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Aniela Styś

STRATEGIC MARKET PLANNING AND THE EFFECTIVENESS AND EFFICIENCY OF THE ORGANIZATION'S ACTIVITY

The paper presents basic principles of strategic market planning and the factors influencing the efficiency and effectiveness of the activity of an organization. A general algorithm for marketing strategy is given. Marketing effectiveness of Polish firms, as the latest investigations have shown, is still low. The need for implementing the strategic market planning on larger scale is stressed.

1. THE NATURE OF STRATEGIC MARKET PLANNING

The term „strategic market planning” links together the problems of the present and the future of Poland’s economic system. In this sense it is related to the different ranges of economic activities, especially when we intend to take advantage of the achievements of the world’s marketing. It can be considered from different points of view: as an outlook of the general economy, of the society as a whole and of firms and consumers. Each of these outlooks gives a chance of changes in a certain desired direction. These changes are however possible only when both in the objectives construction and in the subsequent activities the market orientation is assumed. This orientation means that the philosophy of management is based on the system of needs of a final consumer. In practice the realization of these needs is connected with the mission of each individual enterprise. To fulfill its mission an enterprise has to prepare an assembly of procedures and a set of decisions. If they are of a primary importance for the future of the company -this is the strategic approach. If this approach has to ensure the development of the company, all of the three mentioned marketing options are important in the process of formulating the marketing strategy. The general economy option stresses the part of the marketing achievements related to the rationalization of use of

limited resources. The perspective of the society as a whole emphasizes the social changes in market activities. They are connected with the quality of life, since in the marketing strategy it is necessary to recognize needs and to satisfy them. This option might be also useful for firms looking for a market niche. The unlimited size of needs is always a guarantee of finding the effective range of activity, both from the consumers' and firms' point of view. It is of extreme importance for the new class appearing in Polish society of market participants – the entrepreneurs of various subject and scale of activity, regardless of the form of ownership. They face the difficult task of obtaining the expected effects. The nature of the strategy itself forces to neglect the current problems and to concentrate on the elements, which could be crucial in the future.

Peter Bennett's definition of marketing as a specific integration of firm efforts with the consumers' needs seems to favour – like the other definitions – mostly the current actions. „Strategic marketing planning” has therefore to link the organizational effectiveness – understood usually as the ability to achieve the intended objectives – with the organizational efficiency, more similar to the organizational productivity, connected with the cost-benefit relation. Such an approach to strategic marketing planning permits a linking of the certain present with an uncertain future.

Both strategic and current decisions require the making of choices. In the nature of the market system there is a dynamism reflecting movements, changes, but also uncertainty. The operation on the market in these conditions means that we have to deal with probable processes, and the undertaken decisions are risky as to the later effect. But the lack of uncertainty and risk in the actions is not a sign of initiative. A dynamical enterprise searches for changes, reacts to them and exploits them as an opportunity (see Altkorn, 1993). In the realization of the marketing strategy it is indispensable to refer to the works of Schumpeter, and especially of his formulation of some types of politics, described by him as „creative self-destruction”. In Poland it means the necessity to abandon former habits, the feeling of safety, which was guaranteed by the state.

The awareness of these problems stresses the importance of knowledge and experience. Marketing is recognized as the generalization of experience of firms acting in the market economy from the very beginning. In Poland great expectations are connected with marketing. In the process of transformation it requires us to recognize the problems from the field of globalization – when the enterprise, regardless of its size and scope of activity, becomes the participant in a world market. It would be oversimplified to assume that participation in the world market is solely an international marketing problem. The technological development, structural changes in the world economy, contracted limits of innovations, are challenging also for the enterprises acting in the domestic market. The pressure of the quality of the world products, of the service system satisfying

the needs of the most demanding clients, are the results of the developed market experience and are the factors which have to be taken into account in the marketing strategy of domestic firms. Also various forms of international economic integration exert a considerable influence on this strategy. In the decision and realization processes a new method of adaptation of market participants to the changes occurring in Europe appeared – euromarketing, which has been stressed by T. Kramer (1993). It is connected with the search for the most advantageous solutions in the situation, when firms are under the pressure of European integration. In view of the increased complexity of the surroundings, the algorithm of marketing management strategy becomes particularly useful. By linking the strategies of analysis, choice and implementation it accentuates certain assembly of actions. Without such an approach to the system, the firm would have no chance to obtain the expected results.

2. ALGORITHM OF MARKETING STRATEGY

The process of decision making always belongs to the most important and the most responsible human actions. The market participants, continuously making their decisions, are placed in the development field located between chance and hazard. An essence of the marketing strategy consists in the combination of the organization's capabilities, as well as its skills and resources, chances and hazards of the environment, and the needs of the market. Its expanded algorithm exhibits in turn very clear sequence of stages, forming a logical system of actions, where the individual elements are coherent (Wilson et al., 1992).

The first stage designates an initial position of a firm. Particular stress is laid here on „marketing auditing” – looking for suitable organization through systematic, critical, objective review and rating all market activities. This stage includes the preliminary opinion on the above-mentioned chances and hazards, setting a possible market position of the firm in relation to that of its competitors, and also in relation to possibilities remaining in the demand. Consequently this stage should also take into account the elements of the environment in its broad sense and allow to establish advantages and disadvantages of the firm. The SWOT analysis (so far not very popular in Poland) can also be included in this stage. Also at this moment the firm should work out five attributes of the marketing orientation :

- the pro-consumer orientation,
- the integration of marketing functions,
- suitable marketing information,
- the strategic orientation,
- the efficiency of operations.

The second stage of marketing management strategy includes the formulation of strategy and hence its more precise definition. Here appears the necessity of decision-making concerning the mission and the subject of the enterprise. In other words, we have to find out and describe the nature of the subject of our activity, settle the firm using market segmentation and establish the market of destination.

