

SUSTAINABLE MANAGEMENT; MODEL BUILDING FOR DECISION MAKING

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ABSTRACT:

As Sun Tzu says: “Judge advantages when accepting advices, and then, in accordance with that, arrange your forces supplementing them with extraordinary tactics. Forces should be arranged strategically, based on that what gives the advantage.” This though directly points that strategy and tactics need to be developed in the same direction to gain success. This is the application of the research on building the new model which will combine strategy and tactics in marketing. The model will have to satisfy three conditions. It will have to be applicable, simple and interactive. The research will consist of three parts. The first part will be the literature review aimed at making the historical overview on research subject and developing the first instance of the model. The second part of the research will be the main research in the form of interviews with managers responsible for the implementation of strategy and tactics in companies. The result of the main research will be the final version of the model which will be tested in the third part of the research, an experiment on the real company which is present on the real market. Results of the experiment will be evaluated through business results of the company before the implementation of the model and results after the implementation. The Stratics model will follow the line of modelling presented by Vranešević, Vignali and Vrontis which includes the combination of various strategy and tactics models like Life Cycle of the Company, Boston Consulting Group Matrix, Ansoff Matrix and Marketing Mix. Resulting model will give the company’s management a chance to see whether company’s real position lies where management thinks it does. The other purpose of the model will be initial propositions on what should be done on tactical level in order to achieve company’s targeted strategy position.

KEY WORDS:

Decision-making. Tourism. Boston Consulting group Matrix.

1. INTRODUCTION

Matrix Marketing and the academic use of models in the strategic process has, in recent years, been accepted by practitioners. The frequent and recent changes in technology and the Internet allow greater access to both academic and tacticians in the commercial world. Vignali C. (2007) has developed the Stratics process and created a live model building process that adapts some of the academic models used by academics in the modern world.

As Sun Tzu says: “Judge advantages when accepting advices, and then, in accordance with that, arrange your forces supplementing them with extraordinary tactics. Forces should be arranged strategically, based on that what gives the advantage.” This though directly points that strategy and tactics need to be developed in the same direction to gain success. In other way, the risk of failure increases significantly.

The purpose of marketing is to make customers more interested in company's products. Stralser (2004) describes marketing in the following way: “Often, people immediately equate marketing with advertising and see only the amount of money that advertising cost. However, by definition, marketing is actually the process by which we offer goods or services up for sale. Forward- thinking marketing strategies suggest that marketing is not a ‘cost’ or ‘expense’ but rather an investment, because much of the benefit of marketing is longer- term and may take years to fully provide its benefit.” Kennedy (1989) finds very important to answer the question: “Why should I, your prospective customer, choose you vs. any and every other alternative available to me?” This is the question that leads to identify the proper strategy for the company. Vranešević, Vignali and Vrontis (2004) combine Life Cycle of the Company, Boston Consulting Group Matrix, Ansoff Matrix and Marketing Mix. This approach has given the main direction for this research. According to Buble and group of authors (2005), marketing strategy represents the implementation of the whole strategy of the company and main duties of the marketing strategy are: analysis of market opportunities, the choice of the aimed market, marketing mix development and marketing management.

The main focus of marketing strategy can be the development of marketing mix and marketing management. According to Thompson, Strickland and Gamble (2005) “Strategy of a company is a plan of the game which management uses for business increase, gaining market position, attracting and pleasing customers, successful competing, leading their operation and gaining desired aims.” On the other hand, Robbins and Coulter (2005) state that strategic management is “That set of managerial decisions and action that determines a long-run performance of an organisation.” This definition can also be applied to the managing of marketing strategy. In the introduction sentence of the chapter “What is the Marketing Strategy”, Renko (2005) explains that “combining of terms Marketing and Strategy emphasises that the strategy has to be marketing oriented, i.e. leaded by the market and surroundings where the company operates.” Berry and Wilson (2000) have elaborated the way the strategy and tactics should work in combination: “The tactical decisions you make should directly complement your marketing strategy in a manner that is practical and can be implemented.” This means that tactics and strategy have to be consistent. Johnston and Bate (2003) state the following: “It is interesting to note how many companies in

recent years have adopted “innovation” as a core value or as part of their mission statements. If we as a society have moved from the Information Age to the Knowledge Age, then this relatively new emphasis on innovation is quite logical. When information is ubiquitous and is no longer a source of competitive advantage, it is the innovative use of that information (via knowledge) that differentiates people, companies, and nations. Innovation may become the basis of all competition in the future. Innovation is the new competitive arena where present-day gladiators, equipped with similar information and access to similar resources, try to outsmart one another to victory.” This is the reason why the development of new models has potential to make companies more competitive on the market.

