.

We explore the role of formal guidelines by reviewing the plan contents of firms with and without various forms of formal guidelines: written or oral, and relating to format, topics, or simply schedules/appendices.

The Prevalence of Guidelines

Some guidelines were issued in almost all companies (85%). Written guidelines for the plan were issued in 56% of companies while oral guidelines were issued in 41% of companies (i.e. 12% had both). A written brief was somewhat more likely to be comprehensive: three quarters of plans with written guidelines covered all three aspects - format, topics, and schedules. In contrast an oral brief was more likely to indicate topics which should be covered in the plan. Less than two-thirds of oral guidelines covered all three elements.

Table 8.1: Prevalence of Guidelines (N=230)

	Written	Oral
Format	47%	26%
Topics	43%	31%
Schedules	37%	17%
Any of above	**56%**	**41%**
Any guidelines	**85%**	

Written guidelines were more likely in larger companies with a turnover over £100 million (64% versus 53%) or at least 3000 employees (71% versus 53%, $p<.1$) and in multi-product firms (60% versus 44%). This further supports the prescriptive notion that formality should increase as size and diversity increase (McDonald 1984), as a description of current practice.

Plans written by firms in higher-growth environments were less likely (43%) to be governed by written guidelines than in modest growth environments (63%) and stable or declining environments (71%).

Written Guidelines and the Textbook Model

Firms with written guidelines were much more likely to claim to produce a marketing plan that included all the elements of the textbook model (17% versus 4%, p<.01). This is not surprising and, since textbook plans are also more likely to be believed and used (John and Martin 1984), this is a positive result for the use of written guidelines. These plans were significantly more likely to include all the key individual elements of the textbook model, except for action plans and market analysis (p>.1). This finding on action plans is different from Camillus (1975) who found systematisation led to strategic plans which were more likely to include action plans.

However, **there was no relationship between perceived profitability and the setting of written guidelines.** This result was contingent on perceived industry growth potential (Table 8.2).

Table 8.2: Profitability according to Growth Potential and Existence of Written Guidelines

% firms that perceived their profitability to be above average	Plan with written guidelines (N=122)	Plan without written guidelines (N=79)	Sig. level	No plan (N=110)
High growth	47%	74%	p<.05	72%
Modest growth	58%	53%	ns	57%
Stable/declining	63%	36%	ns	40%
Any environment	57%	59%	ns	58%

Here we find further reinforcement of the result on plans and profitability found in Chapter 6; firms in high-growth industries were not only more likely to perceive their performance to be better when they had no formal planning but also when their plans were not predetermined, while firms in lower-growth industries were more likely to perceive their profitability to be above average where the process was systematised.

The same possible explanations apply: firms may be unaware of their competitive position, they may perceive their environment differently if they successfully operate formal or informal systems, or they may benefit from increased flexibility in high-growth-potential industries and from efficiency in low-growth-potential industries. Again, we do not suggest that this is simply a function of planning style; it seems more likely that any finding here is part of a relationship between the overall style adopted by an organisation and profitability, arising from the suitability of that managerial style to the firm's environment.

Written guidelines were equally likely for corporate plans as for separate marketing plans. This is significant because firms with separate marketing plans were more likely to perceive their relative profitability to be well above average than firms whose marketing plan was part of a corporate plan. From Carpenter (1986) we would expect that firms with more flexible planning processes writing a separate marketing plan to be more likely to perceive their relative profitability to be high than firms with more tightly regulated separate marketing plans. Our result is not statistically significant, but the pattern follows this suggestion (Table 8.3).

Table 8.3: Profitability according to Type of Plan and Existence of Written Guidelines

% firms with well above average profitability	Total (N=192)	With Written Guidelines (N=118)	Without Written Guidelines (N=74)	Sig. level
Separate marketing plan	35%	31%	43%	ns
Part of corporate plan	22%	23%	20%	ns
Sig. level		ns	p<.05	
No plan	21%	n/a	n/a	

Thus, while issuing written guidelines correlated with plans closer to the textbook model, there was no general indication that this necessarily correlated with superior financial performance (and some suggestion that overall firms were most likely to perceive high levels of relative profitability if they had a separate marketing plan

without guidelines). The main distinguishing variable here, as it was for the existence of a plan, was the perceived industry growth potential. Firms in higher-growth environments were more likely to perceive their relative profitability to be high where they had less structure imposed, while firms in stable or declining industries were more likely to perceive high relative profitability with a more structured approach. No difference was observed in modest growth environments.

Oral Guidelines Issued for the Plan Document

Here we compare firms with written guidelines, oral guidelines and no guidelines. We see these as progressively less systematisation.

As expected the plans of the 29% of firms where oral guidelines alone were issued were less likely to include the textbook elements than those with written guidelines ($p<.1$ in all cases). They were also more likely to contain a strategy formulation and action plans than the plans of firms where no guidelines were issued. However, the latter were more likely to include objectives, for both market share and the budget (Table 8.4).

Table 8.4: Inclusion of Key Textbook Model Elements by Type of Guidelines

Firms including each element who issued:	Written guidelines (N=129)	Oral guidelines (N=65)	No guidelines (N=33)
Strategy formulation (N=96)	52%	33%	24%
Key objectives (N=99)	52%	29%	39%
Action plans (N=59)	29%	28%	9%
Budget objectives (N=126)	60%	45%	58%
Textbook model plan (N=26)	17%	6%	0%

Firms where oral guidelines alone were issued were less likely to issue guidelines for schedules (e.g. numerical objectives for market share, sales volume and the budget). As expected, these objectives were included less frequently in plans for which only oral guidelines were issued. But they were they more likely to be included where no guidelines were issued than where oral guidelines were issued. One possible explanation is that, if set, guidelines will be followed and little else added. If so, guidelines must be comprehensive, including all the issues that must be covered. An alternative explanation is that plans where no guidelines are issued are more likely to be, essentially, budgets. We return to this in Section 8.4.

In summary, issuing guidelines was associated with plans that were closer to the textbook model, but not, universally, with higher levels of profitability. The main contingent factors were whether or not the plan was a separate document and the perceived growth potential of the industry.

CONTROL OVER THE PLAN PROCESS

The most comprehensive level of systematisation would also involve the systematisation of the process for producing the marketing plan. Key meetings would be specified, the consultation process would be laid down, and the sequence of activities to be undertaken would be set in advance. We have not directly measured this, but we asked respondents about the amount of feedback (which could be informal) they received during the process, about final approval, and the extent to which the final approver changed the plan.

The Amount of Feedback During the Process

Table 8.5 shows that companies where written guidelines were issued were marginally more likely to give feedback during the planning process than firms with oral guidelines who, in turn, were more likely to give feedback than firms with no guidelines (61% versus 58% versus 42%). Where no guidelines were set, more plans were approved without change (29% versus 9%, $p<.1$).

Although recommended in the literature (e.g. Stasch and Lanktree 1980), "frequent" feedback during the process was offered in only 33% of companies. Some feedback prior to the plan approval stage was given in 57% of companies. Only 12% of plans were approved without change.

Table 8.5: Type of feedback by type of guidelines

	Total sample (N=235)	Written guidelines (N=131)	Oral guidelines (N=68)	No guidelines (N=36)
Frequent feedback	33%	35%	30%	29%
Some feedback	24%	25%	28%	13%
Changes at approval	31%	29%	34%	29%
No feedback	12%	10%	8%	29%

Feedback was somewhat more likely in smaller companies (39% for a turnover below £50 million versus 29% for larger firms), and in more diverse firms. This is a mixed result for the suggestion (McDonald 1984) that greater formalisation of the marketing planning process should occur in larger and more diversified firms.

There was no significant difference in the perceived relative profitability of firms where feedback was or was not given. Our data do not support the view of Stasch and Lanktree (1980) that feedback has a positive influence on planning behaviour. Nor do we find any relationship between feedback, perceived relative profitability, and perceived industry growth potential. While a formal system with a predetermined output might be seen as restrictive, there is no equivalent reasoning to suggest that, if a plan is written, feedback during the process should restrict flexibility of the firm in the same way. In this sense, feedback is a different type of measure of systematisation.

Feedback and the Textbook Model

Firms where frequent feedback was given during the planning process were more likely to claim to produce a plan which included all the elements of the textbook model plan (19% versus 8% without frequent feedback, $p<.05$). Plans from firms giving frequent feedback during the process showed more attention to detailed action plans, replicating Camillus (1975). 36% of plans where frequent feedback was given during the process claimed to include action plans for the entire marketing mix compared with 21% for firms where frequent feedback was not given. They also included more of the strategy formulation variables, i.e. they had a stronger analytic base. The relatively weak correlation between setting of guidelines and giving of frequent feedback suggests that this is a different result to that for written guidelines.

We thus see the same pattern emerging in the plan output in firms with and without guidelines, and with and without feedback during the process. But in neither case was there a relationship with perceived relative profitability.

Control over Both Output and Process

Written guidelines were issued and frequent feedback given during the process in about 20% of firms. The only distinctive characteristics of these firms was their perceived industry growth potential. 13% of firms in high growth potential industries produced marketing plans with both written guidelines and frequent feedback, compared with 31% of firms in lower growth potential industries ($p < .05$). Overall there were no differences in perceived relative profitability between firms that did and did not control both output and process.

These firms with the most systematisation were much more likely to produce a textbook model plan (26% versus 8%, $p<.01$). They were more likely to include the elements of strategy formulation (63% versus 37%, $p<.01$), and action plans (38% versus 23%, $p<.05$), driven by a focus on channel plans (61% versus 37%, $p<.01$).

Although no overall relationship between systematisation and perceived relative profitability emerged, the familiar pattern appeared in different growth environments (Table 8.6). **While control over plan output and process was associated more with well above average performance in lower growth environments, in high growth environments, perceived relative profitability was higher without written guidelines and frequent feedback.**

Table 8.6: Profitability and Guidelines & Feedback by Growth of Environment

% firms with perceived profitability well above average	All	High Growth (N=65)	Modest or less (N=138)	Sig. Level
Guidelines & feedback (N=44)	28	**11**	**32**	ns
Without guides & feedback (N=178)	29	**48**	**18**	p<.01
Sig. level		p<.05	p<.1	
All firms with plans	29	40	21	p<.01

Overall the pattern is consistent. Systematisation, whether measured as the existence of a formal document, control of the output, or control of both the output and process, was associated with superior performance in lower-growth environments and poorer performance in high-growth environments. In high-growth environments, firms consistently perceived their performance to be superior where less controlled planning processes existed; only feedback, which might be informal, was a benign control. It is not clear whether this would still apply if we could analyse a rigid timetable of meetings and deadlines, where issues of "control" as the possible expense of flexibility might be more an issue (e.g. Marx 1991).

Reviewing the Style of Plans Produced By Level of Systematisation

Finally we briefly consider the impact of systematisation on the style of plan produced, according to our categorisation in Chapter 7.

We see, in Table 8.7, that plans produced with written guidelines were more likely to be "plans" than "budgets". Both the action orientation and the direction orientation were more likely if guidelines were issued (p<.05).

Table 8.7: Style of plan by existence of written guidelines

	All (N=220)	Written guidelines (N=126)	No written guidelines (N=94)	Sig. level
Action oriented	26	29%	20%	ns
Direction oriented	28	33%	21%	p<.05
Budget support	46	38%	59%	p<.01

Table 8.8 shows that where written guidelines existed, firms were more likely to perceive their profitability to be superior when their plan focused on strategy formulation while the reverse held for firms where written guidelines were not issued. For action-oriented plans, profitability was more likely to be seen to be well above average where written guidelines were not issued.

Table 8.8: Profitability by Plan Style and the Existence of Written Guidelines

% firms that perceived their relative profitability to be well above average	All (N=192)	Written guidelines (N=118)	No written guidelines (N=74)	Sig. level
Action oriented	29	21	44	p<.1
Direction oriented	30	34	21	ns
Budget support	29	26	32	ns
All firms with plans	29	27	32	

The style of plan produced also differed systematically according to the level of feedback given during the process. Frequent feedback was associated more with action-oriented plans than other styles (p<.01). No significant differences in perceived profitability emerged from this analysis.

While systematisation was consistently associated with textbook styles of plan, the assumption that this is necessarily beneficial was not supported by the findings on perceived relative profitability by various styles of plan. Here we found that the highest levels of perceived profitability under systematisation were associated with direction-oriented plans, and action-oriented plans only if produced without systematisation.

Our results here differ from Lysonski and Pecotich (1990, 1992). We found, as they did, a weak relationship between formal planning and profitability (page 161). We have not found that increasing formality and comprehensiveness is positively related to profitability; we support the van der Walt et al (1989) interpretation of the data. In particular, also, we have found differences between firms in different environments while they found a consistent (but very weak) relationship between formality and comprehensiveness and profitability in all environments.

Our survey differs from Lysonski and Pecotich (1992). They studied formality (from no planning to annual and strategic), comprehensiveness (number of techniques used), and financial performance. Our research suggests that their method will confound some of the definitions of planning formality, while their measure of comprehensiveness as the number of techniques is quite different from both our "amount of planning" and style of plan. They controlled for size, but not diversity or industry type, which might affect their results. Their measures are, nevertheless, the marketing planning equivalent of Fredrickson (1984) and Fredrickson and Mitchell (1984) who studied strategic planning. The latter found the same effect of comprehensiveness, profitability and stability (growth and effect of change in the economy) that we found using systematisation as the first measure. We found high comprehensiveness (more textbook elements) more benign than medium comprehensiveness when formalisation (systematisation) was low, but lower comprehensiveness gave better performance with high formalisation, and these correlated with higher and lower growth environments respectively. Overall we conclude that we are using somewhat different measures of the planning scale, the amount of planning, and systematisation rather than formality. We found consistent results using systematisation, rather than the formality Lysonski and Pecotich (1992) measured.

8.2 THE ROLE OF TOP MANAGEMENT

Assumption Five is that the role of top management is critical in ensuring that the planning process is taken seriously in organisations. In both strategic and marketing planning this means that the MD/CEO should take an active role in the process itself.

Here we examine the role of top management, looking at the extent of their involvement and the differences that emerged in plans where the top manager was clearly involved in the process. We look, in particular, at his/her role in the approval process, in changing the plan, and in issuing guidelines, and review the relationship between top management involvement and perceived relative profitability.

From Table 8.9 we can see that senior managers were typically directly involved in the marketing planning process. Indeed the MD/CEO almost always took an active role; 84% were involved in at least one of writing, approving, changing or issuing guidelines for the plan. The Board were involved in some way in 36% of firms and, between them, the managing director or Board were involved in at least one of the ways measured in 89% of organisations.

Table 8.9: Top Management Involvement in the Process (N=220)

	MD/ CEO	Board	Total
Authorship	7%	9%	16%
Approval	67%	14%	81%
Changed plan (of 88% changed)	60%	18%	78%
Issued guidelines	29%	10%	39%
Total	84%	36%	89%

THE IMPACT OF TOP MANAGEMENT INVOLVEMENT

There were no major systematic differences in the type of organisation where the MD/CEO was directly involved in any of these roles. It was not the case, for example, that smaller firms were more likely to involve the top manager in this process. Most firms regarded this activity as sufficiently important for the MD/CEO to be involved.

Some systematic patterns did emerge when reviewing the type of plan resulting from top managers' involvement at various stages. These are not statistically significant, but the results are consistent. We first look at the most prevalent form of top management involvement, in the approval process, and we categorise plans according to the styles we developed in Chapter 7.

Top Management and the Approval Process

Plans approved by the MD/CEO were more likely to be direction oriented and less likely to be action oriented or budget oriented (Table 8.10).

Table 8.10: Profitability by Style of Plan and Approver

	% of firms that perceived their relative profitability to be well above average		
	Total (N=192)	MD/CEO (N=133)	Other (N=59)
Direction oriented	30	30	21
Action oriented	29	26	36
Budget oriented	29	26	36
All firms with plans	29	27	32

Firms where plans were approved by the MD/CEO were no more likely to perceive their relative profitability to be high than firms where plans were approved by someone else. However, not only were top managers more likely to be associated with direction oriented plans, but firms where top management had approved the plan were somewhat more likely to perceive their relative profitability to be high when they had this style. In contrast, firms whose plans were approved by someone other than the managing director were more likely to perceive their relative profitability to be lower where the plan had a direction orientation. In these firms, easily the most popular style was, and the equal best perceived performance was associated with, a budgeting style of planning.

Top Management and Plan Changes

A similar but more pronounced pattern emerged when we looked at the involvement of top management as the last person to make changes to the plan, a more clearly active role. The plans closest to the textbook model were those last changed by someone other than the MD/CEO. Again we see the prevalence of a direction orientation in the plans with top management input.

Not only were those plans last changed by the MD/CEO less likely to follow the textbook model, but they were **less likely to be associated with firms that perceived their relative profitability to be well above average**. In contrast, the preference of MD/CEO's seemed to lie with direction-oriented plans where they were more likely perceived their relative profit performance to be superior (Table 8.11).

Table 8.11: Profitability by Style of Plan and Last Person to Make Changes

	% of firms that perceived their relative profitability to be well above average		
	Total (N=211)	MD (N=128)	Other (N=83)
Direction oriented	30	30	23
Action oriented	29	22	38
Budget oriented	29	26	32
Total	29	27	32

Similarly, when the MD/CEO was not only responsible for final approval, but was also the last person to make any changes to the plan, as occurred in just over half the firms, the pattern was the same in both the styles of plan produced and associated levels of profitability.

When we looked at the involvement of top management in other areas we found:

- In the (29% of) firms where the MD/CEO issued written guidelines, there were no systematic differences between the plans produced and the plans of the other organisations.

- Firms where top management was involved in approval as well as issuing guidelines, showed almost identical results; the involvement of top management was not associated with any significant differences in plan output or perceived profitability variations according to plan style.

- Similarly, where top management was involved in approving the plan and frequent feedback was given, the results were almost identical to those that emerged from studying feedback only; top management involvement seemed to have virtually no further impact on plan style or perceived relative profitability.

Top Management Approval where Guidelines and Feedback were Present

Plan styles associated with firms where written guidelines were issued and frequent feedback given during the process were virtually the same whether or not top management was involved in the approval process. Firms with top management approval, frequent feedback and written guidelines produced plans that were rarely budgets (26% versus 51%) and frequently action-oriented (39% versus 23%). However, very marked differences in perceived relative profitability were associated with different styles of plan, shown in Table 8.12.

Firms with direction oriented plans were more likely to perceive their profitability to be high if top management were involved, whereas firms with action oriented or budget oriented plans were more likely to perceive their profitability to be high if top management was not involved.

Table 8.12: Profitability by Style of Plan and MD/CEO Approval, Guidelines, Feedback

	% of firms that perceived their relative profitability to be well above average	
	MD/CEO Approval Guidelines & Feedback	Others
	(N=31)	(N=192)
Direction orientation	46	27
Action orientation	10	33
Budget orientation	10	31
All firms with plans	24	30

These results cannot simply be attributed to high correlations between top management approval, use of written guidelines and frequent feedback. The correlation between top manager approval and use of written guidelines was 0.05 and between top management approval and frequent feedback was 0.13, (and between use of written guidelines and frequent feedback was 0.06).

Overall, therefore, we see that the involvement of top management was associated with plans that were more likely to be direction oriented, and where they were, firms were more likely to perceive their relative profitability to be high.

Plans versus Budgets

Here we combine the plan styles of action orientation and strategic orientation into "plans" and leave the budget-oriented plans as "budgets", which enables us to summarise the impact of the systematisation and the role of top management, and the various combinations of these, on plan style. This gives one way of distinguishing extended budgets (Winer 1965). We show this in Table 8.13.

Table 8.13: Percentage of "plans" by the existence of different processes

% firms with "plan" rather than "budget"	Processes exist	Processes do not exist	Sig. level
Guidelines, feedback and MD approval	74%	50%	p=.01
Frequent feedback and written guidelines	70%	49%	p=.01
Frequent feedback & MD approval	68%	49%	p<.05
Written guidelines & MD approval	66%	45%	p<.01
Frequent feedback	65%	49%	p<.05
Written guidelines	63%	42%	p<.01
Top manager approves	58%	42%	p<.05

Three main points emerge:

- more systematisation and top management involvement was associated with producing a "plan" rather then a "budget".

- frequent feedback was the individual process most closely associated with "plans" rather than "budgets".

- issuing written guidelines was the individual process that best distinguished those with "plans" and those with "budgets".

Relationship with Profitability

Overall although few of the individual results with perceived relative profitability were statistically significant, the pattern was consistent. More details of the results are given in Cousins (1994).

When we look at the perceived relative profitability associated with firms with "plans" versus firms with "budgets" the picture is more confusing, partly because the clearest distinctions in the earlier analysis were between strategic-oriented plans and the rest. There was no systematic difference between the firms with and without these recommended processes. Firms which produced "budgets" rather than "plans", almost always perceived their profitability to be higher, when they had **none** of the processes. The exception to this was in getting frequent feedback during the process, which always correlated with higher levels of perceived relative profitability.

More interestingly, there were no cases of a significant difference in perceived relative profitability between firms with or without the recommended processes that produced a "plan". However, firms with the recommended process invariably perceived their performance as inferior if they produced an action-oriented "plan" (mostly the textbook model) and superior if they produced a strategic-oriented "plan".

Overall we see the role of top management involvement as positive in increasing the likelihood of producing a textbook model plan, or, more strongly, a "plan" rather than a "budget". The impact of top management on plan style was less pronounced than the impact of written guidelines and frequent feedback.

The associations with perceived relative profitability were more surprising; firms with these textbook plans perceived their profitability to be lower. The firms that were most likely to perceive their profitability to be well above average were those using the processes and producing a direction-oriented plan. Thus 46% of the firms using all three key processes (top management approval, written guidelines and frequent feedback) that produced a direction-oriented plan perceived their relative profitability to be well above average. On balance, we find Assumption Five, that top management should be involved, not proven.

8.3 TIMING OF BUDGETS AND PLANS

The textbook model assumes that the marketing plan includes a profit and loss account and that this should precede, or coincide with, the company budget (as a corollary of the marketing concept). No previous comprehensive data exist on the timing of the annual budget relative to the plan, the length of time the plan is in preparation or when the planning process ends relative to year end. We first review these issues, commenting on between-group differences.

Here we also consider the implications of interrelating a planning and resource allocation decision-making process (Shank et al 1973). The relative timing of the budget and the plan has been described as one key element in striking a balance between reach and practicality, interpreted as balancing creativity and control, part of the "**system capability**" of a plan (e.g. Ramanujam and Venkatraman 1987). Another element is content linkage. We have **assumed** content linkage as an additional level of coupling where the budget precedes or coincides with the plan and the plan includes key financial objectives (sales revenue or profit) as suggested by Shank et al (1973). We look at the style of plan produced with different levels of plan and budget linkage, and content linkage as measured here, and any associations with variation in perceived relative profitability. This follows the suggestion of Ramanujam and Venkatraman (1987) that there are three ways to evaluate the effectiveness of a planning system: financial performance, objective fulfilment, and system capability.

The Process Timetable

In 59% of firms the budgeting process coincided with the annual planning process. In a further 15% of firms the budget was decided in the two months prior to the approval of the annual marketing plan (Table 8.14). This was less than expected from earlier studies. Winer (1965) and McDonald (1982) both suggest that plans frequently represent little more than budgets and we anticipated finding close links between plans and the annual company budget. Table 8.14 reports incomplete data since some firms had the plan agreed at the time of the survey but a budget had not been agreed, and hence the figures for budget agreement after plan agreement are understated. (For the sake of accuracy in the rest of the survey, we asked for details of the most recent marketing plan).

The annual planning process, on average, started 5.5 months before year end and took 4.5 months to complete, with plan approval one month before the start of the new year (Tables 8.15, 8.16). This included 18% of firms whose plans were approved after year end.

Table 8.14: Budget agreement relative to plan agreement

Budget agreed versus plan (% firms)	(N=188)	
3 months before	1	15% budgets agreed up to 3 months before the plan
2 months before	7	
1 month before	7	
Simultaneous	**59**	
1 month after	14	21% budgets agreed up to 3 months after the plan
2 months after	4	
3 months after	3	
Other (unrelated)	4	

Table 8.15: Planning Period From Start to Approval

# of months	% firms (N=188)	
1	7	
2	5	
3	24	
4	22	63% took 3-5 months
5	17	
6	6	
7	7	
8	6	
9 or more	6	
Average	4.5 months	

Table 8.16: Plan Approval Relative To Year End

% firms agreeing budget vs. year end	(N=188)	
4 months before or more	10	21% ≥ 3 months before year end
3 months before	11	
2 months before	16	
1 month before	23	61% ≤ 2 months before year end
At year end	22	
1 month after	13	18% after year end
2 months after or more	6	
Average 1 month before, but with wide variations.		

