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Corporate Strategy and the Role of Navigational Marketing

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Why has marketing not become the strategic discipline? Why does marketing's strategic contribution stop at the business unit? Why is the marketing concept applied to only a very limited extent at the corporate level?

It is argued here that marketing, the discipline, has failed to deliver on its promise as a central corporate philosophy and lacks navigational influence on corporate strategy. Marketing has ignored important non-customer stakeholders (such as stockholders) who regard successful marketing as a given, and who are attentive primarily to short-run, financial measures of performance. Marketing strategy is less influential on corporate strategy than a decade ago.

This self-inflicted failure occurred because the discipline has failed to develop — or at least explain — its conception of the firm, and has failed to say how its activities create value for non-customer stakeholders. The discipline has been fascinated by tactics, techniques and clever methodologies at the expense of the broader strategic perspective. This failure is likely to persist unless and until the discipline rectifies these past and present mistakes.

This article is divided into five sections. First comes a review of current literature and a contemporary definition of strategy is presented. Second, we review key parts of marketing strategy, argue that marketing is not well formulated at the corporate level and reflect on reasons why. Third, an improved definition of marketing strategy is provided. Fourth, a framework that assigns marketing mix elements to corporate, business and functional strategic ''mixes'' is elaborated. Finally, we reflect on ways that marketing can be incorporated into corporate strategy, and some of the managerial implications this may have.

The Role of Marketing Strategy

The role of marketing planning *vis-à-vis* strategic planning has been under extensive review on both sides of the Atlantic[1,2,3]. Some have concluded that marketing has diminished as a general management orientation[4,5,6], and that marketing has taken on a very functional, narrow specialist role; not the broad, conceptual, business philosophy role predicted by the marketing concept[7]. The strategic role of marketing is changing. Day and Wensley[5] note that, during the 1960s, marketing had a great influence on strategic planning, but this influence eroded during the 1970s. During the 1980s, the primary role of marketing has been to provide tactical support in the operational environment.

Others reach contrasting conclusions. Webster[8] in an article about marketing issues for the 1980s, concludes that chief executives of major US corporations see marketing, and the development of marketing strategy, as one of the most essential planning functions. They also asserted that marketing only takes partial corporate responsibility for performance (sales and market share), and Webster concluded that the marketing concept is still not extensively implemented throughout major American corporations.

Strategy

Definitions of strategy abound; examples of the use (perhaps misuse) of the term are readily available. In marketing, "product strategy", "distribution strategy" and "pricing strategy" are common terms. We also see strategy used in reference to "customer strategy", "meeting strategy" and "negotiation strategy". Even at the micro levels of psychology and consumer behaviour, we find terms such as "cognitive decision strategy" and "consumer product attribute selection strategies". Thus the term "strategy" is loosely used in marketing.

The term strategy is derived from the Greek word *strategos* ("the art of the general") and has been used extensively in military terminology. Carl von Clausewitz[9] defined strategy and distinguished tactics from strategy as follows: "Strategy is the theory of the use of engagement (combat) for the object(ive) of the war... and must therefore give aim to the whole military action" (pp. 128, 177). More recently definitions of strategy have been adapted to business[10]:

> Strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps to marshall and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents (p. 3).

This definition incorporates two major trends in contemporary strategic management thinking. Firstly, it supports the view (called "logical incrementalism") that strategy is developed through "micro processes" or "emergent patterns" of managerial decision making. Subscribers to this evolutionary theory conclude that most firms have a strategy[11-14]. Secondly, the definition encompasses traditional views[15-16] that argue that strategy is a proactive, rational, purposeful, deliberate planning and implementation tool and process. This is the conventional, normative view commonly found in marketing[18].

An important standard of strategy is that it "integrates into a cohesive whole" organisational activities. This implies that all organisation levels and planning functions are involved, including the highest levels of a corporate hierarchy; this is consistent with Drucker[16] who writes:

> Marketing is so basic that it cannot be a separate function within a business, on a par with others such as manufacturing and personnel. Marketing requires separate work, and a distinct group of activities. But it is, first, a central dimension of the entire business.

We argue that marketing has not realised this position; marketing strategy has been poorly integrated into cohesive corporate strategy, and we speculate on reasons for this.

