

Chapter 10

MARKETING STRATEGY FOR SMALL BUSINESS: THE IMPLEMENTATION

Implementation

Once the marketing strategy has been developed, the task changes to one of implementation. The formulation of marketing strategy was based on mission, vision, and industry, competitive, market, and organizational analysis. The implementation is all about getting the company to buy into the strategy. Just because you have a new strategy does not mean that the organization does anything different.

The basic prerequisite for success in implementation is to have everyone in the organization support the strategy and buy into the underlying premise of the vision that sets the path for the marketing strategy. This is especially important for the smaller organization where everyone counts, where everyone is needed, where it is difficult to hide and pull in the same direction. The total organization must be united and all activities must fit with the marketing strategy.

The five S's of implementation are structure, systems, staff, scene, and sharing. Implementation is a process to be managed; the key variables are the five S's.

Structure

The smaller organization is characterized by a relatively simple organizational structure. But even in a simple structure with few people, it is imperative that the structure and the lines of communication are aligned to support the marketing strategy. The organization must be redesigned to clearly pinpoint the key functions and tasks necessary to implement the strategy. A restructure forces changes in behaviour and actions. For example, a small distributor's marketing strategy selected major distributors as their key target market

This meant a reorganization of the sales force, the sales manager's function and reporting relationships, and the appointment of a manager-major distributor sales. The same organization identified a weakness in handling advertising and obtaining market information. This led to the hiring of a market analyst. Another small company decided to move into a whole new product area, necessitating the formation

of a new division to market the new and different product, since the new product was radically different from the current ones, and no opportunity for sharing the sales force was possible. A change in structure is usually based on an analysis of what functions must be carried out in order for the marketing strategy to succeed.

Restructuring, in many cases, changes the process of carrying out marketing, and this forces change in the organization. Structural change also forces a buy-in of the change, since behaviour and communication redirected.

Systems

These are the management support systems which need to be in place in order for the organization to take advantage of the new direction and opportunities presented by the strategy.

One of the key support systems is the investment necessary to carry out the marketing strategy. The budget, and a willingness and ability to spend, must be present in order for a new strategy to have a chance of success. All too often, smaller companies charge after opportunities without consideration given to the cash that will be required to realize those opportunities. Many firms have been tantalized by the sheer size of the American market, only to falter and run out of money after discovering the huge cost of attacking such a gigantic market. For example, TMI, a Canadian training company, was seduced by the sheer size of the U.S. market, only to be faced with the complexity and cost of doing business in the U.S.. Only after regrouping with a clearer focus did they succeed. Many marketing plans exclude the financial side, such as investment and impact on cash flow. For the smaller organization, cash flow is the lifeblood of the organization.

Another system that may need to be changed is the reward system. The current system may not reward the behaviour essential to carrying out the new marketing strategy. The only "reward" a new strategy may provide is more headaches, or "doing

more with less". An example of how this can derail the best marketing strategy is a \$10 million computer systems company that hired a consultant to develop a new growth marketing strategy. The consultant noted with some dismay that the longer his strategic marketing document became, the less enthusiastic the senior managers became. They viewed it strictly as more on their already full plates. A long term reward system that encourages behaviour to support the new strategy is important.

Staff

The human resource element plays a key role in success. New skills and talent may have to be acquired. One possible competitive advantage is the management and staff of the organization. This becomes especially important if you are competing with companies of similar size, assets, and products. Employee training often becomes an integral part of the implementation process, or if you are in the service sector, hiring employees with the attitude that fits with, for example, a new focus on service.

Scene (Culture, Values, Beliefs)

Every small organization possesses a unique and different culture, and a set of values and beliefs that differ from others. The company's culture is its style, how it works, and the atmosphere within the organization. An organization may not have a coherent culture, or it may have a weak culture or a strong culture and a commitment to a certain set of values.

