THE PERCEIVED EFFECT OF ENVIRONMENTAL INFLUENCES ON MARKETING STRATEGY IN THE 1970S

A Survey of Senior Corporate Executives

DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

By
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1973

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This dissertation is dedicated to the memory of my father.
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CHAPTER I

INTRODUCTION

The Problem and Its Setting

Organizations exist with the consent of their environments.\(^1\)
Those that survive and grow have leaders who are responsive to environmental conditions. During the past decade, many organizations have expressed heightened concern over the rate and direction of change of their physical and social surroundings. The once placid environment has increased in complexity. Today, for many organizations, even those in the religious sphere, the environment is in a state of turmoil.\(^2\) It is difficult, if not impossible, to sense all the sources of pressure or to establish cause and effect relationships. All that can be stated is that this turmoil has caused major alterations to occur in organizational structure and mission.\(^3\)


Many organizations have had to undergo drastic internal changes to cope with the pressures. In some cases, the reaction to environmental conditions has resulted in major alterations in the mission of the organization. In more extreme cases, roles become shared with other groups who traditionally have served different segments of society. As a result, there has been considerable distortion of the boundaries which in the past delineated one organization from another. This interaction, both within and between institutional elements, is increasing. Organizations are finding it increasingly difficult to maintain a viable relationship with their environments.

No longer is it possible to be insensitive to one's surroundings. To survive and grow, organizations must adopt an environmental orientation. For this reason, organizations must be both formative and adaptive to the environment. The persuasiveness of this argument suggests that astute leaders should be trying to learn more about the relevant external forces shaping their destiny. Moreover, they should be searching for the most effective ways to increase their adaptive capabilities. In the words of Sessions, "the key question is never in terms of avoiding the impact of change -- but how to accommodate change to the advantage of the enterprise."

This search process has become particularly critical to business organizations. Business firms, because of their role as creators and

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suppliers of the standard of living, are being challenged regularly.\textsuperscript{6}

The revolutionary nature of this challenge is dramatized by Richard J. Barber, who, in the opening paragraph of his book, \textit{The American Corporation -- Its Power, Its Money, Its Politics} has written:

Today the American business system is quite literally being torn apart and reassembled in a radically different form, . . . (But) this is a silent revolution and most people -- in government, journalism, on the campuses, and in industry itself -- have failed to appreciate, in any comprehensive manner, what is actually taking place.\textsuperscript{7}

The essence of the challenge at the ethical and pragmatic levels is addressed by Feldman as follows:

. . . there are signs that the marketing system's ability to promote consumption and to provide consumers with a growing range of choice is increasingly inconsistent with the needs of the larger society.\textsuperscript{8}

Furthermore, the challenge is coming not only from other business firms who are attempting to preserve or expand a market niche. Also evident is the emergence of non-business organizations whose self concept is changing to encompass traditional business interests.\textsuperscript{9}

\textsuperscript{6}This concept of marketing is attributed to Malcolm P. McNair from a speech entitled "Progress in Distribution: An Appraisal After Thirty Years," Annual Boston Conference on Distribution (1958), pp. 22; see also, Bartels, \textit{The Development of Marketing Thought}, pp. 216-217.


The dynamics of the present situation are so great that many questions face business leaders as they search for strategies which will allow them to preserve and secure niches in the marketplace. Those who are sensitive to their surroundings realize that "no matter how secure a company's position, obsolescence of strategy is a continuous threat." Conversely, those who are complacent or have a narrow viewpoint, run great risks of failure.

To sum up, it has become apparent to many that senior executives, especially those responsible for marketing activities, must become environmentalists. They must be especially sensitive to the changing terrain or topology of the environment and the effects of such changes on the firm's market position.11 Starbuck has said:

The attitudes of organizational members toward change are crucial in the growth process. They are crucial because growth is a type of organizational change, and they are crucial because a growing organization must adjust to environmental change. In fact, it can be argued that growth depends upon the organization's ability to exploit opportunities created by environmental change.12

The Nature of Environmental Forces

Forces in the environment stem from a multitude of factors. For example, broad and slow changes in the culture cause continuing pressures on all institutions.13 Other forces are more transitory. For


11E. J. Kelley, Marketing Planning and Competitive Strategy, p. 38.