Failure to Formulate "Corporate Marketing Strategy"

There are several reasons why marketing has not lived up to its initial promise as the holistic corporate discipline. One explanation is found in how organisations formulate marketing objectives. A second is connected to technical aspects of marketing programmes and contemporary academic marketing preoccupations. A third is based on how the marketing mix is conceptualised, used to create strategies, and where in the corporate hierarchy marketing strategy is designed. The fourth reason that marketing has not reached its strategic potential is the "domain" orientation of corporate management (in contrast to the navigational nature of marketing), a perspective that, by its nature, is inimical to development of "corporate marketing strategy".

Marketing, Missions, Goals and Objectives

Marketing has not achieved a strategic corporate position in many companies because marketing decisions and activities have not been linked well to the corporate mission and goals. There appears to be substantial confusion with regards to the meaning and use of the terms: missions, goals and objectives. We think of missions as broad boundary concepts that give directional guidance to an entire corporation. Goals are associated with the corporate level and guide business unit strategy. Objectives are associated with specific programmes within strategic business units. Marketing strategy is almost always linked to objectives and specific operational programmes. Consequently, marketing strategy is regularly found at lower levels of the organisational hierarchy.

In economics, finance and management, the disciplines have developed generalised "theories of the firm" that are directly linked to corporate goals; marketing has not[19]. These "theories of the firm" link each field's contribution to the firm's overall purpose better, e.g. creating stockholder value. A large proportion of marketing, although very important for creating shareholder value, only indirectly relates sales and market share, or changes in attitudes and perceptions, to this corporate criterion. Consequently, marketing objectives and related results are expressed as value creation "means" rather than corporate "ends".

The contemporary standard for corporate strategy is the economic return that a firm creates for its stockholders. Rappaport[20] argues that this "new" standard for business performance is predominant in American corporations. Although creating shareholder and investment value is not a new concept[21-23], it has not become notably influential in marketing strategy.

In the search for "maximum" shareholder value, management has taken an "obsessive fixation on earnings per share (EPS) as scorecard of corporate performance"[20, p.19]. This obsession preoccupies corporate management with operational (short-term) performance, and this focus is the foundation for future goals. Consistent findings are reported by Hayes and Abernathy[24] and Ellesworth[25] who state that financial goals govern strategy in American corporations and, as a result, innovative long-term competitive corporate strategies are not realisable within these restrictions.

Technical Problems

Borden[26] argued that there are "innumerable combinations of marketing methods and policies that might be adopted by a manager in arriving at a marketing plan" (p. 2) and is therefore a very complex task to find the right or "optimal" mix. Kotler[27] re-emphasises the difficulty in finding the right mix, and attributes the difficulty to "divisibility", "modifiability", "dimensionality" and "immediacy" of marketing variables (p. 53). The marketing community has made substantial efforts to elucidate these concerns. In doing this, marketing has become preoccupied with methodology, has focused on tactical issues, and has concentrated on individual transactions rather than on creating shareholder value. Further, present marketing "prudence" dictates complex, detailed target market planning, implementation and control programmes which, by their nature, are inconsistent with corporate strategy.

Contemporary Philosophy on Marketing Strategy

Contemporary thinking in marketing embraces the "marketing concept" as the central doctrine guiding marketing activities. It has been hailed as an optimal business philosophy, placing the customer in central focus. But recently, significant limitations to the marketing concept have been described[24, 28-31]. One fundamental limitation of the traditional marketing concept according to Lusch and Laczniak[32] is that the concept recognises the philosophical importance of only one key public: "the customer", while much of the management and marketing literature (and practice) reflects the need to cater to multiple publics.

Many corporate chief executives are marketing oriented and embrace the spirit of the marketing concept. Frequently, however, their tenure depends on "maximising" the value of the firm. To accomplish this, attention is dispersed towards multiple stakeholder groups such as: stockholders, potential investors, brokers, suppliers, employees, agents and competitors. The importance of these non-customer stakeholder groups is not well incorporated in the marketing concept and consequently the singular customer focus limits the concept's and marketing's holistic potential. By putting the customer in so prominent a position, marketing has overlooked other stakeholders with the power to seize and hold the attention of senior managers. This "limitationist" view on marketing's corporate strategy potential is reflected and operationalised in most strategy-oriented marketing management books[33-35]. Not one of these texts addresses the relevance of marketing to the broader corporate strategy.