Laying a particular stress on this stage is very important, since Polish firms often face difficult choices. These choices concern the subject of activity, the scale of activity, internal possibilities connected with resources and also the process of economical legislation which is still in progress.

This stage demonstrates also that in the process of transformation of resources aiming to obtain expected effects, some factors not controlled by the firm can occur. That is the cause why the global strategy model includes three already mentioned, equivalent fragmentary strategies: strategy of analysis, strategy of choice and strategy of realization. The strategy of analysis – besides the factors that depend on the firm – demonstrates the existing independent factors in environment that have to be taken into account when constructing marketing strategy. It should be stressed that this environment will indeed give us effects. The effects (as Drucker, 1976 wrote) do not depend on anybody in the firm and on anything controlled by it. K. Oblój ascertains that the market is completely insensible to how much cost and work was put into the product. The buyer judges it from his or her own point of view, (Oblój, 1994).

The third stage of marketing management is the strategy of choices in the class of elements of marketing mix. With respect to each of them a basic 5-level algorithm of marketing strategy is adequate. It includes questions about our initial position, intentions, possible ways of realization, criteria of choice and guarantees of achieving the goals.

The strategy of choices includes three aspects:

- generating strategical options in sense of precisely defined aims of activities,
- change of strategical options as a way of exploiting the firm's advantages and overcoming its disadvantages,
- selection towards the preferred strategy, which would make it possible to find the firm's advantages in the environment or tend to get the supremacy over competitors.

Two last stages of strategical marketing management establish the activity referring to the realization and control of our market activities. The decisions made here connect resources, people and organization system to obtain the effects. Also, in these stages the position of a firm in the complex system of group interests is revealed. It should be merely pointed out that to these groups belong: society, government, buyers and sellers, managers, employees and stockholders, to realize how big the differentiation is, and even more often the divergence of interests. The choice of the way of realization of already established aims is important in this

stage because it has to make the aims realizable. The allocation of resources should also take into account new enterprises and the organization system should be able to adapt to new activities. The methodical proposition of Ph.Kotler about rating the marketing effectiveness is visibly connected with these stages (Kotler, 1977). It is very important not only in science but also in economical practice because:

- it teaches critical attitude to our activities,
- it calls our attention to a great number of necessary functions in an enterprise,
- it marks off strategical and operational activities,
- it allows to rate ourselves, because it sets sections on a points scale in a way that unmistakably quantifies marketing effectiveness.

3. EVALUATION OF MARKETING EFFECTIVENESS OF POLISH FIRMS

The trials to use this methodics in marketing effectiveness rating of Polish firms gave interesting results (the more detailed description is given in: Styś, 1993). The firms studied by us received rates which indicate a small effectiveness of marketing activities. The firms taking into account already mentioned attributes of marketing orientation were rather rare. However, the difference between firms offering products and services must be accentuated here. Service firms are more interested in the consumer in their offer. Probably it is connected with the specificity of product in the services. The realization of service is executed in the presence of a consumer. This contact can stimulate the recognizing of the consumer's preferences, and this fact makes it possible to concentrate on specified market preferences in the long term. So far, however, the procedures of market segmentation are not used by the firms.

The integration of marketing functions is important to obtain effects of market activities, especially in context of cooperation between marketing department and other departments. Nearly a half of the studied firms confirm such integration, but the answers to more precise questions show that it has rather a character of declaration. We can simply find conflicts and divergences between the work of various departments and the real integration is realized on a rather small scale. In practise it has to cause a limitation in the analysis of all necessary information, planning and effective realization of marketing activities. It makes also obtaining the expected effects questionable.

To make the final rate of effectiveness of activities more detailed, the analysis of marketing information was used. From the studies it appears explicitly that

service firms are more interested to have such information in the decision process. More than 70% of the studied firms confirmed that specialized studies (analysis, research) were made in the last year. So far the production firms were involved in such studies on a rather minimal scale. In both groups the interest in rating the effectiveness of the costs of marketing studies is relatively small.

As mentioned above, the most important thing in the effectiveness of market activities is strategic orientation. In the majority of the studied firms such an orientation was not noticed. Only a small group of market participants settles the aims of activities and gives them a character of innovation. In addition, studies in many firms showed the lack of ability to flexibly correct the activities and the lack of spreading of the marketing philosophy, so the generally negative rate of effectiveness of market activities is not a surprise. Though there is a variety of opinions about the possibilities and conditions which could increase marketing effectiveness, each of the market participants has to accept a challenge of initiative and innovation, regardless of the own perception of its position in the social and economic system. These changes are the result of a new way of firms' activity – also towards the purposeful and organized searching for opportunities.

P. Drucker lists as much as seven sources of opportunities for innovation, among them: the discrepancy between the reality and its representation, unexpected events, innovations resulting from the changes in perception, and new knowledge. The boundaries between them are not sharp. The author compares them to the windows in different parts of a building. The same elements can be seen from them, but the view from the centre of each window is evidently different (Drucker, 1992). So marketing strategy appears as a teleological process – the purposeful organization of firm's actions to obtain expected results. The separate stages have to be consistent, their realization has to link marketing with general strategy and solve both present and future problems. This corresponds to the approach proposed by Ph. Kotler – of a market oriented strategic planning as a management process creating and maintaining the relations between the objectives and resources of an enterprise and the changing possibilities appearing on the market. The aim of strategic planning is modelling and remodelling of the enterprise and its products to bring profit and chances for development (Kotler, 1988).

The marketing strategy understood in such a way eliminates hazard, minimalizes risk, but needs the knowledge of methods and techniques of market actions, which are the elements of a comprehensive procedure of the strategic market planning.

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