A strong culture with a strong sense of purpose can propel an organization along the strategic path. For example, if all employees understand and support the marketing strategy, it will facilitate the execution even if they may not be directly involved. A strong culture and values provide a focal point for channeling the energies needed to succeed.

Culture and values provide norms of behaviour and organize expectations; in effect, the values become the invisible control system and set the parameters for behaviour. It goes without saying that the culture must be aligned with the strategy in order to be effective.

Sharing

Sharing is the external support system that facilitates marketing strategy. There are many areas that smaller firms cannot deal with simply because of size or the lack of resources. Sharing can take many forms: alliances, joint ventures (formal and informal), cross marketing, resource sharing, and joint research. The key point behind all of these is to leverage your

organization.

Strategic Marketing Alliances

An alliance is a method of providing a competitive advantage that the firm does not have by co-operating with another organization. It can be either a long term collaboration or a one of a kind project, such as a cross promotion. Alliances enable both partners to compete better.

An alliance goes beyond the normal business to business relationship, but does not involve any change of ownership. Alliances work especially well for smaller organizations that wish to globalize, yet lack the resources; however, alliances also work well in a domestic market.

There are many reasons to form alliances. The most common are:

- To get market access
- To obtain the benefits of economies of scale in marketing
- To obtain technical expertise
- To ride the coat tails of a larger organization
- To obtain new channels of distribution
- To overcome government regulations; for example, tariffs or ownership requirements

A good illustration of a marketing alliance is that of Food Roll Sales (Niagara) Ltd. (see Figure 10-1 for company profile). Food Roll Sales made great pizza rolls, but ran into trouble in marketing and distribution. Despite the payment of large amounts for listing fees, sales were very slow. An alliance with Pillsbury Canada and a switch to private labels made all the difference. Pillsbury expanded its product line and Food Roll acquired a distribution channel. Both organizations benefitted from the alliance.

Alliances are especially valuable when entering the international market. ACIC (Canada) Inc. (see Figure 10-2 for profile) made an alliance with Ault Foods Ltd. (sales \$1 .3 billion) in order to produce and market a natural laxative on a global basis. Ault provided the manufacturing experience and ACIC the pharmaceutical knowledge.

Leadership

Someone has to take charge; a strategy champion is needed. Without sound leadership, a marketing strategy will atrophy. Leadership means an investment in time and a commitment by the leader. All too often the time investment is not there.

<p align="center">ALL WRAPPED UP Food Roll Sales (Niagara) Ltd., Niagara Falls, Ont.</p>	<p align="center">ALL IN THE FAMILY ACIC (Canada) Inc., Brantford, Ont.</p>
<p>FOUNDER Henry Wong, 46, owns 55 percent of company with brother Eugene</p>	<p>FOUNDER Luciano Calenti, 50 is majority owner. (Company has some minority shareholders outside Calenti family.)</p>
<p>BUSINESS Makes frozen pizza rolls, pizza fingers and egg rolls. Owns 51 percent of frozen food processor Diner's Delite Foods.</p>	<p>BUSINESS Manufacturing and distributing fine chemicals, the active ingredients in pharmaceutical products.</p>
<p>SALES About \$3-million for year ended Aug. 31.</p>	<p>SALES More than \$30-million a year.</p>
<p>BOTTOM LINE Profitable, but does not disclose results.</p>	<p>BOTTOM LINE Not disclosed by the private company.</p>
<p>OPERATIONS Makes pizza finger food and egg rolls under private label. Three major accounts: Pillsbury Canada, M&M Meat Shops and Pinty's Premium Foods. Diner's Delite Foods makes frozen foods mostly under private label: Buffalo style chicken wings, chicken cutlets and nuggets, cabbage rolls.</p>	<p>OPERATIONS A 77,000-square-foot head office and fine-chemicals factory in Brantford, Ont. A 32.5 percent partner in Canlac Corp., a joint venture with Ault Foods Ltd. and Willis Management Group to produce all-natural laxative from milk byproduct. Partner in a pharmaceutical production facility in Mexico.</p>
<p>EMPLOYEES 40 (plus 28 at Diner's Delite). MR. WONG'S BACKGROUND Has managed restaurants, a garment manufacturer, and an import-export company.</p>	<p>EMPLOYEES Eighty, including 16 in R&D. MR. CALENTI'S BACKGROUND Born in Italy, attended London School of Economics without getting a degree. Came to Canada in 1971 to represent family pharmaceutical distribution business. Built ACIC as distributor of fine chemicals to drug makers worldwide. Guided compa-</p>
<p>CHALLENGES Finding new markets for pizza rolls outside Canada. Turning around money-losing Diner's Delite by creating new food products, finding new customers and cutting costs through mechanization.</p>	<p>CHALLENGES Developing more international joint ventures: regaining momentum after BILL C-91 patent legislation, which blocked licences for new generic products: realizing his dream of creating world's leading fine-chemical company.</p>
<p>QUOTATION "It doesn't matter if you have a good food product. If you don't have the funds for listing fees, you don't get into the food chains. That's why we stopped dealing directly with the chains, it was costing us so much."</p>	<p>QUOTATION "In Canada, we get a lot of red tape. In other parts of the world, we get the red carpet."</p>