Similar conclusions can be drawn from examining work on marketing strategy in the management literature. Biggadike[36] concludes that marketing contributes with a perspective that is essential for strategic planning, but marketing's specific contributions are all related to the business and functional areas of the firm. Others[4-6, 8, 18, 37] reflect the functional business emphasis of marketing. Lack of attention given to marketing's strategic contribution at the corporate level is, thus, sadly consistent with contemporary conceptualisation of strategic management.

The Domain Orientation of Corporate Strategy

The current practice of dividing responsibility between corporate and business strategic planning is the fourth reason marketing strategy has not become influential at the corporate level. In a thorough review of strategy and environment, Bourgeois[38] distinguishes between "corporate strategy" and "business strategy". He says that corporate strategy is primarily concerned with selection of product/markets. Corporate strategy is essentially "domain" oriented. Business strategy (SBU strategy) is primarily concerned with giving firms distinctive competence and can be considered "navigational". Marketing is concerned with "domain" as well as "navigational" activities, but the traditional emphasis of marketing has been on navigational, business-level aspects. This predominantly navigational business-level practice in marketing, and domain-oriented thinking in the area of strategic management, makes corporate marketing strategy appear irrelevant when, in fact, it may be central.

Towards a Generic Definition of Marketing Strategy

A review of several contemporary books on strategic marketing management reveals that few of these provide definitions of marketing strategy. Most texts describe marketing strategy as an ambiguous concept, but nevertheless use terms such as "strategic marketing", "strategic plans", "strategic goals", leaving it to the reader to develop a working definition of the term. In many cases, a general definition of strategy is a prerequisite to an understanding of the material. Few books define marketing strategy, but those that do confine marketing's strategic activity to the business and functional organisational levels. Among those reviewed, only Cohen[39] acknowledges corporate marketing strategy and provides a denotation which distinguishes between corporate and business marketing strategy. A summary of marketing strategy definitions are shown in Table I.

Greenley[1], summarising the various approaches to marketing strategy development, divides marketing strategy into six categories. These are:

(1) "marketing-mix based strategies" (MMB);

(2) "product life-cycle based strategies" (PLCB);

(3) "market share based strategies" (MSB);

(4) "positioning based strategies" (PB);

(5) "international based strategies" (IB), and

(6) "industrial based strategies" (INDB).

Source	Definition
[40, p.vi]	Strategic market management is a management system that helps develop, evaluate and implement business strategies. A business strategy includes a determination of the product-markets in which the business should compete and the sustainable competitive advantage that should be developed or maintained to compete successfully.
[39, p.23]	Strategy involves how we go about reaching the objectives and goals set for our organization or business unit. At the very top is grand strategy. Grand strategy is equivalent to strategic marketing management and is set at the top, corporate level of the organization. One level down from grand strategy is marketing strategy. Marketing strategy involves a lower level of the organization and is set in support of grand strategy objectives.
[41, p.2]	Thus, strategic planning is the effective application of the best available information to decisions that have to be made now to ensure a secure future.
[42, p.13]	In its strategic role, marketing consists of establishing a match between the firm and its environment to seek solutions to problems of deciding (a) what business the firm is in and what kind of business it may enter in the future, and (b) how the chosen field(s) of endeavor may be successfully run in a competitive environment by pursuing product, price, promotion and distribution perspectives to serve target markets.
[43, p.71]	Marketing strategy defines the broad principles by which the business unit expects to achieve its marketing objectives in a target market. It consists of basic decisions on total marketing expenditures, marketing mix and marketing allocation.
[35, p.2]	Nowadays, however, strategy is a term commonly associated with various elements of the marketing mix.

Table I.
Definitions of
Marketing Strategy

Although all marketing strategies are, in a sense, MMB, this classification is useful because it links a particular strategy with its fundamental justification. We label the concept that justifies a certain strategy a "strategic reference". A strategic reference is not a strategy, but it consists of supporting impressions, facts and figures which are anchored to the environment. It reflects opportunities, key success factors, competencies and competitive circumstances. Consequently, it is a concept that guides formulation of strategy.