12Starbuck, Organizational Growth and Development, p. 43.

13Starbuck, pp. 43-45; see also, Paul R. Lawrence and Jay W. Lorsch, Organization and Environment (Boston: Division of Research, Graduate School of Business Admin., Harvard University, 1967).
instance, the emergence of a new competitor or new technology may be shocking to existing organizations. They must be able to adapt quickly or risk abrupt market share reductions. Under either type of change, realignments in some institutional structures must occur which in turn cause rifts and weaknesses in others. The net effect is that the balance of power in the system may be disrupted. To effectively accomodate these pressures, firms must modify their internal practices and alter their philosophies about the scope and importance of environmental factors.14

Until recently, these forces have been relatively easy to sense and counteract. Now, however, firms are being confronted with a multitude of external forces stemming from a variety of sources. Furthermore, the origin, magnitude, and direction of these forces are changing rapidly.

No longer can firms be passive.15 Issues of relatively low importance in past periods may grow in importance during the remainder of the 1970s. And, conversely, issues of relatively major importance may diminish. For example, in the 1970s pressures arising from issues such as ecological destruction, consumerism, civil rights, and

14 For some particularly lucid insights into this phenomenon see, Paul R. Lawrence and Jay W. Lorsch, Organization and Environment, pp. 187-203; see also the seminal work, F. E. Emery and E. L. Trist, "The Causal Texture of Organizational Environments," Human Relations, pp. 21-31; also see the integrative article of Shirley Terreb resulting article of Shirley Terreb, "The Evolution of Organizational Environments," Administrative Science Quarterly, pp. 590-613.

urban decay may be strong, demanding prompt and decisive organizational responses.\textsuperscript{16}

The Changing Role of Business Firms

Some interesting viewpoints have been expressed concerning the role that businesses should play in responding to changing environmental conditions. Some see business firms operating exclusively through the marketplace and call for a clear separation of the role of business from government and other institutions.\textsuperscript{17} Others, such as Lodge,\textsuperscript{18} look to government to set the priorities for business' involvement. A somewhat different position is assumed by Galbraith.\textsuperscript{19} He advocates that public institutions assume an increasing responsibility for identifying and satisfying society's needs and wants. Finally, there is a group which envisions an expanding role for


business. It advocates the application of the marketing concept and other systems-oriented concepts to the solution of a wide range of society's problems both of an economic and non-economic nature.\textsuperscript{20}

The nature of organizational responses to environmental pressures.-- The response of business firms to environmental demands, in fact, has run the gamut of these philosophies. The firms' growth and change is guided by the strategies employed.\textsuperscript{21} Some, adhering to a "survival of the fittest" philosophy, aggressively seek to gain control over their relevant environment and enhance their differential advantage relative to firms in the same or related industries.

Some noteworthy examples of adaptation mechanisms are seen in the effort of firms to integrate and conglomerate. These types of changes require direct senior level decision making. Others, with similar market based philosophies, concentrate on internal changes as the mechanism. The strategies employed by these organizations include efforts to differentiate products and to identify and satisfy new

\textsuperscript{20}Starbuck, pp. 43-45; see also, Paul R. Lawrence and Jay W. Lorsch, Organization and Environment (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1967).

market segments. This type of strategic change is more evolutionary in nature, often occurring without explicit senior level decision making. In some firms the orientation of senior executives is broadening to a more societal viewpoint. This social systems orientation, some say, may be the model for business organization in the decades ahead. Other businessmen seem to be risk averse. They seem willing to relinquish their power base to public agencies in exchange for a reduction in the pressures that confront them.

