



Figure 1: Corporate and functional management

Directors

Each function will be under the control of a senior manager, a Director. (Terminology will vary, especially between commercial, not-for-profit and public service organisations, but the principle holds true.)

Directors are, by legal definition, responsible for the whole organisation and they form the senior level of corporate management. Usually they are the only corporate management level, but may be joined by senior managers, such as the Marketing Manager, where the organisational structure makes this appropriate. They are (or should be) concerned with decisions that affect all the organisation's functions. They are charged with setting corporate objectives that provide a focus for the organisation as a whole. Each function is then responsible for setting its own objectives, subsidiary to the corporate objectives, which will assist the organisation as a whole to achieve its intentions.

The Marketing Director, therefore, is first a corporate manager, secondly a marketing specialist. It can be very difficult to make the transition from a functional to a corporate focus, and it requires a deliberate programme of education and training to help the young functional specialist acquire the necessary skills and experience as seniority develops.

Even junior functional specialists must be concerned with corporate issues, however. There is a need to work closely with the other functions, since without a congruence of purpose nothing meaningful can be achieved. If, for example, the production department does not produce to schedule, and/or the distribution department does not move the goods, there is little point in the marketing department securing orders from customers.

Q**ACTIVITY 1: QUESTION**

Fill in on the following table what managers of the various functions – Sales, Production, Finance etc – might use as their success criteria when judging a product, range, availability etc. The first line has been filled in for you, but you may of course amend it, if you wish.

	Sales	Production	Finance
Product	Quality	Good	Acceptable
Range			
Availability			
Stocks			
Price			
Credit			
Success			

Table 1: Success criteria

Then consider the effect on an organisation if any one of these functions is dominant.

A**ACTIVITY 1: ANSWER**

There is no ‘correct’ answer to this exercise, but a possible answer is given below. The point is that the success criteria are likely to vary from function to function and might well be at odds with one another.

	Sales	Production	Finance
Product	Quality	Good	Acceptable
Range	Custom made to order	Long-run standard	Cost-efficiency
Availability	Fluctuates with season	Continuous level production	Minimum cost solution
Stocks	Ample – close to customers	Low – sales to match capacity	Minimum capital tied up
Price	Low, flexible	Little interest	Optimum price/ volume solution
Credit	Long, flexible	Little interest	Short
Success	Order volume	Smooth production	High profits

If Sales requires a better product than that produced by competitors, at lower price, available from stock in a range of custom designs and colours, it has major implications for production and finance. If Production produces only one adequate product at lowest cost to facilitate continuous production runs, the unit costs will be very low but Sales will be forced into the mass market, with price as their only major selling point.

If Finance pursues a high profit/low risk policy, then few (if any) new products will meet their development criteria and of those that do it is likely that none will be sufficiently funded to achieve market penetration.

In short, if any single function dominates an organisation, the effects will be detrimental to the others. The marketing concept offers a solution to this dilemma by proposing an integrated approach based on external need rather than on an internal power struggle.

We shall return to corporate and functional issues as we consider the role of marketing in management in Section 3.

Q **ACTIVITY 2: QUESTION**

Indicate in the table below what functional disciplines are needed by different kinds of organisations: retail, manufacturing, charitable and educational. Show by the number of crosses you put in each box how important the function is to each type of organisation.

	Retail	Manufacture	Charity	Education
Finance				
Procurement				
Production				
Distribution				
Personnel				
Marketing				

Table 2: Functional disciplines by organisational type

A **ACTIVITY 2: ANSWER**

A likely answer is given below:

	Retail	Manufacture	Charity	Education
Finance	XXXXX	XXXXX	XXXXX	XXX
Procurement	XXXXX	XXX	XX	
Production		XXXXX		
Distribution	XXXXX	XXXXX	XXX	X
Personnel	XXX	XXX	XXXXX	XXXXX
Marketing	XXXXX	XXX	XX	X

Table 2: Functional disciplines by organisational type

Note that within a generalised heading, such as ‘Finance’, there will be sub-specialities handling such issues as foreign exchange (Treasury), cost and price (Cost Accountants), credit (Credit Control). There will also be need for management and financial accounts to be prepared and corporate taxation to be handled.

There may also be a need for an Estates Management team – which in some organisations may be sufficiently important to justify a specialist function in its own right. Similar specialist sub-functions exist across the width and depth of an organisation.

The importance of any function is usually determined not only by the organisation's actual need, but also by the political skills of the functional managements. This is how it is – not how it should be – in many organisations. In such cases corporate management face a major task of organisational development involving attitude change.

Summary

The role of the manager as an administrator and controller is giving way to an understanding that management is concerned with leadership. The notion that functional focus is detrimental to overall corporate success is also gaining ground. Everybody in an organisation must have a shared view on purpose and objectives. Corporate objectives must be set if functional objectives are to have synergy, since without the guidance provided by corporate objectives each functional manager could, and probably would, set functional objectives without regard for their effect on other functions.

SECTION 2 – Marketing

Introduction

This section examines what is meant by the term 'marketing' and looks at the philosophies underpinning it. The aim of this section is to help you to:

- assess a range of definitions of marketing
- create one or more definitions of marketing for yourself
- define key marketing terms
- begin an analysis of the effectiveness of the marketing concept in use.

2.1 Towards a Definition

Marketing is a term which can arouse a surprising level of passion and hostility in those who equate it with hard selling, unacceptable techniques of persuasion and profligate spending on promotion in place of cost reduction. The marketer's response is that any tool can be misused, but misuse by some does not negate the benefits available to the many who use the tool properly.

That the value of marketing is becoming ever more widely appreciated is evidenced by its adoption by not-for-profit organisations, notably in the education world, where the most vociferous opponents of its adoption were (and still are) to be found.

Approaches to the definition of marketing

1. The following definitions indicate a strong inclination that a producer is doing something which involves consumers as nothing more than pawns in a game, with profit for the producer as the end goal:

The planning and execution of all aspects and activities of a product so as to exert optimum influence on the consumer to result in maximum consumption at the optimum price and therefore producing the maximum long-term profit.

(Unilever, as quoted by J H Black in Institute of Marketing Paper, no. 128/1962)

The skill of selecting and fulfilling consumer desires so as to maximise the profitability per unit of capital employed in the enterprise.

(R Glasser: *Planned Marketing: Policy for business growth*, Business Publications, 1964)

The management function which organises and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service and moving the product or service to the final consumer so as to achieve the profit target or other objectives set by the company.

(U.K. Institute of Marketing, 1966) (See also the definition from the same source listed under 8 below.)

Deciding what the customer wants; arranging to make it; distributing and selling it at the maximum profit.

(Durham University Careers Advisory Service, 1972)

2. The following are definitions which imply that the producer is doing something *for* consumers rather than *to* them, but still doing it to serve his own purpose.

Getting the right goods to the right people in the right places at the right time and the right place.

(Anon and almost timeless – a bland statement that reflects a widely held viewpoint.)

In a marketing company (as distinct from a company which has simply accepted the marketing concept), all activities – from finance to production to marketing – should be geared to profitable consumer satisfaction.

(R T Keith, Chairman of Pillsbury Co., *US Journal of Marketing*, 1960)

The performance of those business activities that direct the flow of goods from producer to consumer or user.

(American Marketing Association, 1960)