Marketing strategy is defined as an activity that organises marketing mix efforts and resources relative to strategic references, such that the resource allocation, in the long run, enhances the value of the firm to all stakeholder groups. Thus marketing strategy would be a central, long-range, proactive, integrative, unifying and holistic corporate, business and functional management activity. It would reveal that certain marketing mix configurations are strategic (and navigational) at the corporate level, other mix elements belong at the business and functional levels, while others are inherently tactical. As a result, marketing strategy within an organisation consists of a hierarchy of several different but consistent marketing "mixes" at all major organisational levels and units.

Corporate Marketing Strategy: A Framework

Corporate strategy must include navigational as well as domain-oriented dimensions. Marketing strategy must be moved above the business level and become concerned with corporation-wide, value-creating responsibilities. Marketing strategy must be applied to goals as well as objectives, and marketing must make its tools relevant to corporate concerns.

A Hierarchy of Marketing Strategies

To take on a more holistic corporation-wide purpose, marketing must include all important stakeholder groups and must be relevant at all organisational levels. We propose that navigational marketing strategy be integrated throughout the hierarchy of corporate, business and functional strategic marketing mixes, and attempt to show this graphically in Figure 1.

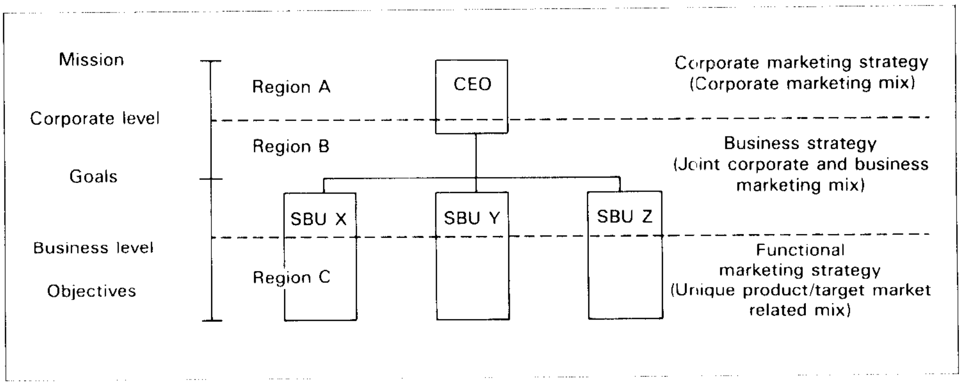

Figure 1. Hierarchial Levels of Navigational Marketing Strategy

At the top of the hierarchy is the corporate mission. Associated with the mission is a strategic decision region related to corporate marketing issues. Associated with this region (Region "A") is strategy consisting of corporate marketing mix elements. These elements may be common to all of the firm's business units. This is a navigational marketing strategy mix and would be implemented at the corporate level.

Some of the corporate marketing elements may be integrated with business unit marketing strategy (Region "B"). These common marketing mix elements establish business unit marketing strategy boundaries and joint corporate/business marketing strategy. This strategy region represents a management decision area where strategy is implemented in a joint effort between corporate and business units. The extent of common decisions may vary across divisions or business units depending on particular corporate strengths and the subordinate unit's particular needs.

	Target Stakeholder Groups	Marketing Strategy Emphasis	Time Frame	Value Criteria
Corporate marketing strategy	Stockholders Investors Brokers Government General public Employees	Focus on the firm as a product. Corporate identity programmes and advertising. Investor, stockholder and government relations. Public relations Internal marketing programmes.	Long term	Stakeholder value reflected in stock price
Joint corporate-business marketing strategy	Investors Suppliers Customers	Focus strategies producing synergy and sharing of resources among business units. Shared promotion, brands, channels, marketing services, sales-force, order processing, service network, etc.	Long term to medium term	Stakeholder value Profitability
Business marketing strategy	Suppliers Distributors Customers	Focus on competitive product/industry/ market performance within there the responsibility of business unit.	Medium term	Cash flow Profitability
Functional marketing strategy	Customers by target segment	Focus on particular marketing strategies directed at particular market segments, in order to improve product and market performance.	Short term Year-to-year market plans	Sales growth, Market share, Changes in attitudes

Table II.
Navigational Marketing Strategy Emphasis

In addition, each business unit establishes its own marketing strategy. This consists of unique functional product/target market marketing mix components. These are elements that relate to each unit's particular marketing objectives, programmes, products, brands and/or competitive circumstances (Region "C"). In Table II, we try to summarise some of the salient points describing each region.