2. RESEARCH PURPOSE

The purpose of this research is development of a simple and interactive Marketing Model which will combine Marketing Strategy with Tactics in order to gain a straight forward business strategy which is easy to apply. The researcher has the intention to conduct the main research in Italy and develop the model according to findings from this research. In this way, the model will be fully applicable to The Italian market, but on the other hand, the model will be based on the main market rules, which are the same worldwide. This is the reason why is it expected that the model could also be applicable worldwide. The model will evolve during the research period according to new findings during the research process.

2.1. Aims and objectives

The research will be conducted through three stages.

- 1) The aim of the first research is to find out which Marketing Strategy and Tactics models have already been developed and what are their advantages and disadvantages.
- 2) The aim of the second research will be to identify the variables which companies find the most important for combining their strategy with tactics.
- 3) The aim of the third research is to test the applicability of the developed model on a specific company.

3. RESEARCH PLAN AND METHODOLOGY

3.1. Research structure

The research will consist of three stages. The first stage will be the literature review on Marketing Strategy and Tactics. The second stage will involve interviews with Italian managers responsible for strategy and tactics. These interviews will be aimed to identify variables which Italian companies find the most important to implement tactics in line with the strategy of their business. The third stage will be an experiment on the applicability of developed model on a company.

3.2. Literature review

The literature review aims to identify existing marketing models for strategy and tactics. It will help in identifying gaps in modelling, which will be the starting point of development of the Stratics model. Vignali (1995) used The Nicosia Model, The Howard- Sheath Model, The Engel, Kollat and Blackwell Model, The Du Pont Model and The Andreasen Model as the basis for developing The Nicosia Model Redefined in a Benetton Franchise. A few years later, Vranešević, Vignali and Vrontis (2004) developed a model which combines Life Cycle Of The Company, Boston Consulting Group Matrix, Ansoff Matrix and Marketing Mix. This research will be based on this line of the evolution of models. Strategic models such as Boston Consulting Group Matrix and Ansoff Matrix are able to give the manager the main direction to improve the business, but do not identify the means of gaining the aims from Boston Consulting Group Matrix and Ansoff Matrix. Marketing Mix is used to gain these aims.

According to Vranešević, Vignali and Vrontis every company has the life cycle separated in four periods. Period 1 is a period when the company has a strong growth rate, but still a small market share. Period 2 is a period when the growth rate is smaller than in period 1, but still positive and the market share is big. Period 3 is a period when the company has gained a big market share, but the growth rate has started to decline. Period 4 is the last period characterized by strong drop of both growth and market share.

The Boston Consulting Group Matrix follows the same scheme of growth and share like Life cycle of the company and can be separated into four fields (quadrants). Ansoff Matrix also faces similar characteristics. Quadrant numbers start in upper right quadrant and proceed in counter clock direction.

Porter (1980) explicitly states the following: “The growth/share matrix is based on the use of industry growth and relative market share as proxies for the competitive position of a firm’s

business unit in its industry and the resulting net cash flow required operating the business unit. This formula reflects the underlying assumption that the experience curve is operating and that the firm with the largest relative share will thereby be the lowest cost producer.” Kotler (2001) uses names of these four fields in Boston Consulting Group Matrix: “Successful SBUs (strategic business units) move through a life cycle, starting as question marks and becoming stars then cash cows and finally dogs Given this life-cycle movement, companies should be aware not only of their SBUs’ current positions in the growth-share matrix (as in a snapshot), but also of their moving positions (as in a motion picture). If SBUs expected future trajectory is not satisfactory, the corporation will need to work out a new strategy to improve the likely trajectory.”

According to Vranešević, Vignali and Vrontis (2004) “The Ansoff matrix is most commonly used to analyse the product convenience regarding market strategies, where the competition fight is maintained with two elements taken into account: product (‘what is sold’) and market (‘to who is it sold’).” Renko (2005) says that “Marketing develops its means of acting through its functions, so called 4P’s, i.e. four marketing functions, which are: product, price, place and promotion. Their optimal combination makes marketing mix, which has, as the basic way of marketing functioning, also been used today.” Marketing Mix can be seen in the same graphical scheme with the most important variable on Y-axis and the second most important variable on X-axis.