A Framework for Analysis

The ecosystem model, conceived by Thorelli and shown in Figure 1, provides a conceptual framework for analyzing the relationships that exist between an organization and its environment. Viewed as an ecosystem, the organization is considered to be operating in a dynamic milieu. To achieve its objectives it must sense the condition of its

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23 Ansoff, Business Strategy, p. 32.

24 Kelley, Marketing Planning and Competitive Strategy, p. 120; see also Kotler, Managerial Marketing, pp. 867-885.


environment. The gap between the organization and its environment is bridged by interaction strategies. These strategies can be reduced to statements about the niche the firm hopes to achieve and statements about how it intends to approach the task.

In this framework, the relevant environment contains several levels which are ranked in terms of their proximity to the operations of the organization. They are termed the auto-setting, the task, and macro-environments. The auto-setting consists of the semi-controllable elements of the internal operations of the organization. Normally these are beyond departmental boundaries. The task environment includes the marketplace for the firm's inputs and outputs. It encompasses the

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27Ansoff, Business Strategy, p. 14; and Thorelli, Ibid., pp. 67-68.
capital, labor, and raw material markets on the input side and consumer markets, competitors, and interest groups on the output side of the organization. Lastly, the macro-environment contains the broad social, political, technological, and economic factors of importance to the firm. For a large number of firms, such items as pollution, civil rights, and urban decay would be included in this category.²⁸

The interaction strategy part of the model pertains to the decisions made within the firm concerning its dealings with the relevant environment. This section of the model contains the considerations that are made about the mission of the company, its objectives, and the types of strategies which must be employed to achieve them. Furthermore, it encompasses the strategies employed by the firm's major operating subsystems. The model holds that the nature of these strategies is influenced by environmental and organization factors.²⁹

Finally, the objectives and financial performance sector of the model is considered. Objectives and financial performance are seen as outputs of the interaction process between the organization and its environment. The achievement of objectives and level of financial performance is controlled by the effectiveness of the firm's strategies.

Moreover, the more effective the interaction strategy between the firm and its environment; the greater the performance expectations and results and the more ambitious the objectives.

²⁹Thorelli, pp. 66-84.
The Logic of Environmental Awareness

Visualizing the firm in the context of the model facilitates recognition of an important relationship. Elements of the task environment are usually the most visible and their effects are felt most frequently. It is likely that opportunities and threats at this level receive prompt attention. For example, entry of new competitors or abrupt changes in the consumer market are likely to directly affect the performance of the firm and prompt immediate retaliatory action primarily of a tactical nature. Thus, firms are likely to be most responsive to externalities which are perceived as directly affecting short-term operations.30

Often overlooked, however, is the idea that major changes at the macro-environmental level may have as great an effect. Changes in conditions of urban areas, or increased ecological concern, merit attention if the firm is to achieve a dynamic balance in the ecosystem. Regarding this, Dawson points out that the conventional narrow orientation spelled out by the marketing concept is not very useful,

... simply because market considerations alone, even long run, can no longer determine what is good or bad, right or wrong, prudent or imprudent, urgent or non-urgent in the business community.31

Also, legislation, limiting pollution levels, may force out marginal producers, thus, increasing the level of concentration in the industry.


This may significantly alter the relative advantage that one firm has over others. Thus, in order to devise effective interaction strategies, leaders must consider the effects of several levels of the environment. Failure to recognize this imperative may dilute the effectiveness of the strategy.

The question of leadership.—From an organizational standpoint, the issue is one of leadership. In particular, the formal structure of the enterprise, the leadership style, and environmental sensitivity of the chief executive and his lieutenants are being challenged. There is little question that the organization's effectiveness in negotiating with its environment is ultimately shaped by the president or chief executive officer. Only he is in a position to formulate the structure and decide on standards of conduct which will achieve the firm's objectives. However, much of the decision making in this regard is delegated to functional executives who are responsible for guiding and monitoring the activities of specific operating subsystems. In spite of the fact that critical interdependencies exist among all subsystems, one subsystem, the marketing area, plays a dominant, boundary spanning role between the organization and many elements of the environment. The results of marketing activity directly affects the total enterprise — its financial position, its competitive capability for


33 Joseph L. Bower, Managing the Resource Allocation Process (Boston, Mass.: Division of Research, Graduate School of Business Administration, Harvard University, 1970).
survival and growth, its trade and public franchise."  