Marketing mix elements positioned in region "A" create value by addressing stakeholder groups other than customers, such as investors, suppliers, agents, employees and stockholders. For example, a particular marketing campaign towards investors may make available additional capital, an "internal marketing" programme[44] may boost employee attitudes, retention and productivity, and a well-targeted publicity campaign may produce support in a plant location decision.

Marketing strategy in region "B" is an integration of corporate marketing and business unit strategy. By emphasising joint corporate marketing strategy and business unit marketing strategy, we suggest that corporate and business management jointly enhance corporate value by exploiting marketing synergy across business units. This strategy region coincides with traditional divisionalisation. Marketing strategy in Region "C" represents traditional marketing strategy emphasis outlined earlier in this article. It is dedicated to creating value through cash-flow from operations. This is the most familiar marketing strategy region.

Corporate Contributions to Marketing Strategy

The ability for corporate management to contribute to marketing strategy depends on a number of factors, such as firm size, corporate staff competence, top management philosophy and extent of diversification. In the single-line-of-business firm, one would expect extensive corporate management involvement in business strategy development and implementation. For example, McDonald's corporate management team becomes intimately involved in navigational, as well as domain-related marketing activities, such as selecting target markets and establishing product, promotion, distribution and pricing strategies. In contrast, in the highly diversified organisation, business and corporate marketing strategy may have little in common, leaving only limited opportunity for corporate marketing programmes. In Table III we try to summarise corporate marketing strategy relevance and opportunities at various levels of firm diversification.

A basic premise for corporate marketing strategy is that traditional marketing mix elements can be applied at corporate as well as business levels. Inherently, some marketing mix elements have very long-term implications, while other marketing mix elements may only have short-term effects. Questions are: which marketing elements lend themselves to the corporate level strategy? Which elements are particularly relevant at the business level? Under what circumstances are elements of strategic importance at the corporate level, the business level and/or at the functional marketing programme level? Should firms classify marketing mix elements according to corporate, business and functional use categories? What taxonomic criteria should be used? Will such a classification vary from firm to firm, industry to industry?

Characteristic	Single-business Firm	Related Diversification	Unrelated Diversification
Orientation	Domain and navigation	Domain and some navigation	Primarily domain
Domain	Target markets Goals and objectives	Business areas Goals	Business/markets
Navigation	Most aspects of marketing	Shared strategies among SBUs	Limited corporate identity
Corporate and business marketing strategy	Very related with much corporate management involvement in business strategy	Related in particular areas, such as product promotion	Little relationship
Synergy potential	Vertical and horizontal	Some vertical, but primarily horizontal	Little potential for synergy
Performance measures	Financial and specific market related	Financial and market related	Financial and portfolio analysis
Example firms	Tetra Pak Switzerland	IBM USA	Group Bruxelles-Lambert, Belgium

Table III. Diversification and the Role of Corporate Marketing Strategy

Corporate Marketing Strategy Examples

Below are provided some examples of corporate navigational marketing strategy, while others are summarised in Table IV.

Trademarks, packaging, graphic shapes, sizes and colours can be important corporate promotion strategy elements, because they can be applied across business units, over extended periods. They may have a corporate-wide effect on synergy, shared resources and represent marketing economies-of-scale effects, and consequently affect shareholder value.

Examples of such corporate strategy abound; Perrier, Watneys and Coca Cola have built synergy and value in the shape of their bottles, colours and/or trade names. Similarly, non-diversified firms such as McDonald's and Dyno Rod use colours and design to build equity. The "golden arches" of McDonald's are ubiquitous. Dyno Rod, UK's answer to Roto Rooter is known all over the British Isles for its bright red service trucks. A design with a particular shape or a sign can create awareness, encourage attention, produce recognition, understanding, memorability or credibility, or just foster unity in a company's overall image. All these concepts represent "means" that may produce corporate value.