There were no significant between-group differences in the planning timetable.

STYLE OF PLAN ACCORDING TO PLAN AND BUDGET TIMING LINKAGE

Shank et al (1973) suggest that firms should examine the balance they strike between "reach" and "practicality" in plans. They suggest that this relates to, among other things, the linkage in time between the plan and the budget. Loose linkage occurs when the plan precedes the budget and several months elapse between the two. Tight linkage is represented when the budget immediately precedes the plan, although they acknowledge that, in practice, plans and budgets often coincide. The textbook model does not fall neatly into either of these, since the assumption is that the plan drives the budget, but they are agreed almost simultaneously. We explored this issue in a number of ways, to identify which relationships hold in practice, and whether any of the possible combinations seems to correspond with more profitable firms:

- We compared those firms where plans and budgets were agreed simultaneously with those where there was a timing difference.

- To take account of slippage in the process we also looked at firms where budget and plan agreement occurred within one month of each other. In our pilot interviews it was suggested that the plan was not always approved on timetable.

- We then compare plans agreed shortly before or simultaneously with the budget (plans driving budgets) with others, which is the relationship assumed in the textbook marketing planning model.

- We compare firms where the budget seemed to drive the plan (budget agreed before or coincidentally with the plan) with others.

The interpretation of "plans driving budgets", assumed in the literature, or "budgets driving plans" cannot be directly determined from our data which simply reflects the month of agreement; rather we looked for the associations which existed, and then aimed to determine what might be the drivers of such associations.

We found some significant differences between firms where plans and budgets were agreed closely together and firms whose plans and budgets were approved at different times of year. We report the best statistical match, but only report results where the trend existed for both coincident and near-coincident approval of plans and budgets.

If the processes were linked to within one month firms were somewhat more likely to produce a textbook model plan (19% versus 11%) and an action-oriented plan (30% versus 16%). 88% of action-oriented plans were closely linked in this way compared with 76% of strategic- and budget-oriented plans ($p=0.1$).

This was more marked when we looked at the plan and budget linkage in firms and associated it with the perceived industry growth potential. All the plans in high growth industries which were action oriented were closely linked (compared with 73% of strategic and budget oriented plans, $p<.01$). In industries with higher growth potential, plans and budgets were less likely to be closely linked, while firms in stable or declining industries were most likely to have closely linked plans and budgets. However, the difference in the proportion of firms with and without tightly linked budgets and plans was greatest in high-growth environments and least in lower-growth environments.

Thus, closely-linked plans were more likely to be close to the textbook model, particularly in higher-growth industries, a further example of how tight control over the process is associated with textbook model plans.

Plan and Budget Timing Linkage and Profitability

There was no statistically significant difference in perceived relative profitability between firms with close and loose linkage between plan and budget. However, differences again emerged when we compared firms with different industry growth potential (Table 8.17). In higher-growth-potential industries, firms perceived their relative profitability to be higher in firms where the processes coincided, while in lower-growth environments, the reverse held.

Table 8.17: Budget coincidence and profitability by industry growth potential

% of firms that perceived their profitability to be above average	Coincided (N=99)	Did not coincide (N=70)	Sig. level
High growth	61	54	ns
Modest growth	66	39	$p<.05$
Stable or declining	44	67	ns
Any environment	60	51	ns

The variation in profitability was more marked when we compared firms where the plan was agreed at the same time as, or after, the budget with firms where the budget was agreed before the plan or there was no relationship between plan and budget. The marketing concept and the textbook model suggest that the plan and budget coincide or that the budget follows the plan. This occurred in 80% of firms. However, when we compared perceived relative profitability between firms where the budget was agreed at the same time or after the plan, and firms where the budget was agreed before or unrelated to the plan, we found that the latter were **more** likely to perceive their profitability to be high.

The largest difference occurred between firms with their plan agreed before or coincidentally with the budget and those whose plan was agreed after or unrelated to the budget. 23% of the former perceived their relative profitability to be well above average compared with 39% of firms where the plan was agreed after or unrelated to the budget ($p<.1$).

Timing and Content Linkage

We looked at the impact of close timing links and content links, measured by the inclusion of budget objectives. Styles of plan were clearly influenced by this since budget objectives are one of four elements determining the style of plan. As we expected by both definition and from earlier results, action-oriented plans were much more likely when the tightest linkages existed (44% of plans with tight links were action oriented, compared with 13% without). However, firms with action oriented plans were more likely to perceive their profitability to be well above average if looser links were in place (23% with tight links versus 39% without). This results is not statistically significant, but reflects a pattern we found when we looked at plan style by process by perceived relative profitability (Section 8.4). The finding is even weaker when we compare firms' likelihood to perceive their relative profitability to be above average.

Further variations emerged when we analysed this by perceived industry growth potential. Firms in high-growth-potential environments where the budget preceded the plan or was unrelated in time or did not set budget objectives were most likely to perceive their profitability to be high, while these firms were least likely to perceive their relative profitability to be high in lower-growth-potential industries. The individual significance levels are low (Table 8.18).

Table 8.18: Plans before or coincident with budgets with content linkage, profitability and growth

% of firms that perceived their profitability to be well above average	High growth (N=60)	Modest growth (N=122)	Sig. level
Plans before or coincident with budget & content linkage	38	23	ns
Budget precedes plan or unrelated or no content linkage	47	18	$p<.01$
Sig. level	ns	ns	
All firms with plans	39%	21%	$p<.01$

This result was not particularly robust. When we consider the proportion of firms in different growth potential environments that were most likely to perceive their relative profitability to be above average we found that they had plans approved before or coincident with budgets and included budget objectives and operated in high growth potential environments, though this was not statistically significant.

Overall, **the most significant association with superior perceived relative profitability here was that the budget should precede or be unrelated to the plan.** The most significant associations neither related directly to the notion suggested by Shank et al (1973), nor were they those suggested by the textbook model.

8.4 PLAN CONTENT AND PLANNING PROCESS

To conclude these two chapters on firms with marketing plans, we aimed to synthesise our findings on both content and process. We saw on page 197 that there were no systematic associations between style of plan and perceived relative profitability, even after taking account of the perceived growth potential of the environment. In contrast, we have seen earlier in this chapter that there were significant variations in perceived relative profitability according to the planning process, especially by environment.

This suggests that the **perceived differences in relative profitability were associated more with the process than with the plan contents**. i.e. insofar as these results are causal, which is a major proviso, what matters most is not what sort of plan was produced but how it was produced: "**Plans are nothing, planning is everything**" (Eisenhower, quoted by Kotler (1991: 61)).

We have already seen variations in profitability according to the style of plan and planning processes used. Our final analysis sought to identify possible variations in perceived relative profitability according to the style of plan and planning process varying with the growth potential of the environment. Here we used the three main styles of plan that have been the main focus in this chapter, and the single process variable "the existence of any written guidelines". Similar results emerged (as we would expect from earlier analyses) taking other variables and permutations of the process variables.

The main effect of perceived relative profitability by style and perceived environment growth potential is both marked and interesting. However, some curious sub patterns emerge when we also distinguish styles of plan (albeit with small sample sizes). We summarise these in Table 8.19. In high growth, firms were always more likely to perceive their profitability to be well above average with plans prepared without written guidelines, but the difference was least for direction-oriented plans. In lower-growth environments, plans written with guidelines were more likely to be associated with firms with well above average profitability, except for action-oriented plans which include textbook model plans. This difference was even more pronounced if we isolated firms with above average profitability in modest growth environments where 44% perceived above average profitability with action plans and guidelines compared with 71% with action plans written without guidelines. It is perhaps more surprising, given our analysis on pages 58-59, that direction-setting plans in modest growth environments were more likely to be associated with successful firms if they were prepared with written guidelines.

Table 8.19: Firms' profitability by style, process, and environment growth potential

% firms that perceived their relative profitability to be well above average

	High	Growth		Modest	Growth	
	Guidelines (N=30)	No guides (N=33)	Sig. level	Guidelines (N=88)	No guides (N=40)	Sig. level
Action plan	17	71	p<.05	21	27	ns
Direction plan	33	50	ns	34	8	p<.1
Budget plan	20	60	p<.05	29	0	p<.05
Total	**23**	61	p<.01	28	10	p<.05

Reconciling Formality, Scope, and Environment

We identify two issues related to reconciling the formality and scope of planning with the environment. First, they must be reconciled with each other, and secondly they must be reconciled with the other roles of planning; indeed explicit trade-offs seem inherent in this.

Given the consistency with which the textbook plan is recommended, we were surprised that there were no significant relationships between plan style and perceived relative profitability overall, or by environment. There were, however, variations in perceived relative profitability by plan style and formality by environment.

- Direction-setting plans were more likely in lower growth, whereas action-oriented plans or budget-oriented plans were more likely in higher growth.

- Informally produced action- and budget-oriented plans, and formally produced direction-setting plans were associated with higher perceived relative profitability.

While control of the process (increased formality) may be desirable in stable environments, and flexibility of the process (informality) preferred in unpredictable environments, there are more complex interactions to consider when we try to account also for plan style and aims.

Mintzberg (1990, 1994a) distinguishes between performance control and action planning: the need for control and efficiency versus the need for direction in market strategy. Higher needs for control are demonstrated by a greater focus on budgets, objectives and even action plans, whereas higher needs for direction are shown in increasing focus on strategic analysis. From the results above, we suggest that in lower-growth environments, successful firms are more likely to use formal processes to focus on setting direction, while in higher-growth environments successful firms use informal processes to generate controls.

One possible explanation is that these firms are successful because they have already implemented the key success factors, and use planning to extend their success. Thus, those firms who we might expect to value control (in stable environments) have achieved control and efficiency and are now looking for ways to achieve growth. In contrast, successful firms in unpredictable environments, who we might expect to value direction, have identified this, and now seek to control their business. This may explain these counterintuitive results.

Chapter 8: Summary

Most plans were systematised in some way, and top management was typically involved in the process. Systematisation was associated with textbook model plans, while top management involvement was associated with direction setting plans. Most firms closely linked the marketing plan and company budget, and this was associated with plans more like the textbook model.

Systematisation of the process, and close plan and budget coupling, were not associated with firms with higher levels of perceived levels of relative profitability. Systematisation was associated with lower levels of perceived relative profitability in high-growth-potential environments and equivalent levels in modest or lower growth potential environments. Firms where plans were agreed before or coincidentally with, the budget (as the marketing concept suggests) perceived their performance to be lower.

Top management involvement in the marketing planning process was not associated with firms with higher levels of perceived levels of relative profitability. Firms with textbook model plans were more likely to perceive higher levels of profitability if the process was <u>not</u> systematised and top management was <u>not</u> involved. Firms with a systematised process and top management involvement were most likely to perceive their relative profitability to be high if they produced direction-setting plans.

Overall the strongest relationships with perceived relative profitability occurred with variables describing the marketing planning process rather than with the plan content. This suggests that the **process** is more closely associated with variations in perceived profitability than the **style of plan** produced.

CHAPTER 9: EVALUATING PLANNING BEHAVIOURS

In this chapter we examine Assumption Six: that **marketing planning needs marketing plans.** Here we review our findings from firms without marketing plans, the least formalised in their organising framework for marketing decision making. We evaluate the frameworks they have in place, and see how the basis for their decision making compared with that of firms with marketing plans.

In Section 9.1, we look at **what firms without a written marketing plan do instead** in terms of an organising framework for decision making. We report these findings in some detail since no previous research has addressed this issue. We identify the prevalence of **strategic planning** in these firms, the purpose of such plans, their time-scale and revision schedule, and the position of those responsible for various key marketing decisions in the plan; the sales forecast, product or service range, pricing, promotion, and product or service availability. We then compare "one year strategic plans" of firms without marketing plans with annual corporate plans of the firms with marketing plans.

We establish the prevalence of **annual budgeting**, the position of those responsible for the key marketing decision areas, and how these decisions are reached. Finally, we explore the prevalence and methods of **marketing analysis** relating to changing customer needs, target marketing and competitor analysis.

Redefining **marketing planning** as "integrated decision making based on explicit marketing analysis" we then (Section 9.2) compare the firms with and without **marketing plans**. Earlier we determined that many firms with marketing plans showed few signs of planning behaviour, while in this chapter we see that many firms without marketing plans demonstrated significant planning behaviour. Overall there was little difference in the level of planning **behaviour** between firms with and without formal planning **systems**. There is little evidence here that marketing planning needs marketing plans.

9.1 WHAT ORGANISATIONS WITHOUT MARKETING PLANS DO INSTEAD

By definition, the characteristics of firms without a written marketing plan were the opposite of the firms with written marketing plans; they were smaller, less diversified, and more likely to be service firms than manufacturing or public sector organisations. They were more likely to perceive high growth potential in their industry environment, and they were less likely to have a marketing department.

They were not all hostile to planning; 8% claimed they were about to produce their first marketing plan (disproportionately skewed to the public sector) and half produced a strategic plan (Section 9.1.1). Almost all the firms without marketing plans produced an annual company budget (Section 9.1.2). Although formal mechanisms for marketing planning did not exist, explicit marketing analysis occurred in many of these firms, and well-defined procedures were established for taking marketing decisions (Section 9.1.3).

9.1.1 STRATEGIC OR LONG-RANGE PLANNING

Existence of a Strategic Plan

Just over half the sample (51%) knew of the existence of a strategic or long-range plan in their company. Almost all of the rest (43%) claimed that there was no long-range plan. Since the strategic plan is frequently poorly communicated through the firm (Greenley 1986a), and our respondent was not typically the chief executive, we expect this to under-estimate the prevalence of a document which someone in the firm would describe as a strategic or long-range plan.

All types of firm without a marketing plan were equally likely to produce a strategic plan. Lorange and Vancil (1977) suggest that increasing diversity of operations was the main reason for the growth of formal strategic planning. We did not find that larger, more diversified or manufacturing firms were more likely to produce strategic plans if they did not produce marketing plans. However, larger and diversified firms in our sample were more likely to produce a marketing plan.

Strategic Plans and Profitability

Firms without a marketing plan but with a strategic plan were no more likely to perceive their profitability to be above average than firms without either a marketing or strategic plan. This is consistent with the findings in the strategic planning literature (see Chapter 3) which in the main have failed to find a correlation between formal strategic planning and improved financial performance. It is also consistent with Verhage and Waarts (1989) finding that firms with only a strategic plan, and no operating plans, found their profitability to be about the same as firms without a strategic plan or operating plans. In their sample, it was firms with both a strategic and a marketing plan that perceived their profitability to be superior.

However, **firms with strategic plans were much less likely to perceive their relative profitability to be high than firms without strategic plans.** Overall 23% of our sample had a strategic plan and no marketing plan. Only 10% of these firms, without marketing but with strategic plans, perceived their relative profitability to be well above average, whilst 30% of firms without either type of plan perceived their relative profitability to be well above average ($p<.01$). This may be related to the findings of Godiwalla et al (1979), that marketing was the most strategic element in planning terms in six out of nine of their firm types (and 5 out of six small and medium sized firms), and the second most important elsewhere. Strategic planning, in a firm which does not value marketing planning, may provide the wrong balance.

Smaller and service firms were less likely to produce an operating marketing plan, but perceive increased profitability if they did. They were likely, if they did not have a marketing plan, to perceive their profitability to be higher without a strategic plan, rather than with one. This is consistent with Robinson et al (1986) who found, among smaller service firms, that operational planning was perceived to be more important than strategic planning, and correlated with improved perceived levels of profitability.

We found further differences when we analysed this by perceived growth environment of the firm. Table 9.1 shows that among firms without marketing plans:

- A much higher proportion of firms in high growth potential environments had a high perceived relative profitability (31% versus 10%).

- In all environments, firms without strategic plans were much more likely to perceive their relative profitability to be high (30% versus 10%).

We see again the trend that firms in a high growth environment perceived their relative profitability to be higher if they did not have a strategic plan (consistent with Fredrickson 1984, Fredrickson and Mitchell 1984).

Table 9.1: Profitability of "non-planners", by strategic plan existence and growth

% firms that perceived their profitability to be well above average	All firms (N=86)	Strategic plan (N=48)	No strategic plan (N=38)	Sig. level
High growth (N=29)	31	18	50	p<.1
Modest growth (N=36)	17	9	28	ns
Stable/declining (N=21)	10	0	17	ns
All environments	20	10	30	p<.05

Finally here we compared the perceived relative profitability of firms with separate marketing plans, corporate plans including a marketing plan, firms without marketing plans but with a strategic plan, and firms with neither a marketing plan nor strategic plan. We found that firms with a separate marketing plan or firms with neither a marketing nor strategic plan, performed equally well in high and modest growth potential environments. Both were much more likely to perceive high relative profitability than either firms with a marketing plan that was part of a corporate plan, or firms with a strategic plan but no marketing plan (Table 9.2). This further supports the view that planning should be done properly or not at all (page 163).

Table 9.2: Perceived profitability by type of plan and growth environment

% of firms that perceived their relative profitability to be well above average	Total (N=268)	High growth (N=89)	Modest growth (N=121)	Stable/ decline (N=58)
Separate marketing plan (N=110)	36	51	27	32
Corporate plan (N=72)	22	30	16	25
Strategic plan only (N=48)	10	18	9	0
No plan (N=38)	32	50	29	20
Total	27	39	21	22

Purpose of the Plan

Of respondents in firms with a strategic plan, over a third (37%) did not know the purpose of such a document. For these respondents the long-range plan was not seen to impact on their jobs. The plans were either the concern of "group" or a private document owned by the managing director or the Board of directors, the contents of which were unknown, again consistent with the findings of Greenley (1986a).

Where they knew, managers were most likely to describe its role in terms of giving direction (58% of companies with strategic plans where the respondent knew its purpose), a somewhat larger proportion than was found by Greenley (1986a). There were small minorities who attributed its value to action planning (15%, a slightly higher proportion than firms with marketing plans that regarded action plans as the most valuable outcome of the annual planning process), and to "deciding how to spend the profit" (18%). The latter were more likely to be firms that perceived their profitability to be above average. The purpose of strategic plans and the valued outcomes of marketing plans differed only in that control did not appear as an aim in strategic planning.

Since we asked for "the" purpose, we cannot directly compare our findings with previous studies investigating "all" aims for the plan. Despite this and sample differences, our results are broadly consistent with Kono (1984) and Taylor and Irving (1971).

We can make only limited comparisons with the strategic planning literature; little evidence on the purpose of strategic planning exists. Although research into strategic planning has studied objective fulfilment (King 1983, Steiner 1979: 307, Ramanujam and Venkatraman 1987), studies have focused more on whether or not firms perceived that they met their objectives, than on identifying what those objectives were. Insofar as we have comparative data, our results were surprisingly close to previous findings. Our sample of firms without marketing plans did not seem especially unusual in their attitude to strategy and planning; rather they did not believe in marketing plans.

Planning Cycle

Among these firms with strategic plans but no marketing plans and where the planning cycle was known, 79% of plans were updated annually, with three-yearly updates in 14% of companies and five-yearly updates in 9% of firms. This compares with Bhatty's (1981) finding that 88% of firms updated their plan annually, whereas Shuman (1975) reviewing corporate planning in small companies, found they updated their plans annually in only 39% of firms, with 50% updating more frequently.

Updating annually was least typical of firms in modest growth environments (71% versus 92% in high growth, $p<.1$, and 100% in stable or declining industries, $p<.1$).

Time Period Covered by the Plan

The time horizon for the strategic plans varied considerably across organisations:

- 5 years in 33% of organisations
- 3 years in 29% of organisations
- 1 year in 27% of organisations.

In Table 9.3 we compare our findings with those of Shuman (1975) who studied small firms in the US and Bhatty (1981) who studied medium-sized UK firms. Their results are quite similar to our sample of firms without marketing plans. Since larger firms were less likely to produce a one year strategic plan than smaller organisations (16%

with turnover above £10 million compared with 35% below, p<.1), it seems likely that the difference between the samples accounts for the main differences in response.

Table 9.3: Time period covered by strategic plans

	1 year	Over 1 year =	2-3 years	+ 5 years
Cousins (N=55)	27%	62%	29%	33%
Shuman (1975) (N=38)	34%	63%	n/a	n/a
Bhatty (1981) (N=25)	28%	72%	48%	24%

Firms in high-growth-potential environments were more likely to have one year plans (50% versus 26% in lower growth potential environments, p<.1).

Objectives Set in the Plan

The contents of the strategic plan were known by our respondent in 70% of firms where a strategic plan existed. Objectives were set in 96% of these strategic plans. Financial objectives were set in 88% of strategic plans, market objectives in 29% of plans, and (qualitative) customer service or quality objectives were set in 36% of plans. These are consistent with findings in the strategic planning literature. Bhatty (1981) reports that most firms set mostly financial objectives, and that these were typically multiple objectives. Ross and Silverblatt (1987), in a sample of Fortune 100 companies, found quantified objectives for sales in 92% of firms, earnings in 89%, ROI in 70%, while 75% of these firms set a market share objective. Shuman (1975) found profit the primary objective in 52% of firms, with the method of growth the primary objective in a further 27% of small firms, also found in the Ross and Silverblatt study of the largest firms. We did not measure this.

Market objectives were significantly more likely to be set in organisations with a marketing department. Bhatty (1981) found that setting market objectives was more typically associated with smaller firms, although they suggest these were much less prevalent than financial objectives. Ross and Silverblatt (1987) find that concern about market share was a characteristic of most of the largest firms. We did not find the implied bimodal result in our sample, perhaps because the sample was too small.

Companies in mature markets almost always set financial objectives (96% versus 69% for firms in high-growth-potential environments, $p<.05$). While all the most and least profitable companies set financial objectives, only 77% of those with above average perceived relative profitability set financial objectives ($p<.1$). Manufacturing companies were more likely to set financial objectives than services firms (100% versus 78%, $p<.05$), more likely to set market objectives (47% versus 22%, $p=.1$), but less likely to set customer service or quality objectives (17% versus 39%, ns).

Responsibility for Elements of the Plan

The aim of this part of the study was to determine "what non-planners did instead", an area that no previous researcher has studied. We focused on responsibility for decision-making elements that we might have expected to find in a marketing plan, had one existed.

In general, **responsibility for the various marketing decisions we explored was held at a senior level**: by the managing director, CEO, or the Board, shown in Table 9.4. Marketing were rarely mentioned in this context (far fewer of these firms had marketing departments, but one third did). Only for promotional decisions was Marketing a significant response (10% of firms). In only a few companies was responsibility vested in a particular functional department, and only Sales and Finance were frequently mentioned.

Shuman (1975) found that, in small firms, corporate planning was seen as part of top management's responsibility, while Bhatty (1981) found involvement at high level in a variety of ways among the corporate planning systems of medium-sized UK firms. He found that responsibility for preparing the plans fell with the CEO in 39% of companies, senior executives in 35% of firms, and the Board in a further 4%, with a planning department or committee responsible in 23% of firms. Typically the Board (54% of firms) or the CEO (39% of firms) approved the plan.

Table 9.4: Person Responsible for Decisions in the Strategic Plan (N=56)

%	Board/ Planning Committee	MD/CEO	Sales	Finance
Sales forecast	50	25	14	7
Price level	49	27	9	11
Product range	50	33	7	4
Promotion	52	26	6	4
Availability	50	33	7	4

Taking the findings on pricing and sales forecasting in combination, it seems that the Board were more important in setting the sales revenue objective in our sample than in the study of Bhatty (1981), if, indeed, this is simply the outcome of the sales forecast multiplied by the chosen pricing levels.

In our sample, the responsibility for decisions in the strategic plan in services organisations lay more with the managing director (average 50% in services firms versus 20% in manufacturing firms, $p<.1$) at the expense of the functional departments, but this was not true for the budget. In the public and non-profit sectors, responsibility was even more likely to rest with a committee than with an individual (managing director) or functional department ($p<.1$), and where a functional department was responsible this was most likely to be the finance department.

Overall, therefore, the strategic plans of the firms without marketing plans were not, apparently, particularly different from the strategic plans of a more general sample of firms. The firms in our sample, with strategic but not operating marketing plans, were least likely to perceive their profitability to be well above average - less likely than both firms with marketing plans and firms without marketing plans or strategic plans. This result was most significant in high growth industries. Nor were these anomalies caused by those firms that produced a "one-year strategic plan".