Reaffirming a previous conclusion, an understanding of the environmental sensitivity of marketing executives is important to an understanding of the firm's overall orientation. Moreover, executives' perceptions of the role of marketing in the firm may reflect the firm's adaptive capabilities.

Past Research Emphasis

Since the complexity and rapidity of shifts in factors external to the firm are becoming increasingly important, investigation of the interface between the organization and its relevant environment is timely.

Interestingly, the relationship between the firm and environmental influences has been studied extensively from an ethical perspective.  

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and in the broad context of business policy. Numerous books and articles have been written which address aspects of the environmental issues.

Furthermore, a substantial amount of research, tangential to this area, has been conducted. For example, environmental conditions and dynamics have been studied extensively by sociologists, political scientists, and futurologists.

Relatively little research is available, however, on the specific relationships between the firm, particularly at the strategic level.


and factors in the environment which may govern the viability of the strategies.41 Furthermore, the specific role and perspective of senior operating executives largely has been overlooked.

Attention has centered on the approaches that should be employed to solve internal problems associated with mounting a strategic planning orientation.42 Also, little attention has been given to the factors which might shape the actual strategies.43 That is, studies have neglected investigating the nature of the intellectual problems associated with converting an image of the environment into operationally relevant terms upon which strategic decisions can be based.

Lamenting the lack of apparent concern or interest in the marketers' interpretation of social issues, Leslie Dawson recently commented, "Rarely is a doctoral dissertation in marketing oriented to a problem of social significance."44


Purpose and Scope of the Study

A number of observations about organizations and their environments prompt this investigation. First, the major driving force for change in organizational structure and behavior arises in the environment not within the organization. Second, the number of environmental forces pressing on organizations is increasing yearly as is the speed with which they change in importance. Third, the information available about the way senior executives interpret and address the environmental issues is minimal.

The lack of empirical information in the area suggests that an exploratory study is needed to understand the range of viewpoints and behavioral predispositions which may exist. In this regard, the principal objective of this study is: to gain an understanding of the relationship between senior marketing executives' sensitivity to environmental influences and their strategic response orientation.

This objective may be recast into a single, general hypothesis which provides the framework for the study. The hypothesis is:

There is a direct relationship between senior marketing executives' perceptions of environmental influence and the level of their marketing and strategic response orientations.

In addition, other objectives are:

1. To gain an understanding of the present and future leadership role of marketing management in major U.S. industrial firms.

2. To gain an understanding of the viability of the marketing concept as a business philosophy during the decade of the 1970s.
3. To provide sufficient information about these phenomena that research hypotheses can be developed for future study.

The findings presented in this study fill a small part of the void previously identified. Hopefully, they will provide a benchmark for subsequent explorers. Emphasis is placed on uncovering marketing executives' opinions and behavioral intentions concerning the relationship between their firm, its marketing subsystem, and selected environmental factors. Information is sought about the type of changes in the firms' marketing philosophies, strategies and tactics which may be needed to achieve sustainable, profitable growth during the remainder of the 1970s. Specific attention is given to the perceived effect of nine environmental factors on marketing strategy and tactics over the decade of the 1970s. The environmental factors have been selected to accommodate the interests of a wide variety of firms. They are:

1. Consumer Market Changes
2. Consumerism
3. Distribution System Changes
4. Nature and Intensity of Competition (Domestic & Foreign)
5. Air Pollution Controls
6. Water Pollution Controls
7. Civil Rights Movement
8. Deterioration of Downtown Shopping Districts
9. Urban Substandard Housing Situation

**Definition of Terms**

Numerous terms and concepts are used frequently as this exposition is developed. The marketing literature, like that of the other social sciences, is replete with imprecise and often ambiguous terminology. To avoid confusing the reader in later sections, the more important and frequently used terms are presented here. The distinctions between
the notions of marketing and corporate strategy and between the meaning
of strategy and tactics are discussed briefly. The other terms are
presented only in list form.