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Thompson and Strickland¹ have outlined six leadership roles for implementation:

1. Staying on top of what is,
2. Promoting a culture in which the organization is “energized” to accomplish strategy and perform at a high level.
3. Keeping the organization responsive to changing conditions, alert for new opportunities, and bubbling with innovative ideas.
4. Building consensus, dealing with the politics of strategy formulation and implementation, and containing “power struggles”.
5. Enforcing ethical standards.
6. Taking corrective action to improve strategy execution and overall strategic performance.

What Makes a Good Marketing Implementer?

Tom Bonoma², who has researched marketing implementation, suggests that there are four principal skills to marketing implementation:

Interacting

Good implementers move quickly on issues and have a high level of self management. Since implementation is one of convincing many of the right path, the good implementer has a high level of internal and external interaction.

Allocating

Allocating jobs to do and other resources where they count is a key implementer skill.

Monitoring

Good implementers set critical control systems.

Organizing

Good implementers create an informal network of support for the marketing strategy.

The Marketing Program

The marketing program includes the functions to carry out the strategy; communication, selling, pricing, and distribution. These are the marketing fundamentals. The marketing programs do not stand on their own, but are often a joint venture with other areas. For example, a communication program must be in tune with both inventory and production.

Evaluating Strategy

The first measure is . Did we reach our performance objectives? Strategy is the expression of how the objectives set are to be reached. The determination of strategic objectives is very critical, since they become the foundation for determining whether the marketing strategy was successful.

A traditional measure of success is market share. For the smaller organization, this is often an impos-

sible number to determine, since small businesses often operate in fragmented markets that are too small for organizations and/or government to collect data on. Growth in sales, although not a relative measure, is a good measure.

A measure that has acquired a lot of credibility in the last few years is service quality. Many traditional financial measures, such as gross margin, return on sales or investment, gross profit, and net profit are good measures of how effective the strategy has been.

John A. Czepiel³ suggests four key questions for assessing strategy:

1. Does the strategy fit the changing environment?
2. Is the strategy internally consistent?
3. Does the strategy fully exploit the firm’s resources and distinctive competencies?
4. Are the strategies risks consistent with its rewards?

Jensen⁴ talks about “feasibility of stance” and asks the following questions:

- Does the momentum exist to carry out the strategy?
- Does the company have the necessary resources and skills, and if not, are they willing to acquire them?
- Can the strategy survive in the value system of the organization?

The resource question is obviously extremely important. Without resources, whether financial, human, or time, it is unlikely that a market strategy will be carried out.

Other Benefits of Developing Marketing Strategy ~ Strategy - the link with the future

Strategy is the bridge between the short and the long term. Figure 10-3 identifies the behaviour associated with the short and the long term.