Combining of these matrixes can help in identifying proper steps in marketing tactics in order to gain strategy aims and make a strong positioning in the Life cycle.

The author found this model very interesting and wanted to redevelop it in order to make it more practical to use. The structure of the research developed itself as there will be the need to find out more about the history of strategy and tactics modelling which is most likely to be done in the form of the literature review, then there will be the need to identify real variables that current managers from Italian companies find most important for the modelling and finally there will be the need to test the model on the real company. Kotler introduces another interesting model.

Kotler’s description of the GE model is: “A SBUs appropriate objective cannot be determined solely by its position in the growth-share matrix. If additional factors are considered, the growth-share matrix can be seen as a special case of a multifactor portfolio matrix that General Electric (GE) pioneered. In this model, each business is rated in terms of two major dimensions—market attractiveness and business strength. These two factors make excellent marketing sense for rating a business. Companies are successful to the extent that they enter attractive markets and possess the required business strengths to succeed in those markets. If one of these factors is missing, the business will not produce outstanding results. Neither a strong company operating in an unattractive market nor a weak company operating in an attractive market will do well.”

3.3. Interviews

The main research will be done as interviews with managers from Italian companies with the aim of identifying the variables of the future marketing model. Marušić and Vranešević (2001) define interview as “direct communication between interviewer and interviewee, where interviewer places questions and records interviewee’s answers.” The interview method is chosen because of simplicity. Managers which are going to be interviewed are responsible for defining and implementing strategy and tactics in the company and they know what problems they cope with in implementing the desired strategy and tactics. Interviewees will be middle and top managers. The assumption is that managers do not have patience for surveys, but could be interested in interviews because of the chance of expressing their ideas in conversation. The aimed sample will be 30 interviewees.

The result of the main research will be a new marketing model which has to satisfy the following conditions:

- 1) Applicability- it should be applicable on various types of companies because if it is not applicable, then the research has missed the purpose
- 2) Simplicity- if the model is simple, more users will be interested in using it
- 3) Interactive ness- in the modern time, if something is not interactive, it will probably not be widely used

4. EXPERIMENT

The third research will be an Experiment on a company. The before developed model will be implemented in a company. In this way the researcher will have control of the experiment process. The management of this company is interested in participating in this research in order to improve position on the market. The implementation of the model will start as soon as it will be developed as a consequence of the main research.

Some parts of the methodology that is going to be used in the experiment are going to be as follows:

1. Defining the problem (The problem is actually the main research question for the experiment: “Does the developed marketing model improve the business of the company?”),
2. Defining hypotheses

3. Defining the independent variable (Independent variable is the use of the model, and the value of the variable is simply “yes” or “no”).),
4. Defining the dependent variable (Dependent variables are Balance, Indebtness, Liquidity, Financial stability, Sales income, Total income, Profit, Income/ Costs Ratio, Turnover, Payback Period, Return On Investment, Return On Equity, Return On Sales, Number of new contracts, Amount of new contracts and Average contract size),
5. Experiment type choice
6. Experiment control (The researcher has the ability to ensure that there will be no other influence on usual business of the company, except the influence of the use of the model.),
7. Experiment conducting procedure (The Company will do their ordinary business for a period until the model is developed, and the researcher will evaluate dependent variables in that time. When the model is developed, it will be implemented into company’s strategy and tactics and this will be the start of the evaluation of dependent variables after the implementation.),
8. Statistical analysis and results interpretation (There will be the comparison of the results before and after the implementation and also “business as usual”, which means that the influence of the implementation will be excluded.).

5. CONTRIBUTION TO KNOWLEDGE

It is the intention of the author to examine all the present physical evidence in the Strategic Marketing Process field and through Secondary Research establish the relevance and connection of existing models. Through interviews, the author will examine the most influencing variables on marketing strategy and tactics and use them to develop the new interactive model. The use of marketing models improves position of companies on the market. Furthermore, a new model may be more applicable to some companies. This research can be used by other researchers either in a way that they use results of three researches which are going to be conducted or in a way that they use methods that are going to be used in this research. Practical validity of this research is that a new simple and interactive marketing model will be available for companies who will find it interesting for usage.

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