"One year Strategic Plans" versus Other Strategic Plans and versus One year Corporate Plans

Almost a third of both firms with a marketing plan, and without a written marketing plan but with a strategic plan, produced a one-year plan for the firm, variously described as a one-year corporate plan including the marketing plan, and a one-year strategic plan. In all our prior analysis we have taken the distinction firms themselves made in this. It is, however, difficult to see how these plans would differ from each other (unless a one-year strategic plan is less detailed), which raises methodological issues for research. Other issues of semantics may be secondary if the survey method intrinsically produces arbitrary divisions between "planners" and "non-planners". We look therefore, in some detail at these plans, comparing them with both strategic plans covering a longer time frame, and, as far as we are able, with the corporate plans included in our analysis of firms with marketing plans.

Overall, we found only minor differences between the strategic plans and marketing analyses of firms with one-year strategic plans and firms with longer-term strategic plans. Perhaps more significantly, we found few differences between the plans of firms with a corporate plan including a marketing plan and the one-year strategic plans and these firms' marketing analyses. Thus the dichotomous variable "do/ do not plan" we used earlier gives a somewhat arbitrary split between firms. We return to this issue in Section 9.2 below, where we compare planning behaviours of firms with and without marketing plans.

Comparing the firms with one-year strategic plans versus those with longer-term strategic plans we find some systematic differences in the type of firm involved:

- Consumer service firms and consumer durables manufacturers were much more likely to prepare one-year strategic plans (48% versus 15%, $p<.01$).

- Firms with one-year strategic plans were more likely to be smaller (50% of firms with a turnover of less than £20 million versus 14% of firms with a larger turnover, $p<.01$, and 47% with less than 300 employees versus 17% with more than 300 employees, $p<.1$).

The most marked difference was in their propensity to study their competition. **Firms writing a one-year plan were twice as likely to monitor competition and to try to forecast competitor strategy (62% versus 31%, $p<.1$).** There were no other significant differences between firms with one-year and firms with longer-term strategic plans.

Comparing firms with one-year corporate plans and one-year strategic plans is more problematic, because of the differences in the data sets. We draw some comparisons, but will also highlight areas for caution in interpreting the results.

When we compare the purpose of the strategic plan among firms without a marketing plan and the most valued outcome of the marketing plan or planning process, perhaps not quite the same concept, we find that the main difference related to the perceived importance of control in the marketing planning process. This replicates the result comparing all firms with marketing plans with all firms with a strategic plan. 33% of corporate plans were valued for their control aspects, while this did not emerge as a reason at all in strategic plans. Conversely, 21% of one-year strategic plans were written to improve resource allocation decisions which was not an important outcome in corporate plans. It is ironic that 15% of firms with strategic plans valued "action planning" compared with only 7% of firms writing corporate plans although the focus may be different: capital expenditure versus operating decisions.

Table 9.5 compares one-year strategic plans and corporate plans. Financial objectives were equally likely in the two types of plan, but corporate plans were more likely to include market share objectives and objectives for customer service. Firms with a one-year strategic plan were more likely to forecast competitor strategy than firms with corporate plans. More corporate plans included a segmentation analysis than one-year strategic plans. However, firms with longer-term strategic plans were as likely to include customer service objectives (44%), to forecast competitor strategy (31%) and segment customers (60%) as firms with corporate plans.

Table 9.5: Key Comparisons Between One-year Strategic Plans and Corporate Plans

%	One year strategic plans (N=15)	Corporate plans (N=81)	Sig. level
Financial objectives	83	96	ns
Market objectives	25	57	p<.05
Customer service objectives	25	46	p<.1
Forecast competitor strategy	62	33	ns
Segmentation/ target marketing	42	57	ns

Overall, there were few major differences in plan content compared with the one-year strategic plans or their marketing analyses. Almost all these differences disappeared when comparing corporate plans and all strategic plans or the analytic processes in corporate plans with those of all firms without marketing plans. Since there is no obvious reason why such differences should exist, it is possible that these findings are more related to the small sample size than to inherent differences between the plans.

9.1.2 THE ANNUAL BUDGET

Almost all organisations (90%) without a marketing plan claimed they had an annual company budget. Service firms without a marketing plan were less likely to set an annual budget (86% compared with 96% of manufacturing firms, p<.1).

Responsibility for Elements of the Budget

The budget was about as likely to be seen as the responsibility of the managing director as the strategic plan where this existed, but much less likely to be the responsibility of the board or a committee. Table 9.6 shows that functional departments such as Marketing, Sales, or Finance were more likely to take responsibility for part or all of the budget than the strategic plan.

Table 9.6: Responsibility for Marketing Mix Decisions: Strategic plan versus Budget

Average % (of those who knew)	Strategic plan (N=55)	Budget (N=68)
Managing Director	29	33
Board or Committee	50	28
Finance	6	15
Sales	9	11
Marketing/ Commercial	6	9
Production	-	4

One of the most striking features of the budget responsibilities, just as in the strategic plan, remains how rarely responsibility was held by Marketing (or Sales) except for promotional decisions where they were responsible in 27% of firms. They were responsible for the sales forecast (23% of firms), pricing (17% of firms), and range and availability in 15% of organisations.

Table 9.7 shows the responsibilities for the different elements of the marketing mix.

Table 9.7: Person Responsible for the Elements of the Marketing Mix in the Budget (N=68)

%	MD	Board	Finance	Sales	Marketing
Sales forecast	27	24	16	13	10
Pricing decisions	29	25	18	10	7
Product decisions	36	27	12	10	5
Promotional decisions	29	26	10	10	17
Product availability	36	27	12	10	5

In a few cases the sales forecast decision would be made by the Managing Director in conjunction with Sales or Finance. In other cases Finance would be responsible overall for the budget but input from Marketing or Sales would be made on the sales forecast. Pricing decisions were slightly more likely to be made by the Finance department. Product/service range and availability responsibilities were again almost always vested in the same person, committee or function with the Managing Director most typically responsible for these. In smaller companies, measured in turnover or number of employees, the Managing Director was more likely (47% versus 28% in larger firms) to make these decisions in the budget as well as the long-range plan (which was anyway more likely to be a one-year plan). Finally promotional expenditure in the budget was again the area in which Sales and Marketing had the most influence.

9.1.3 DETERMINING THE MARKETING MIX AND ANALYSING THE MARKET

Respondents found questions asking how the mix was determined very hard to answer. On average we obtained 62 usable responses (out of a possible 143) to each of these questions. Over a third of non-response came from respondents who did not know the answer. The rest either gave no response, or no meaningful response. We report below on the minority of usable responses.

Determining the Sales Forecast

The single most popular method of sales forecast determination was by extrapolation of historic trends (32% of replies). Sales assessment of customers accounted for a further 18%, as did the response that "a target is set" (rather than a sales forecast). Marketing and production estimates were used in a further 12% and 10% of cases respectively. Production determined the sales forecast either when capacity was constrained, or when it originated from suppliers, for example in a car dealership. Three respondents used computer modelling (4%).

In high-growth environments the sales forecast was less likely to be based on historic trends or to be a target, and was more likely to be a sales department estimate. Historic or order book methods were more likely to be employed in smaller (turnover) organisations (38% versus 22% of larger firms) whereas consultative methods were more typical in larger turnover firms (20% versus 9% of smaller firms). Sales also had a more important role in smaller firms (24% versus 11% of larger firms).

Some of these firms (see below) were using market research to determine changes in customer needs, identify new customers and monitor the competition. None suggested that this was used in the sales forecast. Where Marketing made estimates, we spoke to the relevant person, and except in the three companies using computer modelling, their suggestion was that sales forecasting was something of a black art.

Determining the Marketing Mix

Setting the Price

The three most prevalent methods of setting the price were:

- cost plus — 25%, with variations 36%
- "what the market will bear" — 22%
- historic — 16%

Some companies set "target" prices for their salesmen, based on profit targets (13% organisations). Computer modelling was adopted by (the same) three companies. In those organisations which perceived their relative profitability to be above average, the price was more likely to be determined as cost plus than in firms with lower levels of perceived relative profitability (38% versus 13%).

Generally, pricing was seen as a matter of judgement. Even where firms responded with "what the market will bear", which seemed to incorporate both value-based and competitive pricing elements, there was frequently also an element of cost-plus pricing. Cost-plus pricing was not restricted to firms where Finance set price levels, nor was this the only method used by Finance.

Determining the Product Range

The most prevalent stimulus for changing the product range came from industrial customers who directly requested this or specified what they wanted on a contract (23%). Production sometimes developed a new product, or dropped an existing one (18% of firms); sometimes Sales determined that their customers wanted a particular range (20% of firms). In 12% of responding organisations the Managing Director decided what product range would be offered, while in a further 12% of firms no changes were made to the product range and so no decision was necessary. There was little evidence of marketing control over this decision.

Determining the Promotional Expenditure

The most popular method of setting promotional expenditure levels was "experience", in 35% of firms, with a further 11% of firms who based their budget promotional spend on "historic levels" of expenditure. "What we can afford" was another frequently cited 'technique' (20% of organisations) suggesting that for these firms promotional expenditure was perceived as more of a cost than an investment in the minds of those agreeing the budget. Finally the Managing Director set expenditure in 13% of organisations including some where he made no other input to the mix, and the decision was delegated to an outside agency in an additional 13% of firms.

Determining Product Availability

In 43% of organisations product availability was influenced by customer requirements or not changed. A further 21% were driven by production or by suppliers through product development, or in the case of tied suppliers, through supplier policy. The Managing Director decided in 11% operations while Sales input was key in 8% of firms. 10% of the responding organisations "looked for opportunities" to exploit. The "Logistics" department were important in any choices made here. The perception of channel management as a marketing issue was limited in both the firms with and without marketing plans.

The responses for responsibility for setting product range and availability were identical, and initially it seemed that the two questions were confused. However, the determination of the two decisions evoked quite different responses, suggesting that respondents were distinguishing the two items, but that responsibility for them did rest, typically, with the same person. Perhaps a more realistic assessment is that they were broadly regarded as "given" and not changed from year to year.

Marketing Analyses

We received much higher levels of response to the questions concerning marketing analysis than the mix decisions in the budget, typically well over 90%, possibly because they were more likely to be the responsibility of the respondent. This was despite the fact that these questions were added after the first half dozen interviews were completed.

Analysing Changing Customer Needs

70% of organisations claimed they would know if their customers wanted something different, while 30% said either that they would not know, or that it would not make any difference. Such claims were only included if substantiated with an explanation of how they would know. In firms with marketing plans, a slightly higher proportion (81%) claimed to include an analysis of changing customer needs in their annual plan. Almost two thirds (65%) claimed this was by close contact with their customers through their sales force. One in five firms (18%) used market research, while the rest learnt of new needs through a request for quotation, by "experience" or through an external agency, such as an advertising agency.

Choosing New Customer Targets

49% of firms claimed to try to choose which new customers to attract, to have some basis for market segmentation and targeting, albeit sometimes an intuitive basis. Half of these selected their new customers by "personal contact" or "keeping their ear to the ground" suggesting that, for at least some of these companies, the important issue was identifying possible new customers, rather than selecting the most attractive of these. A further third used research, quoting such techniques as a market segmentation study, while 11% more used an external agency to decide for them.

Attracting New Customers

67% claimed they tried to attract new customers. Of those that did not, a few cited such reasons as "we already supply all the customers in our market". The most common way (61%) in which firms tried to attract new customers was by some form of indirect promotion; advertising, direct mail, or publicity. Personal contact or selling were the other main means stated (35% of firms).

Monitoring Competition

34% of firms claimed they formally monitored their competitors' activities. Sales was the most frequent source of such information (two thirds of cases) with research in a further sixth. Other mentions included exhibitions, suppliers, and the MD.

Forecasting Competitor Strategy

29 firms, 30% of the responding sample, claimed they did try to forecast what their competitors would do next with some responses more convincing than others. This is close to the overall percentage of firms with marketing plans who claimed that their marketing plan contained a forecast of competitor strategy (35%).

Between-Group Differences

There were few significant between-group differences in the marketing analyses undertaken. We report the two most notable, comparing firms with or without a marketing department, and public/non profit versus private commercial sector firms .

Organisations with a marketing department were no more likely to employ any of the above analyses than firms without. Where they did use analyses, they were more likely to use research, perhaps because such departments more typically existed in larger and consumer firms, all of which used research more.

Firms in the public or non-profit sectors were at least as likely as firms in the private sector to use all the marketing analyses. They were more likely to use research to try to determine changes in customer needs ($p<.01$), and more likely to attempt to attract new customers than private sector firms ($p<.1$).

Summary

A significant amount of planning activity was undertaken by many firms without marketing plans. Half of these firms had a strategic plan, which on the available data, seemed not atypical. Further, one quarter of these were "one-year" strategic plans which were not obviously different to the annual corporate plans containing a marketing plan. When we looked at the marketing analyses on which their decision making was based, it seemed mostly to be at a similar level to that found among firms with marketing plans. This has implications for our definition of planning, and the methodology required for planning research. We next explore these issues in more detail, in particular comparing the prevalence of "planning behaviour" among firms with and without marketing plans.

9.2 PLANS VERSUS PLANNING

In designing this research study, it seemed that there were two "obvious" ways to define marketing planning. We could either take the textbook model of marketing planning (7% of our sample), or we could follow firms' own definition of whether or not they had a marketing plan (61% of our sample). Initially, we did not choose to impose some arbitrary set of preferences of our own.

We studied the plan contents in a variety of ways. We determined that, perhaps, 53% of the plans in our sample represented "real planning" in the sense of Winer (1965), that these plans included market considerations, market objective setting or action planning as well as forecasting and budgeting. From this analysis it seemed, about one third of firms produced recognisable marketing plans, if not "complete" marketing plans (McDonald 1982). Here we are starting to make value judgements about the minimum requirements for a marketing plan.

When, however, we then looked at the firms without marketing plans, it became clear that many of these were doing as much or more "planning" than some of the firms with a marketing plan. In other words, some of the firms without marketing plans fulfilled these minimum requirements.

An immediate concern arises because about one third of our "planners" produced a one-year corporate plan that included marketing considerations, while one in seven "non-planners" produced a one-year strategic plan. While these were not directly comparable from our data, we found no major differences in the variables we measured, except the value of control as an outcome. Nor did the one-year strategic plans, or the other budgeting, marketing analysis or marketing decision-making issues measured, differ significantly from the longer-term strategic plans completed by a further 37% of "non-planners", except in the time period covered by the plan.

We conclude that only 19% of our sample did not produce a marketing plan, corporate plan, or strategic plan since 63% of the sample produced a one-year marketing, corporate or strategic plan (at least) and 18% produced a marketing, corporate or strategic plan covering a period of more than one year. See Figure 9.1.

Figure 9.1: Plan and Budget Existence

<table>
<tr><td>No plan, no budget (4%)</td><td rowspan="2">Strategic plan, budget
(14%)</td><td rowspan="3">Corporate plan, budget
(22%)</td><td rowspan="3">Separate marketing plan, budget
(39%)</td></tr>
<tr><td rowspan="2">No plan, budget
(16%)</td></tr>
<tr><td>One-year strategic plan, budget
(5%)</td></tr>
</table>

When we further consider the quality of these planning efforts, the picture becomes even more confused. We classified 47% of the annual marketing plans as primarily "budgets". We do not have adequate data to complete the same analysis for the strategic plans of firms without marketing plans. However, there was a marked similarity between analyses and decision making among firms with and without a marketing plan. If approximately the same ratio applied as this similarity suggests, then perhaps 40% of our sample had formal plans, which included external analysis, a statement of strategy, market and financial objectives, and action plans. Yet only three quarters of these had marketing plans.

At the very least, this is of importance in future studies of planning. The self-reporting survey method does not lend itself to identifying these issues thoroughly; and our conclusions here can only be tentative. However, the first suggestion is that a clearer definition of what constitutes "planning behaviour" seems a useful first step, in order that we can be certain of what we are trying to measure.

One alternative definition of "planning", that does not require the constraints of the textbook model, nor a written down plan is "integrated marketing decision making based on explicit analysis of key marketing variables". This captures the main distinctive elements of marketing planning, as opposed to budgeting. When we apply this, as far as we can, to our sample, we find that the self-reported existence of a written marketing plan is not a good surrogate for this variable.

MARKETING PLANNING AS EXPLICIT FUTURE ANALYSIS FOR INTEGRATED DECISION-MAKING

From the earlier analysis, it seems that a non-trivial definition of planning is needed. While we conceptualise its primary intended meaning as an organising framework for decision making, we need an operational definition that identifies its distinctive elements. Previous authors (e.g. Wildavsky 1973, Mintzberg 1990) have found that its distinctive elements are hard to isolate. The marketing planning literature has mostly not tried to address this, although McDonald (1984) asserts that it is the systematisation of the process that distinguishes it from other activities. Loasby (1967) supplies us with some insights into the purposes of long-range planning; that it helps managers to assess the future impact of current decisions and the current impact of the future environment, and provides the means and motivation to do this. For (annual) marketing planning, we can see the value of creating time in which managers can legitimately reassess their proposed actions. We might query the need to develop a conceptual model of the future and its implications for annual decision making. This surely exists in the minds of managers since most industries do not change much year to year. It may be, however, that it does not exist **explicitly** until the first time it is written down, threatening the consistency of marketing decisions (among themselves, with the analysis, and over time). It is also likely that different managers have different mental models (de Geus 1988).

Mintzberg (1990) suggests that the **activities** of planning are not, of themselves, distinctive. However, making decisions based on an **explicit** model of the environment, while simultaneously ensuring they are **integrated** across the firm is distinctive. This is a very implicit assumption of planning in the textbooks, but one which emerges more fully in our research (Chapter 7) and in the strategic planning literature (e.g. Ramanujam and Venkatraman 1987, Ramanujam et al 1986). It is immediately clear that planning, defined in this way, is not present in many marketing plans, since action plans were not regularly linked in the plan to the analysis. Although our data do not allow us to fully evaluate this, we can partially test the existence of planning, under this definition.

We look first at the presence of the "key" marketing analyses, which we describe as relating to customers and competitors. Analysis of customer needs and how they are changing seems fundamental to any concept of analytic-based marketing decision making.

Customer Analysis

Overall, 77% of all firms in our sample claimed to explicitly analyse changing customer needs: 81% of firms with a marketing plan and 70% of firms without. While there is a significant difference between the two ($p<.1$), this is attributable to sample differences. Both smaller and service firms were less likely to include such an analysis, and were less likely to produce a marketing plan. If we compare matched samples of firms with and without marketing plans, we find no significant differences in the prevalence of a customer analysis. Only 50% of firms produced a written marketing plan which included a customer needs analysis.

Once again, therefore, we find a systematic difference in firms in different perceived industry growth rates, with those in high-growth environments undertaking less of the formal marketing activities (81% of firms in modest-growth-potential environments compared with 71% in high growth, $p<.05$).

When we review perceived relative profitability according to whether or not firms claimed to explicitly analyse changing customer needs, we find that 87% of firms who claimed their relative profitability was well above average undertook this analysis compared with 77% of firms with lower levels of profitability ($p<.1$). This is an encouraging finding for marketing exponents, and is one of few generic differences between the measured activities of firms at varying levels of profitability.

Competitor Strategy Forecasting

Turning to another important area of marketing analysis, competitor activity, we find little evidence of this among firms with or without marketing plans. We used "competitor strategy forecasting" as our main measure of this, which is a strong test. However, since planning is necessarily concerned with the future, competitor analysis for planning should also be concerned with the future.

Overall, 34% of firms claimed to attempt to forecast competitors strategy: 35% of firms with, and 29% of firms without, marketing plans. These are not significantly different, which might relate to the ambiguous treatment of competition in the textbook model of marketing planning. While the relative nature of the SWOT analysis assumes competitors are taken into account, an explicit statement of their expected strategy is not specified in the textbook model, although a forecast of market demand is required. No significant variations across sub-groups were found, except for the firms with a one-year strategic plan that were twice as likely to claim to produce a competitor strategy forecast (62%, $p<.1$). Whether this was, in some way, related to the increased importance accorded the analysis of competition in the strategic planning model is not clear. Since it did not apply also to the longer-term strategic plans, this seems unlikely.

Segmentation Analysis

Segmentation and target marketing is one aspect of marketing planning that is sometimes given particular focus in the textbooks, and even identified as a distinct, and separable element of the marketing plan (e.g. Schoell and Guiltinan 1988, Boyd and Massy 1972). Looking at the prevalence of this activity among our sample we find that 57% of all firms claimed to analyse market segments, 59% of firms with and 45% of firms without marketing plans, not significantly different. Again the variation can be largely attributed to sample differences since smaller firms were less likely to segment their markets.

Customer and Competitor Analysis

Looking then at these key analyses in combination, we find that 30% of all firms claimed to conduct both a changing customer needs analysis and to forecast competitor strategies. There was no difference between firms with and without marketing plans, despite the sample differences although smaller firms were less likely to include the analyses.

Customer, Segmentation and Competitor Analysis

When we combine all three analyses, we find that 25% of all firms claimed to explicitly undertake all three. There was no difference in the likelihood of this occurring among firms with or without marketing plans.

In terms, at least, of explicit generating the key marketing analyses, we see little difference between the prevalence of these analyses among firms with marketing plans, measured according to whether or not it was included in the plan, and the justified claims of its existence among firms without marketing plans. It is, of course, possible that these analyses are performed by firms with marketing plans but not included in the plan, and we may, therefore, be understating the case for these firms. Overall, however, it seems that the overriding suggestion is that planning, *per se*, simply formalises activities that were previously undertaken, rather than necessarily stimulating these activities. Secondly, with only 30% of firms using both key analyses, we conclude that surprisingly little explicit analysis is done (c.f. Boxer and Wensley 1986).

Integration of Decision Making

By virtue of the approval system for marketing plans, we can assume that some integration occurs in most of these firms (e.g. 81% of plans were approved by the Managing Director or Board, see page 229). However the marketing mix decisions in the budget were taken by the Managing Director or Board in 61% of firms without marketing plans (and in the strategic plan in 79% of the 51% of firms where a strategic plan but no marketing plan was known to exist). Overall, then there is no evidence that marketing decision making is less integrated in firms without marketing plans than in firms with.

Integrated Decision Making Based on Explicit Marketing Analysis

We did not directly measure integrated decision making based on explicit marketing analysis. However, in 10% of firms with marketing plans, the plans contained an explicit customer analysis, forecast of competitor strategy, set of action plans and were approved by the Managing Director or Board. For firms without a marketing plan, 39% used the two key analyses and the decisions were the responsibility of the MD or Board. If one in four of these based their action plans on the explicit analysis, then as many firms without marketing plans had integrated decisions based on explicit marketing analysis.

Chapter 9: Summary

Simply measuring the existence of a marketing plan does not give a good indicator of the extent of formal marketing planning in a firm, not did the absence of a marketing plan necessarily indicate a hostility to planning in the firm. Many firms without marketing plans produced strategic plans which, in some cases, were hard to distinguish from some marketing plans.

Firms without marketing plans but with strategic plans were always less likely to perceive their relative profitability to be high than their counterparts with neither marketing nor strategic plans. Within this result, the familiar pattern from marketing planning of associations of planning, perceived relative profitability and growth emerged; that planning was associated with poorest results in high growth environments, and was more benign in lower growth environments.

Our evidence suggests that marketing planning did not need marketing plans. Redefining planning as "integrated decision making based on explicit marketing analysis", there appeared to be little, if any, difference in the level of planning between firms with and without marketing plans.

CHAPTER 10: DISCUSSION AND IMPLICATIONS

In the previous five chapters we have presented many detailed findings. In this chapter we draw these together and consider the implications of the research. We start, in Section 10.1, by briefly **summarising the main findings** from our survey, both descriptive and evaluative.

In the discussion of our findings in Section 10.2, we identify four main issues arising from our research:

- the confusion surrounding the **many facets of planning**,
- the **effectiveness** of planning,
- conceptualising planning as **future control or planning as adaptation**, and
- reconciling the formality and scope of marketing planning as an organising framework for decision making with the **other roles of planning.**

In Section 10.3 we consider the **implications** of our study: for managers, and for research.

Finally, in Section 10.4, we suggest some immediate directions for **further research.**

10.1 SUMMARY OF FINDINGS AND CONCLUSIONS

DESCRIPTIONS OF MARKETING PLANNING PRACTICE

Our survey replicated and extended previous marketing planning research. Most of the variations in results can be accounted for by the more representative nature of our sample and our very high response rate.