Strategy connects the environment with the company’s goals, creating the framework that makes the constant adjustment process possible.

Strategy as an Agent for Synergy

In an era where companies are being asked to do more with less, the development of synergy is a much more palliative process than the “slash and burn” approach; that is, cutting costs to the bone. The cost diet is just not sustainable for most compa-

Figure 10-3

Strategy as a Bridge

Long Term	Short Term
Strategic	To do list
No decision	Decision
Strategic	Dealing with immediate Problems (intrusions)
	New information
	Opportunities
	Surprises
	Threats
	Reactive behaviour

nies. Strategy is a vehicle for identifying areas of synergy. Synergy is the output of a joint or combined effort of two areas in the company, two products, activities, or other functions which produce output that is more than their individual input. It is often described as two plus two equals five.

There are many types of synergies possible:

- marketing synergy
- operating synergy
- financial synergy
- management synergy
- supplier synergy
- customer synergy

Synergy sets the tone for value added and value multiplied. Value multiplied is achieved via synergies and includes activities such as:

- cross selling
- collaboration
- entrepreneuring
- productivity changes
- restructuring
- sharing information
- partnering
- alliances

Strategy and performance

Over the years, numerous attempts have been made to develop a profile of the companies that perform well. Organizations that perform well seem to have some or all of the following characteristics:

- Have a sense of purpose and direction.
- Have a high level of trust.
- Have a well developed communications network.
- Have a vision of the future.
- Have developed a climate of entrepreneurship.
- Have a lot of knowledge and feeling about their

customers.

- Have developed a performance oriented stance.
- Spend a lot of time on the tactical side of planning.
- Practice leadership at all levels.
- Have a service and quality culture.
- Are very responsive to changes.
- Are innovative.

Strategy as a Renewal Agent

The very process of developing a strategy often has a rejuvenating effect on the organization. Companies get stale, they plateau, and they need a kick-start to get to a new level, spiritually, culturally, operationally, and economically. The strategy process challenges the status quo and floodlights all the dark areas within the company. The effect of putting a lot of people together with a common focus often produces far more than strategy; for example, understanding, commitment, and a renewed sense of purpose often are produced by the strategy process.

Who Should Undertake the Development of a Strategy?

Normally, the smaller company does not have the resources to develop a strategy without outside help. The ideal person to aid a company is someone who can help with the process, while not necessarily developing the strategy. In other words, someone who provides a methodology, is neutral, but shepherds the process along, and perhaps has a hand in putting the final document together. From the company's point of view, the senior management should be directly involved in developing the strategy, as well as the board of directors.

Does Small Business Do Any Strategic Planning?

Jerry White, of the University of Toronto 6, polled 250 participants in a small business conference (the sample had revenues between \$1 - \$10 million). Based on a 62% return, he drew the following conclusions:

1. Respondents viewed planning as important(73%).
2. The president was responsible for strategic planning (59%).
3. Low use of outside consultants (12%)
4. Average planning horizon was 1 - 2 years.
5. 10% - 20% of time spent by managers on strategy.

6. Factors included in strategy planning:

competitive threats	67%
economic trends	69%
Government	59%
Finances	73%
Labour	43%

Some Directions on Strategy for the Smaller Organization, 1990.

5. This section taken from Knud B. Jensen, *Strategic Thinking .Notes on Direction*, 1990.
6. Jerry White, *Strategic Planning in Small Business in Canada .it is a Rarity*, University of Toronto, 1990.

Endnotes

1. A. A. Thompson, Jr., A. J. Strickland, *Strategic Management: Concepts and Cases*, (6th Ed.), Irwin, 1992.
2. T. V. Bonoma, *The Marketing Edge*, The Free Press, 1985.
3. John A. Czepiel, *Competitive Marketing Strategy*, Prentice Hall, 1992
4. Knud B. Jensen, *Creating a Path to the Future:*