Attitude

An individual's favorable or unfavorable inclination toward
an attribute of an object . . . An attitude is composed of
two elements -- beliefs and values . . . the term valence
refers to the direction and strength of an attitude . . .
Salience is the quantity of an attribute that is desired
in a product.45

Ecosystem

A constellation of an organization or several organizations,
functionally linked to its (their) environment through a
pattern of dynamic interaction may be labeled an ecosystem.
At least if the organization is a business firm, the prin-
cipal manifestation of this interaction is found in the
transactions taking place.46

Environment

That which is outside the unit (system), sets the limits
of its possible variations, and neither governs it nor is
governed by it.47

Environmentalism

A concept which relates marketing to the environment in
which it is performed and holds it to be in large measure
determined thereby.48

45G. David Hughes, Attitude Measurement for Marketing Strategies

46Hans B. Thorelli, "Organizational Theory: An Ecological View,"
Academy of Management Proceedings, 27th Annual Meeting, (Washington,

47Jean Bodieuwyn, Comparative Management and Marketing (Glenview,

48Robert Bartels, Marketing Theory and Metatheory (Homewood, Ill.:
Financial Performance

A series of indicators of financial performance concerned with profitability and growth. The specific indicators to be employed in this study are built around the "Forbes' Yardstick." 49

The "Yardstick" consists of the following measures:

- Five Year Return on Equity
- Latest Twelve Month Return on Equity
- Five Year Return on Total Capital
- Five Year Annual Sales Growth
- Five Year Earnings Per Share Growth

Industrial Firm

A large private, profit-oriented business firm involved in the handling of goods in some or all of the successive industrial processes from the procurement of the raw material to the sale to the ultimate customer. 50

Managerial Marketing

The analyzing, organizing, planning, and controlling of the firm's customer-impinging resources, policies and activities with a view to satisfying the needs and wants of chosen customer groups at a profit. 51

Marketing

A process in a society by which the demand structure for economic goods and services is anticipated or enlarged and satisfied through the conception, promotion, exchange, and physical distribution of such goods and services. 52

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Marketing Concept

A managerial philosophy concerned with the mobilization, utilization, and control of total corporate effort for the purpose of helping consumers solve selected problems in ways compatible with planned enhancement of the profit position of the firm.\textsuperscript{53}

Marketing System

Any group of marketing elements and activities that can be physically or conceptually delineated is a marketing system. A system is a collection of entities that can be understood as forming a coherent group.\textsuperscript{54}

Perception

The process whereby stimuli are received and interpreted by the individual and translated into a response (output).\textsuperscript{55}

Distinction Between Strategy and Tactics

Strategy is concerned with decision making affecting the direction and scope of an organizational unit's objectives and the level of resource utilization that should be employed to achieve those objectives. Tactics, on the other hand, are concerned with decision making about the execution of strategies. Strategic decisions can be made only at the senior executive level; whereas, tactical decisions normally are made by operating executives with the sanction of senior executives. Often, it is difficult to distinguish strategic from tactical decisions


prior to their implementation. The principal distinction rests in the magnitude of the impact of the decision on the scope and orientation of the unit's activities. Another distinguishing element is the magnitude of the demands placed on the resource base. Obviously, strategic decisions are those intended to have a major and enduring impact.

Large organizations, having many subunits, may be characterized as decision hierarchies. At the chief executive level, strategic decisions are those affecting the overall direction and scope of the business. These decisions, reduced to their fundamental essence, concern the overall product and market scope of the organization and the composition of its resource base. For the chief executive officer, tactical-level decisions revolve around the manner that the subunits facilitate the achievement of the corporate objectives.