We further found a marked similarity between the marketing plan contents and the previously reported decision-making responsibilities of marketers suggesting that marketing plans cover the areas of responsibility of their authors. One possible reason why practitioners' plans do not follow the textbook model may be that the marketing concept has not been operationalised in the marketing function (giving marketers responsibility for availability, for example), rather than that practitioners have failed to understand marketing planning as has been previously suggested.

The Existence of Formal Planning Systems

- 61% of firms had written marketing plans, but only 7% produced textbook model plans (strictly defined).

- 39% of firms had separate marketing plans, 22% had corporate plans including a marketing plan, 19% had no marketing plan but a strategic plan, and 20% had neither. As far as we could tell, the strategic plans of firms without marketing plans were typical of strategic plans in general. Over a quarter of the strategic plans were "one-year" strategic plans which were no different from the longer-term plans or the corporate plans.

- formal plans were more likely in larger, diverse and manufacturing firms.

- 96% of firms had an annual budget.

The Content of the Plans

- there was enormous heterogeneity in plan contents, however defined. Plans varied in the number of contents, the contents were not nested, and duplication between pairs of contents were low.

- most plans included objectives (especially financial objectives), less than half included the elements of strategy formulation, while about one quarter included action plans.

- as a second-order effect to the main finding that plans were highly idiosyncratic we identified three main styles of plan: action-planning, direction-setting and budget-oriented, of which we describe the first two types as "plans" and the third as "budgets". Although these styles enabled us to explore our data further, they did not relate to the underlying dimensions; better descriptions of styles of plan could perhaps be generated from further research.

- no clear overall dimensions of plans emerged. Plans' structures had two parts: financial and marketing mix objectives and action plans, and market share, analysis and strategy formulation. The hierarchical structure of the textbook marketing plan was not an underlying dimension; rather themes of analyses, objectives and actions emerged. Nor were the classic divisions of the marketing mix apparent, with sales and distribution in one dimension, and sales promotion, advertising and marketing expenditure or research in another. Pricing was included in the budgeting dimension. However, the dimensions that emerged made intuitive sense.

- The dimensions that emerged could not be related to types of firm using the classification variables available, suggesting that important descriptors may have been omitted from our classification.

<u>The Outcomes of Planning Valued by Firms</u>

- firms valued control (one third), direction (one third) and action planning, consensus and review (10% each) as outcomes of the marketing planning process.

- strategic plans were valued for direction setting, action planning, but not for control purposes.

<u>Controlling the Planning Process</u>

- most plans were systematised in some way, and top management was typically involved in the process (though less so in high-growth-potential environments).

- both systematisation and senior management involvement were more associated with "plans" than "budgets". Systematisation was associated with textbook model plans, while top management involvement was associated with direction-setting plans.

- in most firms the marketing plan and company budget were closely linked in time, and this was associated with plans more like the textbook model, especially in higher-growth-potential environments.

REVIEWING THE PRESCRIPTIVE NATURE OF THE ASSUMPTIONS

Assumption One: "All firms need written marketing plans"

- We found only partial support for the assumption that formal marketing planning is beneficial to all firms.

- Overall, firms with separate marketing plans were more likely to perceive their relative profitability to be well above average than firms with no plan or with a corporate plan. Larger, more diverse and manufacturing firms with and without marketing plans perceived the same relative profitability. However, smaller, less diversified and service firms with marketing plans were more likely to perceive their profitability to be high than similar firms without marketing plans.

- Firms in high-growth-potential environments **without** marketing plans were more likely to perceive their relative profitability to be high than those with marketing plans. There was no variation in perceived relative profitability between firms with and without marketing plans when the environment was perceived to have modest growth potential, while firms in lower-growth-potential environments were more likely to perceive their relative profitability to be high if they **did** have marketing plans. Some previously unidentified costs associated with marketing planning were identified by firms without marketing plans, notably a loss of flexibility.

Assumption Two: "There is one best style of plan"

- We found no support for the claim that there is one best style of plan. Many styles existed and none was associated with an increased likelihood of high levels of perceived relative profitability. Indeed, this result was unique in that no difference in perceived relative profitability could be found, regardless of the perceived growth potential of the industry.

Assumption Three: "Marketing planning yields multiple benefits"

- We found that firms could not generally expect the multiple benefits described in the textbooks from their marketing plans. At the aggregate level, the styles of plan produced and most valued aspects of the process were broadly consistent, but at the individual plan level many firms could not hope to achieve the outcome they valued most. Only 7% of firms produced textbook model plans from which all the benefits might accrue. 16% of firms produced a plan that might perhaps be interpreted as a deliberate variation from the textbook model, since they omitted an entire section. However, only one third of these (at most 6% of firms) included the element that related to the aspect they valued most highly. At most, therefore, 6% of firms successfully adapted the textbook model to achieve the outcome they valued most highly.

Assumption Four: "The process should be systematised"

- There was no support for the view that systematisation of the process improved the outcome. Systematisation of the process, and close plan and budget coupling, were not associated with firms with higher levels of perceived levels of relative profitability. Systematisation was associated with **lower** levels of perceived relative profitability in high growth potential environments and equivalent levels in modest or lower growth potential environments. Firms where plans were agreed before or coincidentally with, the budget (as the marketing concept and textbooks suggest) perceived their performance to be **lower**.

Assumption Five: "Top management should be involved in the process"

- There was no support for the assertion that top management should be involved. Top management involvement in the marketing planning process was not associated with firms with higher levels of perceived levels of relative profitability.

- Firms with textbook model plans were more likely to perceive higher levels of profitability if the process was **not** systematised and top management was **not** involved. Firms with a systematised process and top management involvement were most likely to perceive their relative profitability to be high if they produced direction-setting plans.

- Overall the strongest relationships with perceived relative profitability occurred with variables describing the marketing planning **process** rather than with the plan content. This suggests that the process is more closely associated with variations in perceived profitability than the style of plan produced.

Assumption Six: "Marketing planning needs marketing plans"

- Our evidence suggests that marketing planning did not need marketing plans. Redefining planning as "integrated decision making based on explicit marketing analysis", there appeared to be little difference in the level of planning between firms with and without marketing plans.

- Firms without marketing plans but with strategic plans were much less likely to perceive their relative profitability to be high than their counterparts with neither marketing nor strategic plans. Within this result, the familiar pattern from marketing planning of associations of planning, perceived relative profitability and growth emerged; that planning was associated with poorest results in high-growth environments, and was more benign in lower-growth environments.

10.2 DISCUSSION OF FINDINGS

In this section, we identify four main issues that arise: the first relates to research methodology, while the remaining three are concerned with our evidence on planning effectiveness, the implicit beliefs underpinning the textbook model, and how the role of marketing planning as an organising framework for decision making relates to the other roles of planning, respectively.

CONFUSION ARISING FROM THE MANY FACETS OF PLANNING

There are two sources of confusion in marketing planning research: those relating to technical measurement and those arising from the ambiguity of the conceptual framework.

Technical Measurement

Any survey research is subject to limitations. Survey research into marketing planning is no exception. Previous surveys also suffered from severe limitations of sampling, measurement, and analysis (or lack of analysis), and indeed normative assumptions about the value of the textbook model.. Studying a process, with complex interactions, using this technique has many shortcomings, including the superficiality of the data. We remain cautious about the cross-sample reliability of our findings; what to one firm is a statement of overall strategy might not be so described by another. We recognised these problems in advance, and our survey accepted the trade-off between quantity and depth, to enable us to come to some general conclusions across a wide range of organisations.

What was less clear when we started was the extent to which the marketing planning concept is an ambiguous one. "Marketing planning" is confused, by both practitioners and academics, with the existence of a marketing plan. In the strategic planning literature, most of the studies linking planning and performance (or effective planning and performance) have an underlying assumption about a minimum requirement for formality, that the strategic plan is written down. Yet this is not recognised as the distinctive element in planning, in general (page 84). It is more typically the quality of analysis underpinning the plan which forms the debate about the quality of planning. Our data suggest that this is more or less independent of formality (although its widespread acceptance through the organisation may not be).

Thus the literature actually studies the "effectiveness" of formality rather than the effectiveness of planning, where formality is a poor (minimum) proxy for planning behaviour.

There are many types of plan, including "one-year strategic plans" and "one-year corporate plans", which merge into each other, and so a "marketing plan" to a firm is a poor proxy for "written down marketing planning". Our alternative view of planning as integrated decision making based on explicit marketing analysis seemed spread almost evenly through firms regardless of the formality of their marketing planning behaviour.

A further constraint on our exploratory study of marketing planning was the pervasiveness of the textbook model framework. While we attempted to be as "objective" as possible, it influenced both our data collection from firms without marketing plans, and our main analysis. The factor analysis of plans demonstrates, partially, that this is not necessarily the intuitive framework used by practitioners. In particular, the hierarchical sequence forms convenient divisions in the data, but does not reflect the "topic-based" approach used in practice.

Taken together with the limitations of survey research *per se*, these issues have implications for future research. Future research on planning must try to distinguish between measuring plans and planning, and go well beyond the superficial dichotomies of "firms with or without marketing plans".

Conceptual Framework

The confusion arising from the problem of technical measurement reflects a deeper confusion surrounding the conceptual framework. The inadequate distinction between plans and planning has prevented studies from identifying the key relationships. Previous research has focused on the supposed inadequacy of the plans. Our study suggests that a more relevant focus is on the process.

The many different roles of planning have typically not been distinguished in empirical studies. This makes it harder to draw conclusions about the findings. Our main focus has been on planning in its role as an organising framework for decision making. In adopting this approach we are explicitly accepting two shortcomings in our research; that the different roles are not self-sufficient, and that we have not looked at planning as a whole. Indeed, even adopting this approach we were unable to take account of utilisation of plans, an element in the stream of events described in our conceptualisation. We will see later in this chapter one important way in which other aspects of the process (related to information collection and processing) directly impact on our analysis, and we will also discuss our view of how firms might trade-off the different roles that planning can fulfil.

One justification for concentrating on a single aspect is that it facilitates taking account of the context. In any research there is a danger of incorrectly ascribing causality. We are very aware that, without replication, at a more detailed level, this may be true of our study. Our evaluative statements are primarily based on two subjective measures: perceived industry growth potential, and perceived relative profitability. We must, therefore, include a note of caution relating to our interpretation. Findings relating to perceived profitability must be recognised as tentative; firms may not know (or tell the truth), and causality cannot be shown. We have only a single measure whose validity we cannot check. Our confidence in our findings is due mostly to their consistency and the fact that there is no reason why any reporting biases should show the contingencies found in our data.

One possible example of the misattribution of causality relates to previous empirical studies which have criticised plans, where they exist, for their lack of scope. We found that, based on the product management literature, marketing plans did reflect the expected decision-making responsibilities of their authors. This suggests that many of the issues relating to the content of firms' plans are simply a reflection of the organisation's structure. Firms where plans were written which extended beyond the decision-making authority of the author, (e.g. corporate plans written by the marketing department), were less likely to perceive their relative profitability to be high. It may be that in such firms corporate plans suffer from the "not invented here" problem documented among planners in the strategic planning literature (e.g. Javidan 1985, Lenz and Lyles 1985) suggesting that plans should not exceed the authority of their authors.

Moreover, when we consider the nature of marketing planning in, say, multinationals, we would expect some issues to be decided centrally, rather than at individual trading units (e.g. Day 1990: 265). The firms without marketing plans sometimes accepted product and channel decisions as "given" for the purpose of annual decision making. Measured against the textbook marketing model, this suggests shortcomings. Yet in an exclusive car or computer dealership, for example, annual product decisions are outside the firm's control, while in a retailer annual channel decisions may sensibly remain unchanged. We must, therefore, take care in criticising firms' omissions.

Given the nature of organisation structure and process, it seems likely that many of the issues we raise do not simply concern the marketing planning process. Rather they are part of a much larger issue relating to the fit of the firms structure, processes, and management style with their environment, strategy and aims. We hypothesise that findings relating to formality of planning processes, environment and perceived relative profitability reflect, more generally, the suitability of the level of formality in the firm's processes to the circumstances of the firm. Planning is probably not sufficiently important to account for many differences on its own. Hence future research should control for the way the organisation structures its tasks.

Given the confusion around both the planning concept, and the influence of other factors such as management style and division of tasks, studies of planning as an organising framework for decision making may need to adopt a broader and more integrated approach. Further, it seems that many insights could be gained from further study of decision making in firms without marketing plans.

THE EFFECTIVENESS OF PLANNING BEHAVIOURS AND THE TEXTBOOK MODEL

Overall, as practised, planning was not effective as an **organising framework for decision making** in the strict sense of arriving at specific action plans (though perhaps a better one for understanding). While this is partly attributable to the scope of responsibilities of plan authors, it also appeared here, as previous research in other areas has suggested, that planning's role in decision-making is limited. This is consistent with Greenley and Bayus (1993).

What was more apparent was the role of formal planning in objective-setting and making resource commitments, to a lesser extent, its role in developing understanding ("**categorising**" in Mintzberg 1994b terms), and, for about half the firms, in agreeing a broad direction. We hypothesise that the formal planning process has a more important role in confirming and formalising the market model and the company direction (what Mintzberg 1994b would describe as "**articulating**"), than in developing either or in making decisions (a role ascribed by Mintzberg 1994b as "**programming**").

Taking the view of **planning effectiveness** as comprising financial performance, objective fulfilment and system capability (Ramanujam and Venkatraman 1987), we find that firms' planning behaviours do not, in general, suggest effectiveness. Firms with marketing plans were somewhat more likely to perceive their relative profitability to be high than firms without, but this was contingent on both the planning process (pages 277-278) and the perceived industry growth potential. Taking a broader perspective, firms in high-growth-potential environments (where the existence of a plan was least likely to be associated with high levels of profitability) were almost as likely to produce a plan as firms in lower-growth-potential environments. Although the aspects of the process most valued by firms were consistent with the promised benefits of planning, many firms' plans were inconsistent with achieving their aims. There was some evidence that firms matched the level of systematisation and links between plan and budget to their environment - they were less likely to have high control systems in high-growth-potential environments and more likely in low growth.

We have suggested, (Cousins 1991), that the requirement to find a balance between creativity and control, may imply that the textbook model could be modified to deliver its promised benefits. By dividing the process into two parts and separating in time the "creative" process of strategy formulation from the "control" elements of action planning and budgeting, a balance may be struck. Annual strategy reformulation may not be needed, but to ensure the logical linking of the processes, firms should focus on formalising strategy and identifying and ratifying key assumptions during the annual budgeting round. This is not an entirely satisfactory solution since implementation is a part of the strategy process. Nevertheless, this may help firms regain some of the creative thinking that previous authors (e.g. Ames 1968, Mintzberg 1994b) have suggested has been lost in planning as practised.

The Textbook Model

Firms with **textbook model plans** were no more likely to perceive their relative profitability to be high than firms with other styles of plan. Given the nature of the aspects of planning valued by firms, and the fact that the textbook model is the most comprehensive form of planning, it is inevitable that, at the level we have measured it, they should apparently achieve their aims. Although we have omitted utilisation in our stream of events studied, John and Martin (1984) suggest that these plans are more likely to be used. Systematisation, and close links between plans and budgets, while associated with plans more likely to follow the textbook model, were not generally associated with a greater likelihood of perceiving high relative profitability. In high-growth-potential industries, we find the case for textbook marketing planning undermined, in modest growth potential environments not proven, whereas in more mature industries, our evidence suggests the model is much more valid.

When we take account of variations of environment, in terms of both predictability and the level of causal knowledge the firm has in that environment, we suggest that a more substantive extension to the model may be required, placing greater emphasis on process modification. It is the formality of the process, rather than the scope of the output, that drives our findings of association with varying levels of perceived relative profitability. Further, it is by linking the process to the environment, measured in our research by perceived industry growth potential, that we identify the variations in performance. Some firms without marketing plans suggested that their reason for not using a formal organising framework for decision making, was that they feared a loss of flexibility, to be opportunistic as occasions arose.

Flexibility versus Control

One suggestion would be to introduce an additional balance between "flexibility and control". This explicitly introduces the idea that variations in the model's process might be suited to different environments. Further refinements suggest that the scope of plans might be influenced by different aims of planning in different environments. Certainly, there seems to be a need to reconcile the aims, formality, and scope of the planning process with the environment.

We see a fundamental trade-off between an approach that seeks flexibility, the ability to respond to changes in assumptions, from one that focuses on future control (e.g. Paul et al 1978). While planning as future control seeks to find the best solution to the predicted future (or limited possible futures), planning as adaptation seeks to prepare the firm for many possible futures. This is a problematic concept (Wildavsky 1973, Mintzberg 1990), but we believe that this allows a general theory of planning to emerge with universal applicability, where planning is simply "preparing for the future". Within this framework, the need for an explicit decision framework may be relaxed.

Planning as a Framework for Understanding

We can decompose our conceptualisation further, and suggest that planning could be simply an organising framework for understanding. Taking the argument of

Mintzberg (1994b), we would go further: that the analysis may help understanding to develop consistently (although within the existing mental model of managers), and to be codified. Whether an organising framework can help managers find new strategies be developed or emerge is less clear.

Here the zero-based assumption we identified earlier may be relevant; for a first time plan the organising framework may offer new insights (e.g. Farhangmehr and Wensley 1990), while for a repetitive process it may constrain the scope of thinking. We suggest that there may be an opportunity for a process that changes from year to year, to stimulate new ways of thinking about the world. Further, there may be a need, in uncertainty, to look for less deterministic preparation for the future.

PLANNING AS FUTURE CONTROL AND PLANNING AS ADAPTATION

We believe that the need for extreme flexibility is limited. While it has become fashionable to refer to "turbulence" in the environment, (Mintzberg 1990: 176-179), we share the scepticism of Mintzberg (1990: 179-183), and Woodward (1982). However, extreme uncertainty may periodically characterise markets. Firms operating in complex high technology markets (such as personal computing, or bioengineering) or even organisations whose future depends on unclear political decisions (such as pan-London agencies) may have more futures than they can plan for. Adaptation aims to open up options whereas the current model reduces options.

In unpredictable environments firms need the ability to adapt rapidly to changes which, in turn, suggests that rapid information gathering, and previously developed contexts in which this information can be understood, are essential. A firm can be designed to be highly responsive, and/or it can use scenario forecasting and contingency planning (Wensley 1979, de Geus 1988), and/or it can take small decisions to delay major ones. This last idea differs from contingency planning in the view that the firm should take actions which **delay** closing down possible options. These could range from simple actions, such as "late" planning of activity (like most decisions, Mintzberg and Waters 1985), to more strategic moves such as multiple joint ventures to back different possible future industry standards or technologies. Analytically, this suggests scenario forecasting, competitor strategy forecasting, identification of strategic alternatives, and a focus on key assumptions (Marsh et al 1988). Explicit assumptions ensure that changes are noticed and acted on quickly. Risk reduction may be related to keeping many options open, rather than "doing one thing properly".

A system designed to initiate (or cope with) change would look very different from one designed exclusively for efficiency. Such a system might include redundancy of function (building slack into the system). Redundancy of function is expensive and wasteful unless there is a real chance that a very different future might emerge. Redundancy of function would be linked to flexible manufacturing systems (even mass customisation) and flexible processes. The focus would fall on generating informal interaction to initiate innovation (e.g. Norburn et al 1986). This would require ex-post review to determine effectiveness. While the danger in separating analysis and action is a possible failure of consistency, planning as currently practised does not resolve this for most firms. Perhaps more importantly, it is critically dependent on the ability to evaluate the assumptions. The approach suggested by the "ringi" of debating values and assumptions (Morgan 1986: 93), rather than an objective-driven approach, would be consistent with this. This suggests a decision-making structure akin to that described by, for example, Wrapp (1967), Lindblom (1959), Braybrooke and Lindblom (1963) and Behn (1988), and an organisation structure that was self-designing (e.g. Hedberg et al 1976, Zuijderhoudt 1990).

Adaptive planning would, then have certain characteristics: an organic structure using networking and project teams, tolerance of ambiguity, poorly defined structure and roles, and unstructured processes. It would be wasteful and low in control, but promote the questioning of assumptions.

It is beyond the scope of this research to propose a detailed alternative solution. Since the work of Burns and Stalker (1961), many authors have addressed the issue of managing decision making under uncertainty, although limited empirical evidence is available. One focus which has particular relevance has been on "learning organisations" and systems theory, where we can contrast single loop learning systems, such as budgeting, with intended double loop learning systems, such as planning (e.g. Argyris and Schön 1978, Senge 1990). A practical difficulty here is the development of a systems model (including feedback delays) which is both sufficiently complex to be realistic, and tractable. Kahalas (1977) and Nadler (1978) propose systems views of planning which identify context, while Goldstein (1981) proposes splitting the single and double loop aspects, giving the "ringi" principle as an exemplar of the latter. More recently, learning as a chaotic system in turbulent environments has been explored as managing critical points of interaction with the environment (Bahlmann 1990).

Bourgeois (1984) argues that such contingency theories devalue strategic choice (and would run counter to our acceptance of the notion of an enacted environment).

Zammuto (1988) suggests, however, that this dichotomy is artificial, and (following Joyce and Hrebiniak 1985) we can view organisational ecology and strategic adaptation as not mutually exclusive.

Earlier, we discussed the artificial separation of the different roles of planning adopted in this study, and suggested that this could not be wholly sustained. In suggesting planning as adaptation we raise a conflict between planning as an organising framework for decision making and planning as integration and consensus-building. Weick suggests that organisations which "**both believe and doubt their past experience retain more flexibility and adaptive capacity**" (1979: 7). He suggests that (1979: 13):

(i) we interpret past events and write plausible histories to link past and present, but to retain adaptability requires an ambivalent attitude to past experience (a questioning of fundamental assumptions),

(ii) organisations have a hand in creating the realities they then regard as facts,

(iii) events are held together by strands of perceived causality.

We can reconsider planning as flexibility in the light of doubting past experience and the conflict of this with the reinterpretation of events to generate a causal model, and the need for causal links to be "enactable". We thus need to design a system that promotes the retention of doubt about the causal model. However, retaining ambiguity about the future is hard if a further aim of planning is to generate consensus across the organisation, and implement solutions.

RECONCILING THE MANY ROLES OF PLANNING

In Chapter 8 we suggested there was a need to reconcile the formality of planning, scope of the plan, and the perceived environment, both with each other, and with the other roles of planning, and suggested that explicit trade-offs were inherent in this.

We have already started to consider the trade-offs between flexibility (creativity and ability to change) and control. There are also trade-off between flexibility and integration (communication, co-ordination, and consensus). One aim of the textbook model is to help firms deal with complexity, by standardising the process across the firm and by allowing delegation without loss of control. Standardisation means that top management can make resource allocation decisions more easily, while keeping control by agreeing decisions together and in advance makes product-market separation and co-ordination easier.

Complexity

"Complexity" is a widely-used but poorly defined concept. From a survey of the indexes of a dozen relevant organisational behaviour texts (Burns and Stalker 1961, Child 1977, Handy 1989, Heller et al 1988, Katz and Kahn 1978, Lawrence and Lorsch 1967, March 1988, Mintzberg 1983, Morgan 1986, Perrow 1979, Pfeffer 1981, Pugh 1971), only Mintzberg (1983: 136) mentions complexity, which he relates to the degree of centralisation, specialisation and co-ordination in an organisation. He defines complexity as the state of the environment with four elements: stability (our unpredictability measure), complexity (simple skills and simple products to complex skills for complex outputs), market diversity (integrated to diversified) and hostility (munificent to benign).

We consider a simpler definition of "complexity" as operating in multiple product-markets at the trading unit level; this is not exhaustive but serves our practical purpose here. In firms operating in more diversified markets, we might expect a greater focus on action planning (to ensure integrated programmes are presented to operations and sales), and strategy formulation (to ensure distinct or comprehensive positionings for the offerings). Similarly, we might expect increasing complexity of operations to coincide with increasing formality of process, and hence move from informal planning towards the fully programmed textbook model. The above serves to highlight some of the tensions that exist, that are not explicit in considering one aspect of planning but that firms must consider, rather than an attempt to present a comprehensive view of how these tensions might be (or are) resolved.