Architecture is also an important corporate promotion strategy element. For years, Transamerica Corporation has been associated with its San Francisco office building. When IBM built its Manhattan office and training centre, it made sure

Firm	Country	Strategy Element
IBM	US	Logo, colour blue, product development/ launch, pricing, sales approach
Fuji	Japan	Logo, colour green, packaging
Dyno Rod	UK	Colour red, trucks
McDonald's	US	Colour yellow, arches, architecture, distribution, product, pricing
Co-op	Switzerland	Colours red and orange, retail architecture signage
Transamerica	US	Architecture
Watneys	UK	Logo, packaging, colour red
Perrier	France	Bottle, shape, colour green, product
Konica	Japan	Packaging, colour blue
Delmonte	US	Packaging, colours green, red and yellow
Mitsukoshi	Japan	Logo, product domain, price level, quality level
Ford	US	Logo, colours blue and white

Table IV. Examples of Corporate Marketing Strategy Elements

that the architecture encouraged perceptions of future-oriented, dynamic efficiency. Mercedes-Benz of West Germany uses architecture effectively to maintain its quality and service image among US customers. Sixty per cent of Mercedes distributors also sell and service "look-a-likes". In order to distinguish Mercedes from its competitor, within the distributor premises, the German car manufacturer constructed and installed separate service modules within dealerships and labelled it "signature service". Architecture, store layout and design are navigational elements that require large investments and long-term commitment. Such commitments are usually made at the corporate level.

Product domain decisions are traditionally considered part of the corporate strategy area. Product and technology decisions are regularly related to mission and business goals. During the early 1980s, Scandinavian Airline System (SAS) made a number of corporate marketing product decisions. Under new leadership, corporate management extended the product by introducing Euroclass, a first-class service to all full-fare travellers. All planes were redecorated inside and out, crews were given customer care training and received new uniforms, and major destinations were equipped with "Euro-lounges" reserved exclusively for the full-fare passenger. The company appeared to adopt a corporate navigational marketing strategy.

Distribution strategy can be an important corporate consideration. Consider, for example, the US Ex-Cell-O Corporation's development and commercialisation of the Pure Pak packaging system. After development, the packaging division competed with machine tools and component divisions for resources. In the late 1960s, because of an inability to obtain sufficient corporate resources to expand, the Ex-Cell-O packaging business unit licensed a number of independent companies to produce Pure-Pak packaging and to sell Ex-Cell-O machines worldwide. Over time, licensees grew independent and powerful, and, by 1987, Ex-Cell-O's packaging division was acquired by the Norwegian firm Elopak, the largest European licensee, along with the worldwide rights to the Pure Pak system. Fifteen years after making the channel decision, and primarily because of it, Ex-Cell-O lost control over its product, customers and the profits that these contributed. Because channel decisions like this require substantial commitment of resources, and have long-term performance implications, corporate management involvement is needed.

Traditionally, pricing decisions are left to operating managers as long as acceptable operating profits are achieved. However, there are issues related to pricing that loom larger than the operating unit's short-run performance. Corporate management may want to synthesise price level and quality for a particular corporate identity. For instance, corporate management might consider the following: should the firm be perceived as an "up-scale" or "down-market" organisation? Should a skimming or a penetration strategy be used? Should this disposition be consistent throughout the firm's business units or should the firm allow business units to vary these parameters? Within what limits? How should inconsistencies be managed?

Corporate Marketing in the Future?

We conclude that the critics are right: the role of marketing *vis-à-vis* corporate strategy has diminished. An increased, systematic navigational representation of marketing at the corporate level is not really new. Many firms say they apply the concept of "corporate marketing strategy". Our argument, however, is that marketing strategy has not been assimilated very well into corporate strategic management. This has deprived corporate strategy of much needed attention to long-term customer welfare. In order to achieve better integration with corporate management, corporate navigational marketing strategy must be integrated with marketing's conceptual base; it must suppress marketing's fascination with technique and tactic, and it must systematically incorporate non-customer stakeholders. In the future, it is likely that these efforts will re-examine traditional and well-established marketing principles.

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