Each subunit of the firm, to contribute maximally to the corporate objectives, must interpret corporate strategy in terms of its functional responsibilities. For the marketing function, this means that its leadership must identify specific product-market plans which are compatible with corporate objectives. Marketing strategies may be interpreted in terms of product and market scope alterations. For the marketing function, strategic decisions are those requiring major alterations in the marketing decision variables (the marketing mix). Also included are those decisions which make a major contribution to the department's objectives. Tactical decisions, in the marketing area, are those adjustments in the marketing mix whose impact is minor. From this, one observes that there is a "decision ladder" of sorts in which the strategies at lower levels become part of the tactical mix of higher levels.
Given the background and philosophy above, strategy and tactics now can be defined precisely, as follows:

**Strategy**

The determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of the resources necessary to carry out these goals.  

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**Corporate Strategy**

The pattern of objectives, purposes or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is to be.

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**Marketing Strategy**

(The) set of objectives, policies, and rules that guides over time the firm's marketing effort -- its level, mix, and allocation -- partly independently and partly in response to changing environmental and competitive conditions.

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**Tactics**

The day-to-day use of resources that have already been committed within a strategy.

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**Marketing Mix**

The amounts and kinds of marketing variables the firm is using at a particular time.

The following decision areas are commonly included in the marketing mix:

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60 Kotler, *Managerial Marketing*, p. 266.
Limitations of the Study

Beyond the well known limitations of exploratory and descriptive studies, the validity of the study is limited by its sampling plan and research design. In order to accomplish the study objectives, several decisions have been made about the size and constituency of the sample. These objectives also have dictated the data collection approach.

As explained in the Chapter III - Methodology, the sampling plan involves drawing a judgemental sample from the set of U.S. industrial firms listed in the Fortune "500" and Forbes. Respondents may be either corporate or divisional senior marketing executives. The respondents have been chosen from fourteen industry segments to accentuate the differences in response behavior. As a result, attempts to generalize from the information provided by this elite group to the rest of the industrial firms is open to challenge. There is no empirical evidence in this study, or elsewhere, to suggest that generalizations of this type would be valid. All that can be stated is that the results of this study may provide a useful guide for subsequent investigations. Hopefully, the results may help to channel the research


effort along the most productive lines.

Regarding the data gathering approach, there are several limitations which must be addressed. First, the use of unstructured personal interviews as the primary media opens the way for biasing opportunities. The responses to direct questions and probes may be selectively perceived or misinterpreted.

Also, because of the fatigue from the interview, the pressures of other work, and the need to protect proprietary information; the response may be vague, evasive or non-representative of the actual situation. Adherence to interview probes and content analysis protocols are the devices employed to limit these effects.

Finally, the study is limited to the extent that not all relevant environmental factors may have been presented to respondents. It is possible that other factors exist which, though not discussed, are considered to be more important to marketing strategy. Not obtaining an evaluation of the effects these other factors have on strategy could distort the results to an immeasurable extent. Thus, some respondents could appear insensitive to environmental pressures when, in fact, they are quite sensitive to a different set of pressures. The occurrence of such a situation could lead to spurious conclusions about the hypothesized relationships. All respondents have been asked to evaluate the relative importance of the environmental factors using a scaled questionnaire. Furthermore, careful selection of the issues to encompass a breadth of the relevant environment, as outlined in the Methodology section, is another measure taken to mitigate against this possibility.
Implications of the Study

The approach and conclusions of this study should provide valuable insights to several groups, namely; business, government, and academic. For the business community, the study should provide information of value in strategic planning. Strategists may see how others evaluate environmental pressures. The approach employed in this study and the background material presented may help senior executives to address similar issues on an ongoing basis.

For the government interests, the results of this study may provide cues about the level and type of response that can be expected from business on various matters of a legislative or regulatory nature. By having a better understanding of these strategic response options, legislators and administrators should be better equipped to determine effective ways of affecting change in the business community.