10.3 IMPLICATIONS

This is a single study, whose findings regarding formality, perceived relative profitability and perceived growth potential conflict with those of the closest similar study of Lysonski and Pecotich (1990, 1992). They are consistent with the findings of Fredrickson (1984) and Fredrickson and Mitchell (1984). Our confidence in our result comes mostly from the consistency of the findings, rather than the strength of any one association. We are aware that we must take care in interpreting the results (e.g. Snyder and Glueck 1980), and that further replication is vital if we are to establish whether or not a consistent pattern can be found, or whether this is simply a quirk of our study. We are very aware of the fragility of our measure of performance and that growth is not a direct measure of predictability; unpredictability in annual planning could arise from volatility in a market whatever its growth potential.

While this study must be treated as exploratory, our findings suggest the following implications for managers and for marketing planning research.

MANAGERIAL IMPLICATIONS

The conceptualisation of planning, with its definition of the core intended meaning as "an organising framework for decision making", and choices and influences on the process, may help firms to choose an appropriate and coherent structure for determining marketing decisions. Because the formality of the marketing planning process, and perhaps others, may be contingent on the perceived growth environment of the organisation, we suggest that firms should focus on understanding, and consider which are the most suitable outcomes: formal decisions, a formal decision framework, or an informal decision framework. Moreover, we suggest that personal and political influences, skill capabilities, information processing and exchange also impact on the process. We have barely studied these, but they should also be taken into account.

In developing some suggestions for firms about planning as an organising framework for decision making, we make some assumptions, based on our findings:

- Acceptable aims of planning include adaptation as well as future control, giving us a working definition of planning as "preparing for the future". We consider the firms' distinctive competencies as a social reality, and the environment as enacted rather than as objective given reality (Weick 1979).

- The planning process appears to be more important than the nature of the output, and should be adapted to the circumstances of the firm, the aims of the process, and the structure and management style. Standardisation of the process across a diverse firm may have hidden costs.

- The context of the external environment and the internal structure and management style (more than the firm or product-market characteristics) should largely determine the degree of formality of the organising framework for decision making. The aims of the process should, in conjunction with this, govern the scope of the plan. The planning process should be more systematised in more predictable environments, and less formal in less predictable environments.

- The suggestion that smaller and less diversified firms may have less need of formal (written-down) planning may apply to very small firms. In our sample we did not study firms with an overall turnover of less than £10 million. The smaller and less diversified firms in this survey were less likely to use formal marketing plans, but they were more likely to perceive their relative profitability to be high if they did so. It seems, therefore, that a clearer definition of small and less diversified would be helpful.

For many firms the textbook model (with perhaps minor modification, Cousins 1991) offers a suitable way of preparing for their future. Where a formal marketing plan is prepared, our data suggest this should be a separate document, rather than part of a corporate plan. This raises questions about how activity should be integrated across the firm. Nor did a strategic plan seem to be an adequate substitute for this.

However, no formality (or very little) in marketing planning may be more suitable for high-growth-potential environments because the costs in flexibility, motivation, and autonomy outweigh the need for control, and perhaps for firms in very stable or imposed environments. In the latter cases, the costs of formal planning in time, energy and information costs may not generate an adequate return, or the process may be irrelevant.

Planning by the textbook model is designed to identify opportunities, but also to close some options down. For all firms we suggest that explicit marketing analysis is valuable to highlight key assumptions. It was not the case that this lesser degree of formality implied a lesser degree of explicit analysis, or as far as we could judge, of integrated decision making. Rather the suggestion was that in many cases formality constrained both thinking and future actions. The underlying principle here may be more to do with the level of determinism in the firm's approach, than with the relative emphasis on direction or control: in a high-growth environment, a more opportunistic approach may pay off.

RESEARCH IMPLICATIONS

We discuss several implications for future research: implications for survey research, the clarification of the conceptual framework, exploring the potential for a model that relaxes the requirement for determinism, and finally managing the tension between focused research and the need to embed it in a broader context.

Survey Research into Marketing Planning

Four issues arise relating to future survey research into marketing planning as an organising framework for decision making: the measures used, the textbook model influence, response rates, and the suitability of this compared with qualitative approaches.

We discussed in Section 10.2 the need for clarity and precision in the measures used. Planning is more complex than the literature suggests. Future research must be clear about what, precisely, is the purpose of the study, to ensure that appropriate measures are taken. Better and multiple measures of firm performance, including both short-term and longer-term measures would add credence to the findings.

The textbook model is such a pervasive framework that care must be taken to avoid prejudging possible outcomes by implicitly accepting the textbook norms. Most existing research is implicitly or explicitly uncritical of the textbook model. Yet our results suggest that the model may be far from universally valid. In our study we became aware that our supposedly "value-free" questions to firms without marketing plans in fact presume a future control model.

Concerns about possible non-response bias led us to persist in data collection until we had achieved a response rate of 93%, far higher than in any previous study. While we found that late respondents did systematically differ from early respondents, this was not sufficient to require future research to adopt the same approach. *Ex-post*, we now know that our original target response rate of 65% would have been entirely adequate. These systematic differences in response paradoxically meant that the statistical significance of our main results was reduced by achieving a higher response rate; in particular, the later respondents were less likely to show the same associations of perceived relative profitability, perceived industry growth potential, and formality of planning process. While some sample differences exist, such as a high proportion of service firms, the single most consistent feature of these firms was their unwillingness to complete our questionnaire. We could conjecture that these respondents operated, in practice, with a more informal management style regardless of the defined procedures, and that their results reflect the reality, rather than the theory, of formality in the firm.

Although these issues may be relevant for future survey research into marketing planning, we see the main opportunities as now arising from qualitative research, and in particular detailed case study research. Many issues simply cannot be adequately explored through surveys, e.g. information processing. For other issues, the dangers in survey research are more insidious; that the research fails to identify important variables that influence the topic considered, and a general issue of validity, e.g. that the term "marketing plan" is interpreted very differently in different organisations.

The Conceptual Framework

Previous research into marketing planning has not made the conceptual framework clear. Thus marketing planning is mostly gauged by, first, the existence of a marketing plan, and second the similarity between the plan produced and the textbook model.

Our findings suggest that the existence of a written marketing plan (whether separate or part of a corporate plan) does not distinguish clearly firms with a formal marketing planning system since firms use many labels for plans. Nor does the existence of a formal system correlate especially well with the existence of planning behaviours. Future research into marketing planning must take account of these problems of definition if substantive insights into firms' activities in this area are to be uncovered. We suggest that the aspect(s) of planning of particular interest should be made clear. Options available within our conceptualisation include:

- scope and formality of the organising framework for decision making
- information exchange in the organising framework for decision making

- analytic capabilities, information used or information processing
- the impact of personal and political factors
- analysis versus intuition in planning
- integration and consensus building in planning
- credibility and utilisation of the plan or control of the plan implementation

Once the relevant aspects have been chosen, our results suggest ways in which the internal and external context will influence what does and should happen. By focusing planning research to a greater degree, it becomes practical to consider the context of the issue that is studied which, it seems, will yield more insight.

Assumptions in the Textbook Model

We identified six assumptions relating to the scope and formality of marketing planning in its role as an organising framework for decision making. Although asserted in the textbooks, they have not been previously identified as assumptions.

Similarly, when we consider other possible roles for marketing planning, we see that there are equivalent assumptions. For example, we described the assumptions that there is a hierarchical structure of plans which is top-down rather than bottom-up, that planning is a rational process rather than a political process; that a process designed for a one-off plan is equally suited to a repetitive process and enough ambiguity is held to ensure that the mental model can be re-evaluated. In Appendix 2.1 we identify several assumptions relating to information processing in firms. Undoubtedly, there are many more. It would be valuable for these to be identified and tested empirically.

Determinism Versus Flexibility

Our results consistently link the formality of the planning process to perceived relative profitability by environment. This was consistent with our expectations from our earlier analysis. Moreover, we found that planning formality was a poor proxy for planning behaviour. We have suggested that underpinning this are two distinct attitudes to planning: that planning aims to give the firm "future control", or that planning aims to give the firm flexibility. Only the former attitude is currently embraced within planning.

We suggest that there is scope for further exploration of this theme, in several ways.

- First, there is the immediate suggestion relating to the planning process.

- Secondly there is a broader notion of matching the firm's processes to both its internal and external environment. Although this is mentioned in the organisation literature, it has not received the attention of, say, the strategy/ structure debate.

- Thirdly, there is the issue of how this is achieved in practice. While there is much discussion of "learning organisations" etc., it is not obvious that firms have fully embraced this concept, or that it has yet been presented in a way that they could embrace. This links back to the idea of how information is captured and interpreted by the firm. This seems to be an area where linking the two themes of planning formality in its decision making role (or its role in understanding) and the MIS system, and information processing capabilities would be of value.

We return to this theme in the final section, in suggesting the way forward for our research.

Managing the Tensions Between Focus and Context

We have suggested that the most practical route forward is to adopt an approach which seeks to shine a spotlight on one role of planning and embed it in a broader context, albeit with minor modifications as we suggest above. We would extend this to suggest that, rather than focusing on "planning", researchers should focus on the **role** in which they are interested, and see where planning fits in the interpretation of that role in the company, rather than the reverse as has been the case to date. We did this to a limited extent by looking at firms without marketing plans as well as firms with. Similarly, Greenley and Bayus (1993) aimed to look at planning decision making, but took only survey responses on perceived quality. However, more insights might have been gained by focusing on a decision (Day and Wensley 1983), and identifying the role of formal marketing planning in that decision (e.g. Sinha 1990, Marsh et al 1988). We see this as one of the ways in which we would like to take our research forward.

10.4 FURTHER RESEARCH

Our overwhelming impression at the end of this research is of how little is known about marketing planning. There are many possible research routes as we indicated, mostly for qualitative studies at this stage, and specifically from case research.

We are particularly interested in pursuing two related areas, which develop from our research: the idea of matching the firm's marketing processes with its internal and external environment, and the type of information system and information processing skills that are required to enable the firm both to develop a consensus and to retain ambiguity in the management team's mental models of the firm and its environment. Both of these themes would be explored with detailed case research. Both offer the scope to become major research programmes. We describe the main ideas, and the proposed first stages in undertaking such research.

Matching Marketing Process and Environment

To explore the idea of matching process and environment, we envisage starting from a simple conceptual model. Here we have taken the McKinsey 7S model (Peters and Waterman 1980:7) applied to the marketing department or equivalent, and mapped it onto a simplified environment model, linked by the MIS system and information processing capabilities. There are three main questions in this:

- to what extent is the MIS and information processing effective in interpreting the environment to the firm?
- to what extent are the marketing processes of the firm suited to the external enacted environment?
- to what extent are the strategy, structure, skills, style, systems, staff, and superordinate goals internally consistent and consistent with the enacted environment?

This is an ambitious goal, extending the recent debate about whether strategy leads structure or vice versa, or they should be "matched" (see, for example, Norburn et al 1986), and contingent theories of leadership style (e.g. Norburn 1986). However, we anticipate starting with more limited aims. Our first steps in this would involve replicating and extending our research findings, with these aims modified by our perception that the **roles** of planning should be the main research focus, rather than planning *per se.*

We envisage a study focusing on marketing decision making in a small sample of firms, perhaps selecting a particular decision for study. We would then aim to identify the formality of the decision-making process and the enacted environment, and see the extent to which these are matched within the theoretical framework we use here. Perhaps taking a longitudinal approach, we would then seek to identify the suitability of the decision framework in the extent to which the firm was successful in capturing all viewpoints. The adequacy of the relevant managers' mental models, and how these are shared and changed, forms the basis for our second strand of research.

We plan here to take firms operating in two industries with different growth characteristics for comparative purposes.

Managing Tensions in the Planning Model

We have discussed the need to manage tensions between the different roles of planning. It seems likely from our analysis, that while formal processes deliver control, communication, co-ordination, consensus, and comprehensiveness, they are less successful in delivering change or creativity, while the reverse would characterise informal processes. (We could describe these as the 7C's of planning).

We hypothesised (page 286) that one mechanism for helping firms to retain ambiguity while retaining control, communication, co-ordination, and consensus would emerge from a focus on key assumptions and values. We further conjecture that retaining creativity may be related to finding different approaches to questioning the mental models of the firm: e.g. naive questioning of the assumptions, data-free scenario development, action planning without analysis to reveal implicit models and preferred strategies. Our research does not highlight comprehensiveness as a key issue. However, we conjecture that this is simply swamped by the process issues, rather than irrelevant.

Our first step here would be to identify the extent to which firms develop a common mental model of their marketing capabilities in relation to their environment, and how it is changed. Here we need to tap into the information processing literature (Appendix 2.1 identifies some relevant studies). We want to identify the nature of signals that can in practice change managers' mental models, and the circumstances that have to exist inside the firm to enable them to see these signals.

Again, we anticipate studying firms in two different industries, differing in the nature of their environment. By considering several firms in one industry, we could compare their ability to collect signals and absorb them into the firms' decision making. With careful selection these industries could mirror those chosen above, and the two research projects could run in parallel in the same firms.

Concluding Note

In this thesis we developed a broader conceptualisation of the marketing planning model. We identified tensions arising from assumptions in the current textbook model about the suggested scope of plans and the formality of the process in its role as an organising framework for decision making. We forecast outcomes that might differ from the textbook model in different contexts and then demonstrated that these outcomes occurred mostly as predicted in firms' plans and planning processes. We suggest a contingency theory of planning, making explicit trade-offs between control and flexibility.

However, the main lesson has been to discover how little is known about marketing planning, yet how much is taken for granted. Through richer insights into the actual behaviour of firms and the actors in them, we may be able to present a more comprehensive theory of the marketing planning concept and the ways in which it might be realised in firms. With better understanding of the links between structure and process, aims and environments, styles and social realities, we could extend the theory to take account of the textual differences in people, organisations, and their contexts.

APPENDICES

Appendix 2.1

ALTERNATIVE FOCI FOR CONCEPTUALISING PLANNING

We have chosen to focus our conceptualisation of marketing planning on the facet that relates to its role as an organising framework for decision making, and then to look at the scope and formality of that framework. Planning can be conceptualised in other ways. We could look at the other intended meanings of integration and control, which might focus on information processing or the personal/political factors involved respectively. In the latter we would include reward and punishment systems, to identify motivation drivers. Thus, for example, Luthans (1988) is relevant in suggesting that personal success depends on interactions up the hierarchy, while performance effectiveness demands interactions across the structure.

Each of the intended meanings has implicitly underpinned previous research, mostly into strategic planning. They are not discrete, or distinct elements, although we suggest in Chapter 10 that more insight might be gained into planning if they were explicitly recognised as different aspects and individually explored in depth, and a more holistic approach to synthesising research into planning was subsequently sought.

Here we briefly explore an information processing approach. Other possibilities exist; simply we aim to demonstrate how a different perspective reveals more insights into the complexity of the process, and more assumptions within the textbook model of marketing planning about the process. This approach implicitly relaxes the constraint of treating planning as if it were carried out be the firm, and looks inside at the interactions of the people involved. We return to this idea in Chapter 10.

Planning as Information Processing

Within a focus on planning as information processing, we would explore the systems and approaches by which information is captured by the firm, disseminated through the organisation, and used in decision making, motivation and control.

The textbook model implicitly assumes that a single **objective reality** exists in the environment and in the firms distinctive competencies. It further assumes that this **reality can be identified** by marketers with sufficient market research and analytic skills. This is a **rational analytic** process which works for **well-structured and ill-**

defined problems alike, and for problem-solving, **more information is better.** Regardless of the function of the manager **this reality will be commonly understood across the firm and up the hierarchy** (by virtue of the marketing concept). Thus, information will be interpreted in the same way regardless of the position in the firm. **Information is assumed to be passed freely through the organisation** to enable the best economic decision to be reached. We argue that which pieces of information a firm chooses to collect, how these are disseminated to actors in the firm, and how they are interpreted may, however, be highly dependent on the model of the world in place in the firm (in a systematised process) or the individual actors (in a less structured approach).

These assumptions are not supported by the empirical evidence available on how firms process information. From Weick (1979) we have the suggestion that neither the internal nor external environments are objective realities, extending the idea of March and Simon (1958: 203) on bounded rationality.

Hrebiniak and Joyce (1986) describe the limited information handling capabilities of managers. From Allison (1969) we see how different "**conceptual lenses**" can influence analysis of the same situation. Knights and Morgan (1991) describe a view of power in strategic discourse as defining the problem to be solved, as well as influencing the nature of the solution. Lenz and Engledow (1986) suggest that firms have problems defining their environment coherently and relating to it in a systematic way. Ungson et al (1981) suggest that information screening and categorisation is affected by organisation structure, while Deshpande and Zaltman (1982) found that information use is affected by organisation structure (with more informal decentralised organisations making more use of external market research information). Grinyer and Norburn (1974) suggest that use of informally gathered information and informal decision processes are important. Dyson and Foster (1980, 1983) suggest that high or low participation in planning lead to different outcomes. While high participation leads to integration and a broader range of resources planned, in low participation systems assumptions are more likely to be identified, formulation is richer, evaluation deeper, and more data used. Feldman and March (1981) suggest that much of the information gathered is irrelevant, much interpreted after the event, and much simply ignored. Similarly, Crawford (1977) finds that firms demonstrate "**selective inattention to negative feedback**" in market research findings. Limited information collection may also occur (Dickson and Kalapurakal 1991, Aguilar 1967), with a failure to recognise the relevance of information and distorted reproduction of information (Aguilar 1967). Limited analysis of available information occurs (Kapoor and Singh 1981, Cosse and Swan 1983).

Whether the extreme rationality of information processing in the planning model is, in fact, desirable is further explored by Cartwright (1987), Langley (1988), and de Smit and Rade (1980). The role of judgement is highlighted by Brownlie (1991) and Mintzberg (1976). Ungson et al (1981) survey the literature suggesting different models of information processing are suited to different types of problem. The assumption that more information is better is questioned (Feldman and March 1981).

Strong cultures and consensus about the world may make firms insensitive to market signals, even as they help firms implement their strategies. While firms of different strategic types (Miles and Snow 1978) show similar propensities to scan information, Hambrick (1982) suggests they have different propensities to act on it. Ireland et al (1987) demonstrated that managers at different levels have different perceptions of their firms' comparative advantages and of the level of uncertainty in the environment, and, to some degree, of which information is important.

Within firms, Ghoshal and Kim (1986) have identified problems in pooling information; managers are more enthusiastic about collecting information than disseminating it to colleagues. Information represents power in an organisation (e.g. Pettigrew 1973) and is not released lightly. In different parts of the firm, such as a multinational, different information may be available (Hulbert et al 1980).

Thus the evidence suggests a system where structure and style influence which data are captured and how (or whether) they are used. Further constraints on the textbook model assumptions on how information is used arise because of personal interests, capabilities, and perspectives.

Planning, within the textbook model, is linked to the company budget. The integration of planning and budgeting has been studied (e.g. Lin 1979, Wetherbe and Montanari 1981, and Duffy 1989). Peattie (1993) takes this argument further and suggests that politics in planning creates a gulf between a firm's plan and its implicit strategy. While controls within the plan are not assumed to be budgetary control, Greenley (1982, 1984) found that budgetary control, sales control and management by objectives were the principal methods of control applied to marketing plans. There is an assumption in the textbook model, however, that planning is a **rational** (economic) activity, also presumed to be **synoptic**, rather than incremental.

Budgeting is a highly political activity (Hopwood 1980) rather than the rational process of the marketing planning literature, suggesting conflicts. The focus for energy in the budgeting process is on the resource allocation process. Problems with budgeting have been documented over many years (e.g. Argyris 1953), also related to game playing (e.g. Hofstede 1968, Collins et al 1987, Bart 1988).

Marketing budgeting has received attention more recently (e.g. Piercy 1986). It is especially important in the context of marketing planning research since plans have historically been criticised for being little more than budgets (e.g. Winer 1965, McDonald 1979). Boxer and Wensley (1986) suggest a need to focus more on integrated and dynamic analysis than the 4P's framework; yet in our study only 51% of firms with marketing plans included the key elements of a marketing analysis according to the textbook model (page 199). Lilien and Weinstein (1984) suggest that marketing budgets are often based more on impression than on fact. This then links back to the issues of information collection and processing.

Weick (1979: 10-11) describes plans as symbols and advertisements (after Cohen and March 1974) for external signalling purposes (external control), games to test commitment (internal control), and excuses for interaction, consistent with Anderson (1983) who suggests organisational action as the outcome of social interaction as well as intellectual process. Planning is a negotiation which maps onto planning as contracts (Allaire and Firsirotu 1990). We do not find immediate support for planning as a rational economic process.

Managing controls through the planning system may not necessarily be harmful to the planning; the issue is which controls and how to implement them. Budgeting is an exercise in which, at a rational level, managers with imperfect knowledge, trade off short-term results against long-term investment. The need to make this trade-off more explicit has led to the interest in brand equity (e.g. Barwise et al 1990) and ways to find new controls (e.g. Simmonds 1986). Norburn and Miller (1981) suggest matching reward systems more closely to the strategy, analagous to our suggestion that firms control on the key objectives in the plan.

Finally, planning can be considered as extended budgeting, and hence more incremental than radical. While some authors (e.g. Quinn 1980) suggest this undermines the rational synoptic model, others (e.g. Camillus 1982) see the two positions as theoretically consistent.

Overall, therefore, we identify some assumptions in the textbook model relating to information processing, and the nature of the output. The evidence we present casts some doubts on these assumptions. To explore these is beyond the scope of this thesis. However, they are relevant issues for our proposed future research.

Appendix 4.1

QUESTIONNAIRE PLACEMENT SCRIPT

1. Getting through

- Do you have a marketing department → Could I speak to the Sales Manager ?
  Yes ↓ No

  Could I speak to the marketing manager ? (then choose)

  [Otherwise explain who you are to switchboard]

2. Phoning on behalf of Laura Cousins, marketing lecturer at LBS
   She is leading a programme of research into marketing planning in companies operating in the UK.
   We are hoping to enlist your help - we want to get a representative spread of companies.

Does your company produce an annual marketing plan ?

Yes

- Like to send you short questionnaire - mostly multiple choice - on 3 sides of paper.
- Asks you to : classify your company eg employees
  : about the process eg who writes the plan
  : about the content ... but only in terms of 'what types of analysis', 'what types of objectives set'
- Response is confidential - will not be possible to identify your company in the report. Not asking for information of a highly confidential/ sensitive nature for most companies. - If there are any questions that you are unable to answer for any reason, please leave them blank and return the questionnaire with whatever you have been able to fill in.
- (Will send the survey results as soon as available - don't hold your breath!)

No

- Could Laura Cousins phone you to talk to you for 5-10 minutes (no more) about your planning procedures, eg sales forecasting. (When would be convenient ... or should we take pot-luck)

Appendix 4.2

CONFIDENTIAL

ANNUAL MARKETING PLANNING SURVEY

1.1 CLASSIFICATION QUESTIONS

1.1 Please indicate the one category that best describes the activities of your division or business unit:

Industrial goods ☐ Industrial services (i.e. business to business services) ☐ Consumer durable goods ☐

Consumer non-durable goods ☐ Consumer services ☐ Public utility ☐

1.2 Please indicate the turnover range into which your business unit or division falls:

Less than £10 million ☐ £10-£20 million ☐ £20.1-£50 million ☐

£50.1-£100 million ☐ £100.1-£250 million ☐ Over £250 million ☐

1.3 How many people are employed by your business unit or division?

1-50 ☐ 51-300 ☐ 301-500 ☐ 501-1000 ☐ 1001-3000 ☐ 3001-5000 ☐ Over 5000 ☐

1.4 Please indicate the statement that best describes the diversity of the product or service range of your division or business unit:

One type of product or service into one market (e.g. packaged food products for grocery retail sale) .... ☐

One type of product or service into more than one market (e.g. packaged food products for retail and catering) .... ☐

More than one product or service into one market (e.g. packaged food products and detergents through grocers) ..... ☐

More than one product or service into more than one market (e.g. packaged foods and detergents for retail and catering) ..... ☐

1.5 Please indicate how you believe your profitability (e.g. return on sales) compares with that of your major competitors:

Well above average ☐ A little above average ☐ About average ☐

A little below average ☐ Well below average ☐

1.6 Would you consider your main business activity to be in an industry where, over the next five years or so

the industry has high growth potential ☐ the industry has modest growth potential ☐

the industry is stable ☐ the industry is in modest decline ☐

the industry is in sharp decline ☐

2. MARKETING PLANNING

2.1 Does your business unit/division produce an annual written marketing plan? YES ☐ NO ☐

2.2 If so, is the written plan:

a separate plan for each major product or service? .... ☐
a separate plan for each market served? .... ☐
a separate plan for all the company's products or services? .... ☐
part of an overall business plan for the business unit for that year? ... ☐

3. THE PROCESS OF PRODUCING THE ANNUAL WRITTEN MARKETING PLAN

3.1 What was the title of the person with prime responsibility for writing the most recent annual marketing plan?

3.2 Who was responsible for final approval of the most recent plan?

....

3.3 Who was the most senior person to make any changes whatsoever to the plan?

....

3.4 To what extent were formal guidelines for the plan issued? (Please tick as many as appropriate):

	Written directions	Verbal directions
Plan format (e.g. contents list)	☐	☐
Topics to be covered	☐	☐
Schedule/appendix format	☐	☐

3.5 Who was responsible for issuing the guidelines, if any?

....

3.6 Which of the following statements best expresses the extent to which senior management gave feedback during the planning process?

Frequent feedback on plan progress ☐ Some feedback on the plan's progress ☐

Suggested changes at the approval stage ☐ Approved the plan with no changes ☐

3.7 What was the timetable of the planning process?

When is your year end? ....

When did the annual planning process start last time? ....

When was the most recent annual plan finally approved? ....

When was the annual budget agreed? ....

4. CONTENTS OF ANNUAL MARKETING PLANS

4.1 For which of the following were explicit objectives set and strategies (overall statements of how the objectives were to be achieved) and detailed action plans written in the annual plan (please tick if set and indicate n/a if not applicable):

	Objectives for plan year	Marketing Strategies	Action Plans
Market share	☐	☐	☐
Competitor(s) market share(s)	☐	☐	☐
Sales volume	☐	☐	☐
Sales revenue	☐	☐	☐
Marketing expenditure	☐	☐	☐
Contribution after marketing costs	☐	☐	☐
Profit margins	☐	☐	☐
Product/service improvement	☐	☐	☐
New products/services	☐	☐	☐
Presentation design (e.g. packaging, point of sale)	☐	☐	☐
Customer service after sales service	☐	☐	☐
Pricing	☐	☐	☐
Sales promotion	☐	☐	☐
Advertising	☐	☐	☐
Field sales effort	☐	☐	☐
Sales training	☐	☐	☐
Distributor dealer relations	☐	☐	☐
Product/service availability	☐	☐	☐
Marketing research	☐	☐	☐
Other (please state)	☐	☐	☐

4.2 Was there an explicit statement of the key assumptions on which the plan was based? YES ☐ NO ☐

4.3 Was an explicit statement of overall marketing strategy written in the plan? YES ☐ NO ☐

4.4 Were explicit contingency plans (for events not forecast to happen but perceived to be possible) written into the plan? If so, against what contingencies?

....

4.5 Which of the following analyses were discussed in the plan:

Technological trends .... ☐
Government regulation issues .... ☐
Changing needs of customers .... ☐
Other environmental issues .... ☐

Forecast of total market demand .... ☐
Market share trends .... ☐
Market segmentation analysis .... ☐

Strengths and weaknesses .... ☐
Opportunities and threats .... ☐
Competitors strategy forecast .... ☐
Alternative marketing strategies .... ☐

Review of previous plan .... ☐

4.6 What is the most useful aspect of the marketing plan or the planning process?

....

4.7 Any other comments that you would like to make ....

....

If possible please include a copy of the contents list of your most recent plan

Thank you for your cooperation. Please return the questionnaire in the enclosed reply-paid envelope to:

Laura Cousins
Marketing Planning Research Programme
London Business School
Sussex Place, Regent's Park
LONDON NW1 4SA

TEL: 01-262 5050

Appendix 4.3

London
Business
School

Sussex Place
Regent's Park
London NW1 4SA

Dear Sir or Madam

MARKETING PLANNING RESEARCH PROGRAMME

Thank you for agreeing to take part in this research programme.

The questionnaire is attached. It should not take more than a few minutes to complete. If, for any reason, there are questions on the form that you are unable to answer please leave them blank and go on to the next. It is very important that all the questionnaires are returned so, **however much or little you can complete, please return the questionnaire** in the enclosed envelope. Any non-response will reduce the validity of our findings. Of course we hope you will be able to complete it all.

This questionnaire is confidential. As you may have noticed, the questionnaires are coded on the back. This allows us to check off respondents as the questionnaires are returned. In this way people who have already replied will not be bothered by follow-up telephone calls. The coding will not be used to identify specific company responses - the purpose of the survey is to identify planning practice by type of company as determined by the initial classification questions. No information will, therefore, be attributed to any named source, nor will any company be identifiable in any report of this study.

If you have any questions, please do not hesitate to contact me, Laura Cousins, at the London Business School (Tel: 01-262 5050).

We will send you the results as soon as they are available.

Thank you, once again for your cooperation.

Yours faithfully

Laura Cousins

Laura Cousins
Lecturer in Marketing, London Business School
Marketing Planning Research Programme

Telephone 01 262 5050 Telex 27461 Fax 01 724 7875

Appendix 4.4

TELEPHONE INTERVIEW SCRIPT FOR COMPANIES TO WHOM NO QUESTIONNAIRE WAS SENT

Good morning/afternoon.

My name is _______ & I'm phoning on behalf of Laura Cousins of the London Business School in connection with their research into annual marketing planning.

We are particularly interested in talking to firms who do not produce written annual marketing plans. Could you spare me 5 or 10 minutes to help with our survey. All the information will be treated as confidential and no company will be identifiable in the research results - a copy of these will be sent to you.

[If asked how selected: Your company was randomly selected from a list of all companies operating in the UK with a total turnover of more than £10 million.]

[If unable to respond: Perhaps you could suggest someone who could help in this]

PART 1 : CLASSIFICATION QUESTIONS | CODING

I'd like to start by asking you a few questions about the nature of your business.

1.1 **Which category best describes the activities of your division or business unit:**

Industrial goods __, Industrial services __, Consumer durable goods __

Consumer non-durable goods __, Consumer services __, Public utility __ | 1234569

1.2 **Which turnover rate does your business unit or division fall:**

Less than £10 m __, £10 m - £20 m __, £20.1 m - £50 m __,

£50.1 m - £100 m __, £100.1 m - £250 m __, Over £250 m __. | 1234569

1.3 **How many people are employed by your business unit or division**

1-50 __, 51-300 __, 301-500 __, 501-1000 __,

1001-3000 __, 3001-5000 __, Over 5000 __, | 12345679

1.4 **Which statement best describes the diversity of the product or service range of your division or business unit.**

One type of product/service into one market
eg packaged food products for grocery retail sale __

One type of product/service into more than one market
eg packaged food products for retail and catering __

More than one product/service into one market
eg packaged food products & detergents through grocers __

More than one product/service into more than one market
eg packaged foods & detergents for retail and catering __ | 12349

1.5 **How do you believe your profitability compares with that of your major competitors**

Well above average __, A little above average __, About average __,

A little below __, Well below average __. | 123459

1.6 **Would you consider your main business activity eg return on sales, to be in an industry where, over the next 5 yrs or so**

the industry has high growth potential __, modest growth potential __,

the industry is stable __, is in modest decline __

the industry is in sharp decline __. | 123459

PART 2 MARKETING PLANNING		CODING
2.1	**Do you produce a marketing plan ?**	
	Yes ___, No ___ - Why not ?	
	Go to Part 5	1 2 9
2.2	**Is it written down ?**	
	Yes ___, No ___ - Go to Part 5	1 2 9
2.3	**Is it separate document or is it part of an overall company plan ?**	
	Separate ___, Part of Corporate ___ - Go to Part 5.2	1 2 9
2.4	**How frequently is it produced ?**	
	6 mths ___, 2 yrs ___, 3 yrs ___, other ___	12349

PART 3 PROCESS OF PRODUCING THE PLAN

3.1 **What was the title of the person with prime responsibility for writing the most recent annual marketing plan ?** 123456 9

.... 123456 9

3.2 **Who was responsible for final approval of the most recent plan ?**

.... 123456 9

123456 9

3.3 **Who was the most senior person to make any changes whatsoever to the plan ?**

.... 123456 9

3.4 **To what extent were formal guidelines for the plan issued**

	Written directions	Verbal directions	
Plan format	___	___	12 12
Topics to be covered	___	___	12 12
Schedule/Appendix format	___	___	12 12

3.5 **Who was responsible for issuing the guidelines, if any ?**

.... 123456 9

123456 9

3.6 **Which statement best expresses the extent to which senior management gave feedback during the planning process ?**

Frequent feedback on plan's progress ___, Some feedback ___,

Suggested changes at the approval stage ___,

Approved the plan with no changes ___. 123456 9

123456 9

3.7 **What was the timetable of the planning process ?**

....

When is your year end ?

.... 0 1 9

123456789

When did the annual planning process start last time ?

.... 0 1 9

123456789

When was the most recent annual plan finally approved

.... 0 1 9

123456789

When was the annual budget agreed ?

0 1 9

.... 123456789

PART 4 CONTENT

CODING

4.1 **For which of the following were objectives set and strategies (overall statements of how the objectives were to be achieved) and detailed action plans written in the annual plan**

	Objectives for plan year	Marketing Strategies	Action Plans
Market share	____	____	____
Competitors market shares	____	____	____
Sales volume	____	____	____
Sales revenue	____	____	____
Marketing expenditure	____	____	____
Contribution after mkting costs	____	____	____
Profit margins	____	____	____
Product/service improvement	____	____	____
New products/services	____	____	____
Presentation design	____	____	____
Customer service/after sales svce	____	____	____
Pricing	____	____	____
Sales promotion	____	____	____
Advertising	____	____	____
Field sales effort	____	____	____
Sales training	____	____	____
Distributor/dealer relations	____	____	____
Product/service availability	____	____	____
Marketing research	____	____	____
Other (please state)	____	____	____

4.2 **Was there an explicit statement of the key assumptions on which the plan was based ?**

Yes ____, No ____.

4.3 **Was an explicit statement of overall marketing strategy written in the plan ?**

Yes ____, No ____.

4.4 **Were explicit contingency plans (for event not forecast to happen but perceived to be possible) written into the plan ? If so, against what contingencies ?**

....

4.5 **Which of the following analyses were discussed in the plan**

Technological trends ____
Government regulation issues ____
Changing needs of customers ____
Other environmental issues ____

Forecast of total market demand ____
Market share trends ____
Market segmentation analysis ____

Strengths and weaknesses ____
Opportunities and threats ____
Competitors strategy forecast ____
Alternative marketing strategies ____

Review of previous plan ____

4.6 **What is the most useful aspect of the marketing plan or the planning process ?**

....

4.7 **Any other comments you would like to make ?**

....

PART 5 STRATEGIC-PLAN

5.1 **Does your company produce a strategic or long-range plan?**

Yes ____ No ____ 1 2 9

Go to Part 6

5.2 **What is its purpose ?**

....
....
....

5.3 **How frequently is it updated ?**

1yr ___, 2yrs ___, 3yrs ___, 4yrs ___, 5yrs ___, Other ___ 1234569

5.4 **What objectives are set ?**

Financial	Yes ___,	No ___	1 2 9
Market size	Yes ___,	No ___	1 2 9
Customer service/ quality	Yes ___,	No ___	1 2 9

5.5 **Who is responsible for determining the :**

	MD/CEO	Mkting	Sales	Cmcl	Fnce	Prod	Other	
Sales forecast	___	___	___	___	___	___	___	12345679
Price level	___	___	___	___	___	___	___	12345679
Prod/svce range	___	___	___	___	___	___	___	12345679
Promotional exp eg. advertising sales force, brochures.	___	___	___	___	___	___	___	12345679
Prod/svce availability	___	___	___	___	___	___	___	12345679

PART 6 BUDGET

6.1 **Does your company produce an annual budget**

Yes ___, No ___ 1 2 9

6.2 **Who is responsible for determining the :**

	MD/CEO	Mkting	Sales	Cmcl	Fnce	Prod	Other	
Sales forecast	___	___	___	___	___	___	___	12345679
Price level	___	___	___	___	___	___	___	12345679
Prod/svce range	___	___	___	___	___	___	___	12345679
Promotional exp eg. advertising sales force, brochures.	___	___	___	___	___	___	___	12345679
Prod/svce availability	___	___	___	___	___	___	___	12345679

6.3 **How do you determine these?**

Sales forecast ....

Price level ....

Prod/svce range ....

Promotional exp ....

Prod/svce availability ....

Thank you very much for your time - you've been very helpful. I'll send you the results as soon as they are available. XXX

6.4 How do you know if your customers want something different ?

....

....

....

How do you decide which new customers to go for ?

....

....

....

....

How do you attract them ?

....

....

....

6.5 Do you formally monitor what your competitors are doing ? How ?

....

....

....

....

....

....

Do you try to forecast what they will do in the future ?

....

....

....

Appendix 4.5

QUESTIONNAIRE TELEPHONE PLACEMENT INTERVIEW PROFORMA

1. Company name :

   "Trading unit" name :

   Main trading activity :

   Address :

   Phone :

---

2. Marketing Department exists Y N

Department contacted:
a)
b)
c)

Title of person contacted:

Name of person contacted :

Phone no (if different) :

Address (if different) :

---

3. Agreement to participate Y N
   If Y go to 4. If N go to 5.

4. Date questionnaire sent :

   Date follow-up call 1. :

   Date second questionnaire sent :

   Date follow-up call 2. :

   Date questionnaire response received :

5. Reason for refusal to participate given :
   (If given or "elicited").

Appendix 5.1

COMPARISONS OF PLAN CONTENTS WITH PREVIOUS EMPIRICAL STUDIES

Table 5.10: Statements of Intent in Marketing Plans: Industrial Manufacturing: Hopkins versus Cousins versus Sutton

(N = number of planning companies: Hopkins 1981 (H) = 130/140, Cousins 1986 (C) = 44, Sutton 1990 (S) = 109).

Proportion of firms claiming to include:	Objectives %			*Strategies* %			Action Plans %		
	H	**C**	S	*H*	***C***	*S*	H	**C**	S
Financial									
Sales revenue		**89**			***66***			**55**	
Sales volume		**89**			***75***			**66**	
Marketing expenditure			**89**		***75***			**59**	
Profit margins	74	**86**	76	*54*	***55***	*56*	51	**55**	53
Contr after marketing		**64**			***36***			**32**	
Average financial	74	**83**	76	*54*	***61***	*56*	53	**53**	53
Marketing Mix									
Product improvement		**86**	52		***74***	*34*		**55**	41
New products	70	**84**	60	*61*	***77***	*62*	67	**64**	63
Customer service	41	**54**	51	*38*	***54***	*52*	46	**44**	44
Presentation			**33**			***26***			**19**
Average product	56	**64**	54	*50*	***58***	*49*	57	**46**	49
Advertising	41	**73**	38	*37*	***61***	*42*	46	**46**	35
Sales promotion	44	**71**	39	*45*	***64***	*46*	59	**55**	61
Field sales	41	**64**	51	*59*	***57***	*62*	69	**61**	66
Sales training	31	**52**	32	*23*	***43***	*29*	49	**46**	49
Average promotion	39	**65**	40	*41*	***56***	*45*	56	**52**	53
Pricing	54	**84**	55	*63*	***68***	*67*	53	**57**	52
Availability	45	**50**	39	*36*	***36***	*36*	44	**34**	39
Distributor relations	34	**46**	36	*34*	***46***	*42*	36	**41**	39
Average channel	40	**48**	38	*35*	***41***	*39*	40	**38**	39
Marketing research	44	**52**	30	*38*	***46***	*26*	48	**52**	39
Average marketing mix	48	**62**	45	*44*	***54***	*45*	52	**48**	48
Market Share									
Market share		**66**	77		***64***	*68*		**48**	65
Competitor market share		**50**			***30***			**27**	
Average market share		**58**			***47***			**38**	

Table 5.11: Analyses Reported In Marketing Plans: Industrial Manufacturing: Hopkins versus Cousins versus Sutton

Proportion of firms claiming to include:	Hopkins 1981 %	**Cousins** 1986 %	Sutton 1990 %
Market Trends Analysis			
Changing Customer Needs	56	**84**	68
Government Regulation	35	**35**	26
Technological Trends	47	**72**	62
Other Environment	31	**33**	31
Market Demand Forecast	88	**77**	80
Market Share Trends	82	**74**	75
Market Segmentation	56	**74**	78
Average Market Trend (specified)	61	**69**	65
Control Mechanisms			
Review Previous Plan	17	**56**	24
Elements Of Strategy Formulation			
Strengths & Weaknesses	70	**67**	
Opportunities and Threats		**77**	
Key Assumptions	35	**78**	47
Competitor Strategy Forecast		**35**	
Alternative Strategies	29	**35**	34
Contingency Plans	23	**21**	24
Average Strategy Formulation	39	**52**	35
Average Analysis	47	**58**	50
Overall Statement of Strategy		**73**	

Table 5.12: Statements of Intent In Marketing Plans: Consumer Manufacturing: Hopkins versus Cousins versus Sutton

(N = number of planning companies: Hopkins 1981 (H) = 97, Cousins 1986 (C) = 69, Sutton 1990 (S) = 66).

Proportion of firms claiming to include:	Objectives %			*Strategies* %			Action Plans %		
	H	C	S	*H*	C	*S*	H	C	S
Financial									
Sales revenue		**87**			***65***			**52**	
Sales volume		**88**			***71***			**59**	
Marketing expenditure		**78**			***67***			**67**	
Profit margins	71	**86**	74	*61*	***41***	*52*	48	**46**	46
Contr. after marketing		**73**			***49***			**35**	
Average financial	71	**82**	74	*61*	***59***	*52*	48	**52**	46
Marketing Mix									
Product improvement	60	**58**		*63*	***53***		50	**39**	
New products	68	**62**	65	*64*	***68***	*67*	55	**57**	64
Customer service	28	**46**	39	*30*	***38***	*39*	34	**38**	39
Presentation		**53**			***52***			**43**	
Average product	52	**55**	54	*47*	***55***	*53*	45	**47**	47
Advertising	64	**77**	49	*70*	***71***	*67*	58	**69**	56
Sales promotion	69	**71**	49	*71*	***68***	*67*	74	**65**	73
Field sales	64	**57**	44	*53*	***39***	*58*	60	**46**	67
Sales training	24	**39**	32	*31*	***30***	*30*	37	**37**	42
Average promotion	55	**61**	44	*56*	***52***	*56*	57	**54**	60
Pricing	64	**71**	55	*77*	***71***	*67*	54	**53**	42
Availability	35	**46**	29	*27*	***39***	*38*	28	**37**	35
Distributor relations	27	**39**	23	*31*	***36***	*32*	30	**39**	39
Average channel	31	**43**	26	*29*	***38***	*35*	29	**38**	37
Marketing research	50	**66**	47	*42*	***57***	*46*	58	**57**	58
Average marketing mix	49	**57**	45	*50*	***53***	*51*	49	**49**	51
Market Share									
Market share		**69**	77		***69***	*68*		**56**	61
Competitor market share		**25**			***32***			**18**	
Average market share		**47**			***51***			**37**	

Table 5.13: Analyses Reported In Marketing Plans: Consumer Manufacturing: Hopkins versus Cousins versus Sutton

Proportion of firms claiming to include:	H 1981 %	C 1986 %	S 1990 %
Market Trends Analysis			
Changing Customer Needs	62	**83**	58
Government Regulation	38	**40**	25
Technological Trends	39	**41**	24
Other Environment	29	**40**	16
Market Demand Forecast	73	**76**	74
Market Share Trends	78	**71**	66
Market Segmentation	71	**61**	86
Average Market Trends (specified)	60	**62**	56
Control Mechanisms			
Review Previous Plan	25	**52**	11
Elements Of Strategy Formulation			
Strengths & Weaknesses	66	**70**	
Opportunities and Threats		**79**	
Key Assumptions	41	**74**	46
Competitor Strategy Forecast		**40**	
Alternative Strategies	34	**23**	24
Contingency Plans	27	**32**	20
Average Strategy Formulation	42	**54**	30
Average Analysis	49	**56**	41
Overall Statement of Strategy		**70**	

Table 5.14: Statements of Intent in Marketing Plans: Services: Hopkins versus Cousins versus Sutton

(N = number of planning companies: Hopkins 1981 (H) = 30, Cousins 1986 (C) = 67, Sutton 1990 (S) = 48).

Proportion of firms claiming to include:	Objectives %			Strategies %			Action Plans %		
	H	C	S	H	C	S	H	C	S
Financial									
Sales revenue		81			64			58	
Sales volume		81			63			57	
Marketing expenditure		72			58			51	
Profit margins	45	75	63	32	57	46	36	48	48
Contr. after marketing		46			34			30	
Average financial	45	71	63	32	55	46	36	49	48
Marketing Mix									
Product improvement		73	50		67	42		58	50
New products	52	70	63	55	66	75	58	61	79
Customer service	55	46	56	52	46	69	58	45	75
Presentation		43			43			40	
Average product	54	58	56	54	56	62	58	51	68
Advertising	58	69	50	58	70	63	42	60	58
Sales promotion	52	67	31	45	63	65	48	55	75
Field sales	65	39	65	52	34	77	61	33	73
Sales training	39	39	40	26	33	46	55	33	69
Average promotion	54	53	47	45	50	63	52	46	69
Pricing	39	58	54	42	51	71	23	37	56
Availability		34			26			23	
Distributor relations	23	26	25	23	23	35	26	21	31
Average channel	23	39	25	23	25	35	26	22	31
Marketing research	39	53	52	45	56	54	55	40	69
Average marketing mix	47	51	49	44	48	60	47	42	64
Market Share									
Market share		58	69		52	56		43	50
Competitor market share		25			22			15	
Average market share		42			37			29	

Table 5.15: Analyses Reported in Marketing Plans: Services: Hopkins versus Cousins versus Sutton

Proportion of firms claiming to include:	H 1981 %	**C 1986 %**	S 1990 %
Market Trends Analysis			
Changing Customer Needs	64	**83**	61
Government Regulation	57	**52**	40
Technological Trends	30	**36**	45
Other Environment	40	**44**	38
Market Demand Forecast	46	**58**	40
Market Share Trends	67	**58**	52
Market Segmentation	60	**56**	83
Average Market Trends (specified)	54	**58**	54
Control Mechanisms			
Review Previous Plan	23	**61**	7
Elements Of Strategy Formulation			
Strengths & Weaknesses	57	**72**	
Opportunities and Threats		**63**	
Key Assumptions	30	**66**	32
Competitor Strategy Forecast		**42**	
Alternative Strategies	23	**31**	23
Contingency Plans	20	**22**	17
Average Strategy Formulation	33	**49**	24
Average Analysis	43	**53**	40
Overall Statement of Strategy		**64**	

Table 5.17: Statements of Intent in Marketing Plans: All Manufacturing: Greenley versus Cousins

(N = number of planning companies: Cousins 1986 (C) = 112, Greenley 1982 (G) = 80).

Proportion of firms claiming to include:	Objectives %		*Strategies* %		Action Plans %	
	G	C	*G*	*C*	G	C
Financial						
Sales revenue	89	88		*66*		53
Sales volume	78	89		*73*		62
Marketing expenditure	63	82		*70*		64
Profit margins	84	86		*51*		50
Contribution after marketing	59	69		*39*		34
Average financial	75	83		*60*		53
Marketing Mix						
Product improvement	60	71		*68*		52
New products		71		*71*		60
Customer service		49		*44*		41
Presentation		46		*42*		33
Average product	60	59		*56*		47
Advertising	41	75		*67*		60
Sales promotion		71		*66*		61
Field sales	56	60		*46*		52
Sales training		44		*35*		41
Average promotion	49	63		*53*		54
Pricing		76		*70*		55
Availability		48		*38*		36
Distributor relations		41		*40*		40
Average channel		45		*39*		38
Marketing research	48	60		*52*		55
Average marketing mix	51	59	*(65)*	*53*		49
Market Share						
Market share	60	68		*67*		53
Competitor market share		35		*31*		21
Average market share		52		*49*		37

Table 5.18: Analyses Reported in Marketing Plans: All Manufacturing: Greenley versus Cousins

Proportion of firms claiming to include:	Greenley 1982 %	Cousins 1986 %
Market Trends Analysis		
Changing Customer Needs		83
Government Regulation		38
Technological Trends		53
Other Environment		37
Market Demand Forecast	69	76
Market Share Trends		73
Market Segmentation	58	66
Average Market Trends (specified)		65
Control Mechanisms		
Review Previous Plan		54
Elements Of Strategy Formulation		
Strengths & Weaknesses		74
Opportunities and Threats		78
Key Assumptions		76
Competitor Strategy Forecast		38
Alternative Strategies		27
Contingency Plans		28
Average Strategy Formulation		54
Average Analysis		57
Overall Statement of Strategy		71

Table 5.19: Statements of Intent in Marketing Plans: Services: Greenley versus Cousins

(N = number of planning companies: Cousins 1986 (C) = 67, Greenley 1982 (G) = 50).