Finally, for the academic community, this study should provide a framework for more focused and structured inquiries. The exploratory approach is designed to uncover the most important areas of concern to business firms. Moreover, the study attempts to establish the existence of several relationships about the way organizations respond to environmental conditions. Thus, a foundation has been established for subsequent research along two paths. One is in the direction of industry studies concerning a number of environmental issues. The other path involves indepth studies of the response orientations of firms in several industries to a single environmental issue. Of course, there are numerous combinations along the spectrum as well. However, it appears that the most parsimonious approach, as a stepping-off point, would be either
industry or issue centered studies. As relationships become more clearly established, more heterogeneous approaches could be more easily undertaken. Another important contribution is in methodology. This study has addressed several information gathering approaches with varying degrees of success. Future research studies should benefit from the pitfalls uncovered in this undertaking.

Organization of the Dissertation

This dissertation is divided into five chapters. Chapter I has been devoted to establishing the framework of the study. An overview of the ecosystem orientation has been presented. The study purpose and objectives have been stated. Finally, limitations and implications have been discussed. Chapter II is concerned with a survey of the literature on marketing strategy and environmental adaptation. Here, a framework for analysis is established and the relationships to be investigated are specified. In Chapter III the methodology of the study is presented. This chapter contains three parts concerned with the research hypotheses, the sampling plan, and the research design. Consideration is also given to the data analysis procedure. Chapter IV contains an analysis of the results of the personal interview and questionnaire data. Finally, Chapter V presents a summary of the results of the study and draws conclusions.
CHAPTER II

A CONCEPTUAL FRAMEWORK FOR STUDYING THE EFFECTS
OF ENVIRONMENTAL CHANGE ON MARKETING STRATEGY

The viability of any organization is contingent upon the ability
of its leaders to identify and satisfy some aspects of society's needs.1
The essential character of the interrelationship between the wishes of
society and the business institution is captured in the following:

It is increasingly recognized that the entire business
institution is a creation of society in this era and that
it is molded by the values, customs, and structure of our
society.2

Held responsible for enhancing the standard of living, the business
institution particularly must be sensitive and responsive to society's
mandate.3 Failure to do so, is ipso facto, socially unacceptable
behavior. Proof of this is evidenced by the fact that society, given
alternatives, will refuse to consume unacceptable products. Further-
more, it may take formal action through government or other institutions

Scott, Formal Organizations (San Francisco, California: Chandler Pub-
lishing Co., 1962), pp. 195-221; J. Boddewyn, Comparative Management

2Robert Bartels, The Development of Marketing Thought (Homewood,

3This concept of marketing is attributed to Malcolm P. McNair from
a speech entitled "Progress in Distribution: An Appraisal After Thirty
Years," Annual Boston Conference on Distribution (1958), p. 22; see
also, Bartels, The Development of Marketing Thought, pp. 216-217.
such as consumer action groups, to define its expectations. Thus society, through its various institutions and actions, shapes the context in which business organizations operate. Also, it metes out the rewards for satisfactory conduct. Organizations which fail to fulfill society's expectations eventually forfeit their license to operate to other organizations who understand the requirements for survival. That is:

Survival of the socially useful enterprise and weeding out the socially useless is the clear function performed for society by the profit and loss system.\(^4\)

Bartels captures the essence of the relationship that must exist by introducing the notion of environmentalism. He says:

Environmentalism is a concept which relates marketing to the environment in which it is performed and holds it to be in large measure determined thereby.\(^5\)

From this, it is apparent that business organizations can be viewed as social systems immersed in environments which materially affect their structure and behavior. To maintain a viable position, firms must be able to adapt to environmental pressures. The set of relationships between organizations and their environments are analogous to the ecological relationships found in nature. As a result, the system-environment combine is termed an ecosystem.\(^6\)

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In this chapter, several facets of the relationship between business organizations and their environments are examined. First, an overview of the organizational evolution process is presented. Second, the nature and scope of the business ecosystem is considered. Third, major areas of environmental opportunity and threat are discussed. Fourth, several aspects of business firms and their marketing subsystems are considered. Finally, the notion of strategy is introduced.