Proportion of firms claiming to include:	Objectives % G	Objectives % C	*Strategies* % *G*	*Strategies* % *C*	Action Plans % G	Action Plans % C
Financial						
Sales revenue	80	81		*64*		58
Sales volume	60	81		*63*		57
Marketing expenditure	50	72		*58*		51
Profit margins	70	75		*57*		48
Contribution after marketing	58	46		*34*		30
Average financial	64	71		*55*		49
Marketing Mix						
Product improvement	48	73		*67*		58
New products		70		*66*		61
Customer service		46		*46*		45
Presentation		43		*43*		40
Average product	48	58		*56*		51
Advertising	50	69		*70*		60
Sales promotion		67		*63*		55
Field sales	58	39		*34*		33
Sales training		39		*33*		34
Average promotion	54	53		*50*		46
Pricing		58		*51*		37
Availability		34		*26*		23
Distributor relations		26		*23*		21
Average channel		30		*25*		22
Marketing research	44	53		*56*		40
Average marketing mix	50	51	*(64)*	*48*		42
Market Share						
Market share	52	58		*52*		43
Competitor market share		25		*22*		15
Average market share		42		*37*		29

Table 5.20: Analyses Reported in Marketing Plans: Services: Greenley versus Cousins

Proportion of firms claiming to include:	Greenley 1984 %	Cousins 1986 %
Market Trends Analysis		
Changing Customer Needs		83
Government Regulation		52
Technological Trends		36
Other Environment		44
Market Demand Forecast	62	58
Market Share Trends		58
Market Segmentation	62	56
Average Market Trends (specified)		58
Control Mechanisms		
Review Previous Plan		61
Elements Of Strategy Formulation		
Strengths & Weaknesses		72
Opportunities and Threats		63
Key Assumptions		66
Competitor Strategy Forecast		42
Alternative Strategies		31
Contingency Plans		22
Average Strategy Formulation		49
Average Analysis		53
Overall Statement of Strategy		64

Appendix 5.2

A COMPARISON OF PLAN CONTENTS WITH PRODUCT MANAGERS DECISION-MAKING RESPONSIBILITY

The comparisons between product management decision-making responsibility and annual plan content should be treated with caution for several reasons:

- we do not have matched samples of firms
- the samples have been studied at different times (which we might expect to mean product management responsibilities were underestimated, McDaniel and Gray 1980)
- our sample were in the UK while none of the product management studies were
- while we look at claimed inclusion in the marketing plan, we cannot assess what happens in firms without marketing plans. In Chapter 9 we review the latter and find, on equivalent measures, that their behaviour seems to match that of firms with marketing plans
- we do not have precisely equivalent measures

There are several reasons why we might anyway expect to find differences between the frequency with which certain decision areas occur in the contents of marketing plans and the frequency with which they occur as areas of responsibility in the product management literature. It could be that the substantive results were different or because of the differences noted above. There could also be additional reasons:

- in surveys of the responsibilities of product managers, respondents might overestimate the responsibilities of their jobs, and plans for certain aspects might be initiated by a different functional department. Similarly, overclaim of annual marketing plan contents could distort comparisons.
- in a marketing plan related to the budgeting process (Kotler 1988), financial objectives may be emphasised even when they are not mainly the responsibility of the marketing department (or even, as suggested by Winer (1965) that marketing planning, as practised, is often just a budgeting process).
- that in an oligopolist equilibrium certain marketing mix decisions are left unchanged - because they provide the ground rules for operation in the market - and competitive advantage can not be captured (or at least sustained in the medium term) by changing this e.g. the discount rate offered to retailers or agents.
- in some cases, elements of the marketing mix are not changed because there is "no need" to do so. For example, the product may not be changed because customers are (correctly or incorrectly) believed to be happy with it.

- in some cases elements of the marketing mix are not changed because no attractive alternative is apparent. For example an unsatisfactory product may be unchanged because no better and feasible product has been identified. Distribution channels may be unchanged because there is no more economic way to distribute the product or no such opportunity is perceived.

Over time decision areas and plan elements should coincide if accurately measured, but not necessarily in the annual plan. For example, this could occur if an element of the marketing mix were only changed in response to an ad hoc structural change in the market and were then changed swiftly, once and for all. For some firms the product might be changed only very rarely.

Despite this, we find marked similarity in our results.

The studies with which we compare our data, and the method of comparison are briefly described below. Full details of the comparisons are shown in Cousins (1994).

- **Hise and Kelly (1978)**

The study by Hise and Kelly surveyed 198 product managers in consumer and industrial manufacturing companies operating a product management system, asking them for their involvement (much or little) in various decisions. We compare the percentage indicating much involvement with the percentage who included the decision area in their marketing plan in manufacturing companies with marketing departments.

- **McDaniel and Gray (1980)**

McDaniel and Grey surveyed 257 group product managers and marketing managers (out of 473 respondents) from manufacturing firms over $10 million. The group product managers and marketing managers report on the responsibilities of product managers (on a three point scale: minimum, average, dominant). We compare the percentage indicating product managers have an average or dominant role in the decision with the percentage of manufacturing firms with a marketing department in the current research who claimed to include the equivalent item in their plan. This follows the authors interpretation of these two items together as equivalent to "much involvement" as measured by Hise and Kelly (1978).

- **Eckles and Novotny (1984)**

Eckles and Novotny's survey reviewed authority and responsibility among 69 industrial product managers in large manufacturing and transportation firms. We compare their findings on product manager responsibilities with the results from our survey on the prevalence of inclusion of the equivalent item in the marketing plans of industrial firms with a marketing department.

- **Lucas (1972)**

Lucas studied 60 product managers in consumer goods firms, looking at the degree of control they had over 15 specific decision areas. We compare the proportion of firms where product managers had full, or almost full control with the prevalence of including the equivalent item in the marketing plans of firms in consumer manufacturing firms in our survey.

- **Cummings, Jackson and Ostrom** (1984)

Cummings et al compared the marketing decision areas and general background characteristics of 102 industrial and 99 consumer product managers in manufacturing firms. The data from Cummings et al shows the average view of responsibilities on a five point scale where 1 is "sole decision maker" and 5 is "no input". We have taken the proportion of manufacturing firms with marketing departments in which the element is included, reworked to a five point scale. The results are only directly comparable if lesser responsibility means the element is equivalently less likely to be included. The match is surprisingly good.

- **Dawes and Patterson** (1987)

Most of the 201 senior marketing executives responding to the survey were from manufacturing companies, both industrial and consumer but mostly non-durable consumer products. Respondents rated 25 responsibilities on a five point scale from "of no importance" to "very important". They further reported on the prevalence of product managers having full responsibility for some key elements. These frequencies were compared with the frequency their appearance in the marketing plans of manufacturing firms with marketing departments in our sample.

Appendix 6.1

TECHNICAL APPENDIX ON DISCRIMINANT ANALYSIS

Discriminant Analysis or Log-Linear Regression?

Discriminant analysis was chosen over log-linear regression to distinguish firms with and without marketing plans. Log-linear regression is designed for categorical variables, whereas discriminant assumes only a categorical dependent variable and metric independent variables. All our data were categorical. We made this choice for two reasons: (i) interpretation was significantly easier, and (ii) the violation of the assumption of normality of the independent variables does not invalidate the technique for reasonably large samples.

(i) The log-linear models are used mainly for exploring interdependence among variables, although the logit models are a subset which allow the identification of the independent variables which, expressed as a linear function, describe the dependent variable. The data were poorly described by a log-linear regression, as we would expect from the results of our discriminant analysis. Discriminant analysis conveniently allowed us to study misclassification, which provided some insights (e.g. Robertson 1990). Log-linear regression would have proved more useful had we used a formality scale (e.g. Lysonski and Pecotich 1992).

(ii) This would be irrelevant unless we were confident that the violations of the assumptions of discriminant analysis did not distort our findings (Harris 1975). However, discriminant analysis with dichotomous independent variables is a recognised technique (Reynier, 1990). Given the extreme violation of the assumption of normality of the independent variables, the Box's M test for equality of the group covariance matrices is no longer valid (Norusis 1990); significant values simply reflect the non-Normal distribution.

Discriminant Analysis Method Used

Analysis

We used a stepwise inclusion method on the variables to minimise Wilks' lambda. A stepwise method was appropriate as we were interested in the most discriminating variables. Minimising Wilks' lambda is equivalent to maximising the eigenvalues, the amount of variance accounted for by the factors (maximising the difference between groups and minimising the difference within groups).

Prior probabilities based on the existence of a written annual marketing plan were given at .57 (although, in practice, this only affected the constant value given in the Fisher's linear discriminant functions). We used the Fisher's linear discriminant functions classification coefficients to determine group membership. This gave identical classification results since we were using all the functions (Green 1978), and was more convenient for manipulating the data.

The discriminant programme on SPSS was used. User-missing values were included to reduce sample drop-off from those variables for which response was (relatively) low, such as profitability which was particularly affected by the inclusion of non-profits in the sample. This was useful in determining the function and did not significantly affect the outcome: the variables with most missing values did not appear in the derived function.

Verification

The discriminant analysis was completed in two stages: analysis and verification (Frank et al 1965). In the analysis stage 185 cases (54%) were classified to determine the discriminant function with a hold-out sample of 158 cases. The cases for analysis were chosen randomly from the stratified sample (of six industry types), and then checked to ensure that they were adequately representative of the sample. For example, the hold-out sample included 57% of firms with annual marketing plans.

Validation

The statistical significance of the functions invariably show a chi-square with $p<.01$. However, with large samples this does not necessarily imply large differences in the centroids. The classification matrices were constructed and the accuracy of classification relative to maximum chance, to the proportional chance criterion, and as a percentage over chance were calculated.

On the maximum chance criterion we should discard any function which does not predict at least 57% of cases correctly. The proportional chance criterion, used when group sizes are unequal (Hair et al 1987) as in this case, is given by :

$$c \text{ proportional} = p^2 + (1-p)^2$$

Using the discriminant function is acceptable if the level of correctly classified cases is at least the proportional chance criterion. In our case, with groups of 57% and 43%, we have a proportional chance criterion of 51%. Hair et al (1987) suggest that accuracy of at least 25% above chance gives a function worthy of interpretation. This would require 71% cases to be correctly classified. In practice, the function which was most effective in classifying cases was accurate in only 68% of cases. We return to the issue of misclassification in Chapter 6.

Interpretation

We used the structure matrix to establish the loadings of the discriminant function to indicate which independent variables accounted for most of the variance. We chose to use the loadings over weights (or the equivalent partial F-values) since this reduces the problem of multicollinearity (Hair et al 1987). While the problem of instability remains, we found consistency among our discriminant functions, where diversity always dominated all other measures except the existence of a marketing department. Size, measured in turnover, invariably followed diversity as the next most important discriminating variable. Similarly, service operations, always followed size, and this was always the most significant industry type discriminator (above manufacturing or public/ non-profit sector).

Key Statistics for the Analyses

Here we give the relevant statistics for the discriminant analyses:

1. How well can we distinguish between firms with and without marketing plans on size, diversity of operations, and industry type?

1.1 Distinguishing on Size and Diversity

A discriminant function for the whole sample was found initially ($p<.01$). Of the 385 cases, 42 were finally excluded because of a missing value for one of the (independent) variables. For the analysis stage only 66% cases were correctly classified and for the verification stage only 62% (giving a total of 64%). The resulting Wilks' lambda was 0.9 and the eigenvalue 0.11. This gave especially poor predictions for firms without marketing plans: overall 56% of firms without marketing plans were incorrectly classified. The canonical correlation was 0.31.

The Fisher's linear discriminant function was given by the following:

	Plan exists	Plan does not exist
Diversity	1.0632	2.3100
Size	1.0288	1.8807
Constant	- 0.7725	- 1.7038

where size = 1 if turnover was less than £20 million, and diversity = 1 if the firm had only a single product or service.

1.2. Distinguishing on size, diversity and industry type

The resulting discriminant function ($p<.01$) included size (turnover), diversity, service firm (or not), and manufacturing firm (or not). In other words, the discriminant function also identified the public/ non-profit sectors (most weakly) as discriminators. For the analysis stage 69% cases were correctly classified and for the verification stage 62% were correctly classified (giving a total of 66%). The resulting Wilks' lambda was 0.88 and the eigenvalue 0.14. The canonical correlation was 0.35.

The Fisher's linear discriminant function was given by the following:

	Plan exists	Plan does not exist
Diversity	1.1585	2.3905
Size	0.7159	1.5019
Service	3.8025	4.7116
Manufacturing	4.1346	4.9432
Constant	- 2.1833	- 3.7203

where size = 1 if turnover was less than £20 million, and diversity = 1 if the firm had only a single product or service.

2. What best distinguishes firms with and without marketing plans?

This third analysis simply aimed to identify the "best" discriminant function, given the available data.

Firstly, we took the same samples for analysis and verification but included all the classification variables. The resulting discriminant function included size (turnover), diversity, service firm (or not), and manufacturing firm (or not). In other words, the discriminant function also identified the public/ non-profit sectors (most weakly) as discriminators. For the analysis stage 69% cases were correctly classified and for the verification stage 62% were correctly classified (giving a total of 66%). The resulting Wilks' lambda was 0.90 and the eigenvalue 0.11. The canonical correlation was 0.31.

The Fisher's linear discriminant function was given by the following:

	Plan exists	Plan does not exist
Diversity	4.0603	3.1022
Size	0.7714	1.6070
Service	5.0162	6.0126
Manufacturing	4.1699	4.9919
Constant	- 3.9218	- 4.4992

where size = 1 if turnover was less than £20 million, and diversity = 1 if the firm had many products or services.

Secondly, to partially test for structure as an independent variable, we included the existence of a marketing department as an independent variable. The effect of this was that the marketing department became the dominating independent variable. In the analysis stage 70% of firms were correctly classified (185 organisations = 56%), while in the verification stage 65% of firms were correctly classified, giving an overall correct classification of 68%. The eigenvalue was 0.17 and Wilks' lambda 0.85. The variables included, in order of importance, were the existence of a marketing department, diversity, size (in turnover), and industry type (both service and public sector/ non-profits). The canonical correlation was 0.38.

The Fisher's linear discriminant function was given by the following:

	Plan exists	Plan does not exist
Marketing department	5.3720	4.1289
Diversity	5.1522	3.9414
Size	1.2291	1.9587
Service	5.2260	6.1738
Manufacturing	3.4926	4.4714
Constant	- 6.4446	- 5.9895

where size = 1 if turnover was less than £20 million, diversity = 1 if the firm had many products or services.

Restrictions on the Discriminant Analysis

The discriminant analyses above were all applied to the entire sample (i.e. including the public sector and non-profits). Discriminant analysis of the private commercial sector alone yielded similar results. For example, taking the discriminant analysis including all classification variables we find the discriminant function correctly classified 67% of the analysis sample (of 142 equals 52% sample) and 66% of the verification sample, giving an overall correct classification of 66.4%. Misclassification of non-planners was 32%. The eigenvalue was, however, only 0.11 and the Wilks' lambda was just over 0.9. The discriminating variables, in order of importance, were diversity and size (in turnover). The F-value was insufficient to include industry type on this analysis, with the total sample reduced by 20%.

Appendix 7.1

STYLES ANALYSIS: AGGREGATING THE GROUPS

The two tables show the clusters formed by assigning each case to a cluster based on whether or not the plan included the variables defining the cluster. We signify that the variables are included by a 1, while a zero denotes that the variable was not present. By inspection these were aggregated into the clusters shown below.

1. Strategy formulation, key objectives, action plans and budget variables

Style name	% of cases	Strategy formulation	Key Objectives	Action Plans	Budget Objectives
Textbook model	11.6	1	1	1	1
	2.2	1	0	1	1
	0.9	1	0	1	0
	0.4	1	1	1	0
Action plan focus (original model)	5.4	0	1	1	1
	1.8	0	0	1	1
	1.8	0	0	1	0
	0.9	0	1	1	0
Strategy only	10.7	1	0	0	0
	3.1	1	1	0	0
Strategy and Budget	9.4	1	1	0	1
	4.5	1	0	0	1
Objectives (esp. budget)	10.7	0	0	0	1
	9.4	0	1	0	1
	3.6	0	1	0	0
None of the above	23.7	0	0	0	0

2. Analysis, intent, action and accountability

Style name	% of cases	Analysis	Intent	Action	Accountability
All	11.6	1	1	1	1
Action & Accountability	4.9	1	0	1	1
	2.7	0	0	1	1
	2.2	0	1	1	1
Analysis & Intent	10.7	1	0	0	0
	7.6	1	1	0	0
	4.0	0	1	0	0
Analysis & Accountability	9.3	1	1	0	1
	8.0	1	0	0	1
Accountability only	11.6	0	0	0	1
	5.3	0	1	0	1
None of the Above	18.2	0	0	0	0
Unclassified	2.2	1	0	1	0
	0.9	0	1	1	0
	0.4	1	1	1	0
	0.4	0	0	1	0

The clusters that are unclassified all include actions. They add up to 3.9% of the sample but have not been classified into these categories as the fit is poor.

Appendix 7.2

TECHNICAL APPENDIX ON THE FACTOR ANALYSIS

Rationale

We wanted to identify any dimensions latent in our data set, avoiding the imposition of the textbook model variables that have driven much of the analysis. In particular, we expected to find patterns linking objectives, strategies and action plans since the frequency data suggest that these variables formed an underlying structure. Our data set included 71 significant variables measuring plan content, including some we expected to correlate highly with each other, but with very poor correlations with other variables.

It seemed appropriate, therefore, to use R factor analysis as an exploratory technique (Hair et al 1987: 235). We aimed to identify a smaller set of variables to partially or completely replace the original set to allow comparisons which might lead to greater insight, and then obtain the factor scores for subsequent use in discriminant or correlation analysis.

Suitability of the Analysis

With 230 firms with plans and 71 significant variables, we had adequate data for factor analysis. The sample size was big enough in absolute terms, and although we were not able to generate a ratio of observations to variables of the preferred five to one, we were comfortably above the minimum suggestion of two to one (Hair et al 1987: 237).

However, almost all the plan variables were dichotomous giving an extreme violation of the assumption of normally distributed metric variables. The main problem associated with using dichotomous variables is the possibility of creating "method" factors as well as "structural" factors (Hair et al 1987: 289). These method factors emerge because of the correlation restrictions created by variation in the marginal discrete density functions of dichotomous variables. Thus the Pearson product moment correlation coefficient computed between the dichotomous variables will, in part, be a function of the marginal discrete density functions of the variables. It is immediately clear that there were significant variations in the marginal discrete density functions.

One suggestion for addressing the distribution problem in dichotomous data is to compute a G-index (Holley 1966, Holley and Guilford 1964). A hypothetical observation that is the exact opposite of each observation is incorporated in a shadow matrix which is then added to the matrix of actual observations. All variables then have the same marginal distribution and thus method factors are avoided. The factor analysis is not affected by this in identifying the structural factors since the underlying dimensions remain the same. We constructed such a matrix and used this extended set for our factor analysis; in practice it made no practical difference to our results: no method factors emerged without the shadow matrix. For the discriminant analysis which used the factors as independent variables, we returned to the original data set.

Two important decisions relate to the selection of the factor model and the method of extraction of factors. These two decisions are related in that the purpose of the factor analysis determines the model and extraction method used (Hair et al 1987: 240-241). The oblique rotation method available on SPSS is the oblimin method. We choose to explore the data using both principal components analysis with a varimax rotation and using principal axis factoring with an oblique rotation as a test of robustness of the solution. Broadly the solutions reached were the same, in terms of the dominant elements of each factor; thus the expected increased explanatory power of the oblimin rotation on the principal axis factoring method was not noticeable. The principal components method with a varimax solution produced a solution that with the same interpretation, which is mathematically easier to handle, and which explained (as expected) a higher proportion (+7-10%) of the variance than the oblimin method since it considers the total variance rather than simply common variance. We report only on the results using the more robust principal components analysis with the varimax solution. In subsequent discriminant analysis, we used the factor score coefficients generated by the principal components analysis with a varimax (orthogonal) rotation.

We chose to extract the number of factors on the criterion of eigenvalues greater than one for both analyses. This gave a solution consistent with Social Science norms for the percentage of variance test (>60%), and the scree plot was inspected to ensure that the curve did not flatten noticeably at some other point (Hair et al 1987: 246-247).

The Initial Analysis

Initially the analysis focused on reducing the 71 significant plan content variables. However, the correlation matrix was ill-conditioned (Norusis 1990: 316). Only 18% of the correlations were above 0.3 in absolute value. The anti-image correlation matrix was examined to check the partial correlations between pairs of variables when the linear effects of other variables is eliminated (Norusis 1990: 317). This did not include a high proportion of large coefficients, as would be the case if variables shared common factors. We therefore needed to reduce the number of variables before we could proceed.

We produced a reduced correlation matrix, including only those correlations above 0.3 (Table 7.11). By inspection we were able to identify groups of correlations, most prevalent along the leading diagonal (showing the textbook structure that emerged in our styles analysis), and in two bands parallel to the leading diagonal between objectives, strategies and action plans for individual elements (as was expected given our frequency analysis).

By inspection, and after checking back to the original correlation matrix it seemed that thirteen variables could be excluded because they added little information: budget and market share strategies (7 variables), contribution after marketing costs objectives and action plans (2 variables), presentation and customer service objectives and action plans (4 variables). This reduced the correlation matrix from 2485 to 1653 entries. This decision was not simply a reflection of the size of the correlations with other variables; we felt that these issues were still adequately represented by the variables that remained. Reducing the variable set to 58 did not adequately improve the frequency of significant correlations, and further modifications to the data set were needed. To further test the data, analysis of a further reduced set of variables was tried. The 40 variables included were:

- budget objectives (excluding contribution)
- market share objectives
- marketing mix objectives and action plans (excluding presentation and customer service)
- analysis variables

The correlation matrix remained ill-conditioned.

Table 7.11: Reduced Correlation Matrix

Vars	31	32	33	34	35	37	38	39	42	43	44	45	46	47	48	49
31	1.0															
32	0.4	1.0														
33	0.3		1.0													
34			0.7	1.0												
35			0.5	0.4	1.0											
37			0.6	0.5	0.4	1.0										
38			0.4	0.6			1.0									
39			0.4	0.5	0.3		0.7	1.0								
42	0.4		0.5	0.4	0.3	0.5	0.4	0.4	1.0							
43			0.4	0.3	0.4		0.4	0.4	0.3	1.0						
44					0.4					0.7	1.0					
45												1.0				
46												0.6	1.0			
47												0.5	0.5	1.0		
48												0.4	0.3	0.4	1.0	
49					0.3		0.3	0.3		0.3	0.4					1.0
58			0.3	0.4			0.5	0.4								
59			0.4	0.4			0.4	0.6								
60																
61																
62			0.3			0.3			0.6							
63					0.4					0.5	0.3					
64					0.4					0.4	0.5					0.4
65												0.6	0.4	0.4		
66												0.3	0.6	0.4		
67												0.3	0.4	0.7		
68															0.6	
69																0.5
71	0.6	0.4														
72		0.7	0.3	0.3	0.3									0.3		
73			0.5					0.3		0.3						
74				0.4			0.3	0.3								
75					0.4			0.3			0.3					0.3
77						0.3										
78							0.5	0.4								
79			0.3				0.4	0.7								
82									0.5							
83										0.5						
84										0.4	0.4					0.4
85												0.7	0.4	0.4	0.3	
86												0.3	0.6	0.4		
87		0.3										0.3	0.3	0.7	0.3	
88		0.3												0.3	0.6	
89																0.5
91			0.4	0.4	0.3											
92			0.3		0.3											
93		0.3														
95																
96																
97			0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3					
99	0.3		0.4	0.3	0.3	0.4			0.3							
100	0.5		0.4						0.4							
101				0.3												
102			0.4	0.4	0.3	0.4		0.3								
103			0.4	0.5		0.4		0.3	0.3							
104		0.4														
105		0.3												0.3		
106																

Vars	58	59	60	61	62	63	64	65	66	67	68	69	71	72	73	74	75	77	78	79
31																				
32																				
33																				
34																				
35																				
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38																				
39																				
42																				
43																				
44																				
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46																				
47																				
48																				
49																				
58	1.0																			
59	0.6	1.0																		
60			1.0																	
61			0.4	1.0																
62		0.3			1.0															
63	0.3	0.3				1.0														
64		0.3				0.7	1.0													
65						0.3		1.0												
66								0.6	1.0											
67				0.3				0.5	0.6	1.0										
68				0.4				0.3	0.4	0.4	1.0									
69						0.4	0.4					1.0								
71										0.3			1.0							
72									0.4	0.4	0.4		0.4	1.0						
73		0.3				0.3							0.3		1.0					
74													0.3		0.7	1.0				
75		0.3				0.4	0.4								0.4	0.4	1.0			
77													0.3	0.3	0.5	0.6	0.4	1.0		
78	0.6	0.4													0.4	0.4	0.4	0.3	1.0	
79	0.4	0.6													0.4	0.4	0.4	0.3	0.7	1.0
82					0.6								0.3		0.5	0.5	0.3	0.5	0.3	0.3
83						0.6	0.4								0.4		0.4		0.3	0.3
84						0.5	0.6					0.3					0.4		0.3	0.3
85								0.8	0.4	0.4	0.3									
86								0.4	0.6	0.4				0.3						
87								0.4	0.4	0.7	0.4			0.4						
88				0.3				0.3	0.3	0.3	0.7			0.4				0.3	0.3	0.3
89												0.6					0.4			0.3
91																				
92																				
93														0.3						
95																				
96																				
97	0.3	0.3												0.3						
99																				
100					0.3		0.3						0.3							
101																				
102	0.3	0.4																		
103	0.3	0.3																		
104														0.4						
105									0.4	0.3	0.3			0.5						
106																				

Vars	82	83	84	85	86	87	88	89	91	92	93	95	96	97	99	100	101	102	103	104	105	106
31																						
32																						
33																						
34																						
35																						
37																						
38																						
39																						
42																						
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78																						
79																						
82	1.0																					
83		1.0																				
84		0.8	1.0																			
85		0.4	0.3	1.0																		
86	0.4	0.3		0.6	1.0																	
87	0.3			0.5	0.6	1.0																
88	0.3			0.4	0.4	0.5	1.0															
89		0.4	0.5	0.3			0.4	1.0														
91									1.0													
92									0.7	1.0												
93											1.0											
95												1.0										
96													1.0									
97									0.3	0.3	0.3			1.0								
99									0.5	0.5				0.4	1.0							
100									0.4	0.4				0.3	0.5	1.0						
101									0.4					0.3	0.4	0.8	1.0					
102									0.4	0.3				0.4	0.3	0.3		1.0				
103									0.5	0.3				0.4	0.4	0.3	0.3	0.7	1.0			
104																				1.0		
105					0.3	0.3	0.4				0.3									0.5	1.0	
106																						1.0

A between group analysis of correlations was then completed, shown in Table 7.12 in the main text. Here we looked at the average correlations among and between budget objectives, budget action plans, market share variables, marketing mix objectives, marketing mix strategies, marketing mix action plans and analysis variables. From this we identified two sub-matrices within which average correlations were significantly higher (with about one third over 0.3):

- budget variables, and marketing mix action plans and objectives
- analysis and market share variables.

Adding the marketing strategy variables to the objective and action plan analysis doubled the number of entries in the correlation matrix, without adding much information, and the correlation matrix remained ill-conditioned. Intuitively the marketing mix strategy variables seemed to be more aligned to the analysis and market share variables and the second analysis was completed with them both included and excluded. A better result, in terms of goodness of fit, was obtained when they were included.

By dividing the data in two, the sub-matrices included 378, and 435 entries respectively. 32% of the cells in the former included entries above 0.3, compared with 17% of the latter. The analysis of analysis, market share and strategies nevertheless was sufficiently statistically robust for inclusion. Both correlation matrices were well-defined.

Measures of sampling adequacy were checked using the Kaiser-Meyer-Olkin (KMO) measure which compares the magnitude of the observed correlation coefficients to the magnitude of the partial correlation coefficients (Norusis 1990: 317). The diagonal of the anti-image correlation matrix was checked for the measure of sampling adequacy for each individual variable, to ensure that variables with measures under 0.6 were eliminated from the analysis (Norusis 1990: 317-318). Missing variables were deleted pairwise.

The initial analysis was therefore undertaken on two subsets of the variables. One subset included financial and marketing mix (but not market share) objectives and action plans, while the other included the statement of strategy, alternative strategies, contingency plans, and key assumptions together with all the analysis variables and market share objectives and action plans, and the marketing mix strategies.

Factor Analysis of the Two Sub-Matrices

Objectives and Action Plans

The Bartlett's Test of Sphericity (BTS) was 7600 with a significance level of 0.00000 showing the correlation matrix was not an identity (Hair et al 1987: 285). The partial correlation coefficients were small: 68 (9%) were above 0.09. The KMO for this analysis was 0.72 with individual measures of sampling adequacy above 0.6, so all the variables were retained in the analysis. A seven factor solution was extracted after 8 iterations, accounting for 69% of the variance. The final factor had an eigenvalue of 1.09 and accounted for 4% of the variance. This seemed a reasonable solution after inspecting the scree plot; the next obvious point was with 10 factors accounting for 78% of the variance and the final factor showing an eigenvalue of 0.74. In the interests of parsimony, and because an intuitive solution was obtained, the analysis was interpreted with seven factors. 31% of the residuals were above 0.05.

The seven rotated factors showed the underlying make-up:

1. Sales and distribution objectives and action plans
2. Volume, revenue, profit and price objectives
3. Volume, revenue, profit and price action plans
4. Product improvement and new product development objectives and action plans
5. Marketing expenditure objectives, sales promotion and advertising objectives
6. Sales promotion and advertising action plans
7. Market research objectives and action plans .

Table 7.13: Rotated Factor Matrix: Objectives and Action plans

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
Sales volume objective	-0.05	0.82	0.04	0.25	0.14	0.22	-0.05
Sales revenue objective	-0.11	0.78	0.09	0.27	0.17	0.06	-0.05
Marketing expenditure objective	-0.03	0.51	0.15	-0.01	0.54	0.12	0.11
Profit margins objective	0.04	0.77	0.22	-0.04	0.04	-0.05	0.11
Product improvement objective	-0.02	0.29	0.05	0.74	0.25	-0.09	0.06
New product objective	0.04	0.30	0.09	0.77	0.22	-0.03	0.10
Price objective	0.18	0.62	0.21	0.17	0.13	-0.12	0.09
Sales promotion objective	0.17	0.22	0.04	0.22	0.73	0.20	0.01
Advertising objective	0.00	0.15	-0.02	0.13	0.80	0.16	0.10
Field sales effort objective	0.72	0.21	-0.06	0.00	0.25	0.05	0.05
Sales training objective	0.74	-0.03	0.16	-0.01	0.27	-0.14	-0.05
Dealer relations objective	0.79	-0.04	0.14	0.00	0.05	-0.11	0.03
Availability objective	0.56	0.17	0.00	0.17	-0.09	-0.08	0.51
Market research objective	0.03	0.11	0.03	0.17	0.40	0.06	0.75
Sales volume action plan	0.13	0.27	0.65	0.25	0.11	0.20	-0.07
Sales revenue action plan	0.02	0.19	0.75	0.25	0.06	0.12	0.00
Marketing expenditure action plan	-0.02	-0.01	0.55	0.16	0.39	0.21	0.27
Profit margins action plan	0.18	0.09	0.80	0.04	-0.07	0.02	0.13
Product improvement action plan	0.01	-0.05	0.36	0.72	-0.02	0.24	0.06
New product action plan	0.06	0.10	0.30	0.74	-0.04	0.23	0.15
Price action plan	0.31	0.17	0.67	0.11	-0.06	0.06	0.04
Sales promotion action plan	0.19	0.09	0.18	0.17	0.26	0.77	0.07
Advertising action plan	0.06	0.01	0.18	0.09	0.34	0.76	0.21
Field sales action plan	0.68	0.12	0.06	-0.04	-0.08	0.48	0.05
Sales training action plan	0.65	-0.08	0.24	-0.03	-0.12	0.37	-0.05
Dealer relations action plan	0.72	-0.15	0.14	0.07	-0.21	0.25	0.03
Availability action plan	0.48	-0.10	0.21	0.20	-0.39	0.25	0.40
Market research action plan	0.00	-0.02	0.21	0.07	-0.02	0.48	0.67

Analysis and Strategy Variables

The BTS was 5248 with a significance level of 0.00000 showing the correlation matrix was not an identity. The partial correlation coefficients were small: 80 (8.6%) were above 0.09. The KMO for this analysis was 0.78 with individual measures of sampling adequacy above 0.6 except for the review of previous plan variable (0.5). We were particularly interested in this variable so all the variables were retained in the analysis. In practice, as we might expect, it is isolated as a factor. An eight factor solution was extracted after 9 iterations, accounting for 63% of the variance. The final factor had an eigenvalue of 1.11 and accounted for 3.6% of the variance. No better solution was suggested by inspecting the scree plot. 30% of the residuals were above 0.05.

The seven rotated factors showed the underlying make-up:

1. Key assumptions, strategy statement, customer needs analysis, market size, share and segmentation analysis, SWOT and pricing strategy
2. Competitive share objectives and action plans, contingency plans, alternative strategies and competitor strategy forecast
3. Sales and distribution strategies
4. Product strategies (all variables)
5. Market share objectives and action plans
6. Sales promotion, advertising, and market research strategies
7. Technical and other environmental trends analysis (and government trends when included)
8. Review of previous plan

In the subsequent discriminant analysis of different types of firm, we used a small number of independent variables that represented the plan structure; variables constructed from the objective and action plan factor analysis for one set of discriminant analyses and from the analysis and strategy factor analysis for another set. To create these new variables we had two choices: either to create surrogate variables or to use the factor score coefficients to create new variables. While the use of surrogate variables is frequently used in exploratory analysis, the factors were almost invariably dominated by several (rather than one) of the original variable set. Since there was no obvious way to combine these original variables to give a new variable, and much of the sense was lost if only one were taken, it seemed sensible to use the factors that emerged from these analyses.

Table 7.14: Rotated Factor Matrix: Strategies and analyses

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
Market share objective	0.28	0.01	-0.04	0.03	0.84	0.04	-0.02	0.13
Competitor share objective	-0.08	0.58	0.12	0.11	0.55	-0.11	0.02	-0.10
Market share action plan	0.10	0.14	0.23	0.11	0.71	0.12	0.14	-0.02
Competitor share action plan	-0.21	0.61	0.31	0.02	0.37	-0.10	0.11	-0.14
Key assumptions	0.80	-0.08	0.00	0.02	0.01	0.05	-0.03	0.00
Statement of overall strategy	0.70	-0.14	0.08	-0.05	0.03	0.06	-0.06	0.05
Contingency plans	-0.13	0.59	0.14	0.07	0.04	-0.05	0.02	-0.06
Technological trends	0.35	0.13	0.27	0.29	-0.14	-0.27	0.40	-0.13
Government trends	-0.01	0.03	-0.02	0.02	0.06	0.00	0.81	0.12
Changing customer trends	0.46	-0.41	-0.09	0.26	0.04	0.10	0.20	0.24
Other environmental trends	0.05	0.15	0.06	0.06	0.07	0.04	0.74	-0.03
Market demand forecast	0.74	-0.08	-0.04	-0.03	0.15	0.05	0.09	-0.02
Market share trends	0.66	0.08	-0.05	0.06	0.42	0.24	0.04	-0.08
Segmentation analysis	0.64	0.21	0.01	0.07	0.11	0.11	0.09	0.00
Strengths and weaknesses	0.56	-0.05	-0.19	0.27	-0.19	0.10	-0.05	0.45
Opportunities and threats	0.62	-0.02	-0.15	0.29	-0.16	0.00	0.03	0.35
Competitor strategy forecasts	0.23	0.69	0.04	0.02	0.11	0.00	0.08	0.17
Alternative strategies	0.00	0.71	0.29	-0.07	-0.12	0.02	0.23	0.22
Review of previous plan	0.05	0.10	0.10	0.00	0.09	0.01	0.07	0.83
Product improvement strategy	0.23	-0.17	-0.02	0.74	0.09	0.12	0.14	0.04
New products strategy	0.34	-0.06	0.00	0.72	0.03	0.18	-0.01	0.02
Presentation strategy	-0.21	0.26	0.09	0.61	-0.01	0.33	0.03	-0.05
Customer service strategy	-0.13	0.24	0.32	0.57	0.15	0.00	0.01	0.06
Price strategy	0.41	-0.06	0.41	0.26	0.16	-0.01	-0.09	0.01
Sales promotion strategy	0.13	-0.23	0.30	0.24	0.04	0.70	-0.01	0.07
Advertising strategy	0.16	-0.22	0.11	0.13	0.16	0.77	-0.09	0.16
Field sales effort strategy	0.04	0.09	0.76	-0.01	0.05	0.23	0.06	0.02
Sales training strategy	-0.09	0.24	0.79	-0.02	-0.02	0.05	0.06	0.11
Dealer relations strategy	-0.04	0.20	0.76	0.10	0.13	-0.03	-0.05	-0.03
Availability strategy	-0.07	0.31	0.43	0.25	0.06	0.24	0.17	-0.22
Market research strategy	0.19	0.20	-0.01	0.15	-0.05	0.72	0.09	-0.16

Combining the Two Sub Matrices To Analyse Total Plan Content

In an attempt to combine these two analyses, twenty-two variables were constructed from the original seventy-one variables. These were chosen to "represent" the dimensions shown above. By reducing the number of variables the problem of the ill-conditioned matrix was averted: 39% of the correlation coefficients were at least 0.3. These variables were still dichotomous and so a new matrix was created with these variables and a G-index to neutralise the problem of asymmetric marginal discrete density functions.

The constructed variables used in the combined factor analysis are shown below:

- Share = market share objective, strategy or action plans
- Competitor share = competitor market share objective, strategy or action plans
- Budget objectives = volume or revenue or profit objectives
- Marketing expenditure = marketing expenditure objective, strategy or action plans
- Product = new product or product improvement objectives, strategies or action plans
- Price objective = price objective
- Impersonal promotion objectives = sales promotion or advertising objectives
- Sales = field sales effort or sales training objectives, strategies or action plans
- Distribution = dealer relations objectives, strategies or action plans
- Availability = availability objectives, strategies or action plans
- Market research = market research objectives, strategies or action plans
- Budget strategy/ action plan = volume, revenue or profit strategies or action plans
- Price strategy/ action plan = price strategy or action plan
- Promotion strategy = sales promotion or advertising strategy
- Promotion action plans = sales promotion or advertising action plans
- Assumptions/ strategy = key assumptions or statement of overall strategy
- Alternative = alternative strategies, contingency plans or competitor strategy forecasts
- Environment = technological or regulatory or other trends analysis
- Customer = changing customer needs analysis
- Market = market size, share or segmentation analysis
- SWOT = strengths and weaknesses, or opportunities and threats analysis
- Review = review of previous plan

The BTS was 3839 with a significance level of 0.00000 showing the correlation matrix was not an identity. The partial correlation coefficients were small: 52 (11.3%) were above 0.09. The KMO for this analysis was 0.86 with individual measures of sampling adequacy above 0.6 except for the competitor market share variable (0.55). No better solution was available when we combined this variable with the most obvious variable (alternative strategies, competitor strategy forecasts and contingency planning), so all the variables were retained in the analysis. A six factor solution was extracted after 7 iterations, accounting for 65% of the variance (over half of which was in the first unrotated factor). The final factor had an eigenvalue of 1.1 and accounted for 5% of the variance. No better solution was suggested by inspecting the scree plot. 29% of the residuals were above 0.05.

The 6 rotated factors had the following composition:

1. Budget variables, product variables, Key assumptions, strategy statement, environmental analysis, customer analysis, market analysis and a SWOT
2. Impersonal communication and market research
3. Sales and distribution
4. Price
5. Market share
6. Alternative strategies, competitor strategy forecast and review of previous plan.

Table 7.15: Rotated Factor Matrix: Combined variables

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
Share	0.41	0.07	0.04	0.14	0.71	-0.04
Competitor share	-0.20	-0.08	0.17	0.09	0.81	0.13
Budget objective	0.77	0.25	0.02	0.22	0.00	0.03
Marketing expenditure	0.62	0.44	0.19	0.12	0.02	0.07
Product	0.73	0.26	0.00	0.12	0.08	0.05
Price objective	0.29	0.08	0.10	0.74	0.09	0.11
Impersonal promotion objective	0.32	0.65	-0.02	0.08	-0.08	0.13
Sales	0.27	0.23	0.70	0.09	-0.16	0.02
Distribution	-0.09	-0.05	0.80	0.20	0.12	0.00
Availability	0.11	0.02	0.67	-0.01	0.21	0.07
Market research	0.42	0.50	0.13	-0.11	0.31	-0.16
Budget strategy or action plan	0.54	0.29	-0.04	0.42	0.01	-0.01
Price strategy or action plan	0.17	0.10	0.19	0.85	0.09	0.01
Promotion strategy	0.26	0.82	0.01	0.09	0.01	0.00
Promotion action plan	0.06	0.82	0.09	0.10	0.00	0.08
Assumptions/ Strategy	0.72	0.10	0.09	0.15	0.07	-0.06
Alternatives	0.16	0.09	0.08	-0.04	0.40	0.63
Environment	0.60	0.03	-0.03	0.23	-0.13	0.34
Customer	0.73	0.17	0.14	0.02	-0.05	0.12
Market	0.79	0.10	0.10	0.14	0.19	0.00
SWOT	0.76	0.10	0.03	0.01	0.00	0.17
Review	0.08	0.05	0.03	0.10	-0.07	0.82

Factor Analysis on the Textbook Model Structural Variables

As a checking mechanism for our earlier styles analysis, and to see the relationship between the various elements of the textbook model, we completed a factor analysis of the ten primary elements of the textbook model.

We used a component analysis extracting orthogonal factors with a varimax rotation. The variables analysed were 10 composite variables of plan content: any environmental analysis, any market analysis, a SWOT analysis, a strategy statement, key marketing objectives, any product action plan, any price action plan, any promotion action plan, any channel action plan, key budget objectives.

The BTS was 1105 with a significance level of 0.00000 showing the correlation matrix was not an identity. The partial correlation coefficients were adequately small: 28 (31%) were above 0.09. The KMO for this analysis was 0.73 with individual measures of sampling adequacy above 0.6. A three factor solution was extracted after 6 iterations, accounting for 61% of the variance (half of which was in the first unrotated factor). The final factor had an eigenvalue of 1.2 and accounted for 12% of the variance. An additional factor (with an eigenvalue of 0.8) would have improved the explanatory power by 8%. 60% of the residuals were above 0.05.

The rotated factors showed reasonably clear patterns of a "strategic analysis and statement" factor, an "action plan" factor, and an "objectives" factor. The product action plan variable was also present, to a lesser degree, in the "strategy" factor while the price action plan was similarly present in the "objectives" factor, as we would expect from the earlier factor analyses. These factors reflect the plan types presented in the styles analysis.

We further completed a factor analysis of the same ten content variables, together with the main variable distinguishing the process, the existence of any written guidelines. The process variable did not emerge as strongly correlated to any particular content variable, nor did it play a significant role overall. Tests of the other process variables produced the same result; they did not contribute strongly to a factor analysis of the plans.

Table 7.16: Rotated Factor Matrix: Textbook Model Variables

	Factor 1	Factor 2	Factor 3
Environment analysis	0.84	0.14	-0.10
Market analysis	0.84	0.05	0.13
SWOT analysis	0.59	0.20	0.01
Strategy statement	0.67	-0.04	0.28
Key marketing objectives	0.03	0.07	0.82
Product action plan	0.41	0.72	0.00
Price action plan	-0.04	0.53	0.46
Promotion action plan	0.29	0.73	-0.04
Place action plan	-0.17	0.71	0.30
Budget objectives	0.19	0.13	0.77

Appendix 7.3

TECHNICAL APPENDIX ON THE DISCRIMINANT ANALYSIS USING FACTORS AS INDEPENDENT VARIABLES

In this analysis we took the factors as independent variables, and the various ways of classifying firms as the dependent variables to see if we could correlate certain types of firm with identifiable plan structures. We used the factor score coefficients from the principal component analysis with a varimax rotation (the same analysis as that reported earlier) as the factor score coefficients produced in this way are intended for further analysis of this sort (Hair et al 1987: 258-259). Priors were determined for each analysis from the frequency data.

The discriminant analysis was carried out using the same method of analysis and verification as we used in Chapter 6. In this case there was no question of using a log linear regression as the independent variables were metric rather than categorical (while the dependent variables were categorical as before). The assumption of normality of the independent variables was again violated and hence the Box's M statistic was not valid as a measure of equality of group covariance matrices.

For each of the factor sets, based on (i) objectives and action plans, and (ii) analysis and strategy, we completed a discriminant analysis of

(i) industry type in three ways: manufacturing firms versus the rest, services firms versus the rest, and consumer versus industrial firms,
(ii) small versus large turnover,
(iii) single product versus multi-product,
(iv) high versus lower growth potential,
(v) well above average versus lower perceived relative profitability.

A total of 7 analyses was completed for each factor set.

Only two discriminant analyses produced results that were acceptable on the key criteria:

- consumer versus industrial firms using objective and action plan factors
- manufacturing versus other firms using objective and action plan factors.

In the following sections we report the key statistics from the fourteen analyses completed.

The Key Statistics

1. Distinguishing firms on the basis of objectives and action plan factors

1.1 Consumer versus Industrial firms

Function variables - factor number	Fisher's function	discriminant coefficients	F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
4	n/a	n/a	11.2	.91	.002		
7			4.7	.87	.001		
2			1.8	.86	.002	62%	0.38

1.2 Services versus Other firms

Function variables - factor number	Fisher's function	discriminant	F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
7	n/a	n/a	3.7	.97	.06	72%	

1.3 Manufacturing versus Other firms

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
	Manufacturing	Other					
3	0.9	0.4	1.5	.98	.09		
2	7.6	6.4	3.6	.96	.07		
5	4.3	3.5	3.2	.93	.03		
7	4.4	0.6	1.4	.92	.04		
6	1.2	0.8	1.0	.91	.05	60%	0.30
Constant	-5.6	-3.8					

1.4 Large turnover versus small turnover firms

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
3	n/a	n/a	3.1	.97	.08		
1			2.9	.96	.08		
5			1.3	.95	.1		
7			1.1	.94	.12	80%	

1.5 Diverse versus Simple firms

Function variables factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
5	n/a	n/a	5.8	.97	.05		
6 (-ve)			1.5	.96	.07		
7			1.1	.94	.08		
3 (-ve)			1.5	.94	.1		
2			1.2	.93	.11	67%	

1.6 Firms in High growth versus Lower growth potential environments

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
7	n/a	n/a	3.3	.97	.06		
4			2.2	.95	.06	71%	

1.7 Firms perceiving their relative profitability to be high versus lower

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
3	n/a	n/a	2.2	.98	.14	71%	

2. Looking for ways to distinguish firms on the basis of analysis and strategy factors

2. 1 Consumer versus Industrial firms

Function variables - factor number	Fisher' s discriminant function	coefficients	F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
6	n/a	n/a	5.0	.95	.05		
3			1.9	.94	.04	60%	

2.2 Services versus Other firms

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
1	n/a	n/a	2.9	.97	.09	71%	

2.3 Manufacturing versus Other firms

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
	Manufacturing	Other					
1	4.6	3.3	7.4	.96			
5	2.1	1.4	3.1	.92			
7 (-ve)	0.7	1.5	3.7	.90			
4	2.6	2.0	1.8	.88			
6	1.7	1.3	1.4	.87	.01	66%	
Constant	-4.5	-3.0					

2.4 Large turnover versus small turnover firms

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
None	n/a	n/a					

2.5 Diverse versus Simple firms

Function variables factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
5	n/a	n/a	1.7	.98			
7			1.0	.97			
3			1.4	.96			
6			1.3	.95	.24	70%	

2.6 Firms in High growth versus Lower growth potential environments

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
2	n/a	n/a	4.3	.96	.04	64%	

2.7 Firms perceiving their relative profitability to be high versus lower

Function variables - factor number	Fisher' s discriminant function		F-value to remove	Wilks' lambda	Stat sig.	% correctly classified	Canonical correlation
5	n/a	n/a	5.4	.95	.02	72%	

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