Stages in the Process of Organizational Evolution

Moving from an agricultural to an industrial orientation at the end of the nineteenth century, the character of the U.S. economy changed dramatically. Basic industries, such as steel, textiles and energy emerged as giants. Mass markets became a reality with the rapid spread of railroads and communication facilities. In response to the mass markets, various attempts to mass produce were made.

Accompanied by an expanding population and rising aspirations of consumers, the economy found its supply capabilities seriously limited. The most apparent and critical concern during this period centered on the acquisition and utilization of the factors of production. Particular concern was voiced over the gap between manufacturing capabilities and market demands.

As a result of these conditions, it was timely that the primary business orientation centered on the physical production function. Moreover, the generally recognized environmental components encompassed only the basic productive resources. Emphasis, therefore, was placed on conditions in input markets and on the organization and direction of the factors of production. By comparison, conditions in consumer or output markets were accorded relatively little significance.

Since the 1950s, the orientation has been substantially different. All segments of the environment are visible influences on business survival and growth. Leading businessmen are finding that they must be sensitive to the conditions in input and output markets. Furthermore, they are finding it necessary to be aware of the conditions affecting other publics, such as consumer groups and governments, which sanction their behavior. Those holding this orientation conceptualize the firm as part of a total system bent on providing satisfactions for several constituencies. The dynamics of the present situation dictate this orientation. Furthermore, the environmental context is such that a process of continuous self-evaluation and adaptation is required if firms expect to maintain a viable relationship with their constituencies.

The various stages of evolution from a production centered to a sociotechnical or total systems business orientation are summarized in Table 1. Using this scheme, firms can be classified according to the managerial interpretation given to the business task or the executive orientation given to ecosystem components. For example, non-progressive organizations might be expected to exhibit the qualities of production
### TABLE 1
STAGES IN THE DEVELOPMENT OF THE BUSINESS ECOSYSTEM

<table>
<thead>
<tr>
<th>Managerial Interpretation of the Business Task</th>
<th>Generally Recognized Ecosystem Components</th>
</tr>
</thead>
</table>
| Production                                  | Land
Labor
Capital
Entrepreneurship } Factors of Production |
| Finance                                     | Stockholder                              |
| Sales
Marketing                               | Customers, and/or Consumers
(Marketing Concept)                        |
| Integrated Marketing                        | Community (Social System Concept)        |
| Integrated Technological and Marketing System | Total Ecosystem (Generic Concept of Marketing) |

Sources: The underlying basis for this table was developed by Herbert E. Brown, Wright State University and E. J. Kelley, *Marketing Planning and Competitive Strategy*, pp. 68-69.

or sales-oriented firms. Their executives' perceptions of ecosystem components would be limited to input and certain output market factors. Little concern would be expressed over other environmental forces such as urban problems or the side effects of pollution on society as a whole. The various stages are discussed in detail in Appendix A.

**Factors Affecting Organizational Evolution and Revolution**

Historical studies of the American industrial enterprise support the observation that organizations must have adaptive capabilities to
survive in a dynamic environment. Curiously, however, even today many executives appear blind to environmental pressures and the need to adapt. Instead they express concern over minor internal or day-to-day problems. They may even overlook completely the need for major structural and behavioral modification. This mode of behavior has been termed "incremental adaptation." Incremental adaptation is a form of behavior in which numerous minor shifts in daily operating practices are slowly made as a response to environmental pressures. Major organizational or market interaction changes are avoided. A few treatises supporting the need for environmental sensitivity and strategic interpretation of change are described below.

McCammon's observations on institutional change imply the existence of incremental adaptation behavior. Chandler, in his study of strategy and structure in American industry, characterizes this mode of behavior as the "wait and see approach."9

According to McCammon, the most innovative responses to changing environmental conditions have come from outside the existing organizational structure. He hypothesizes that unresponsiveness to environmental factors may be related to the inherent inflexibility and narrow perspective of existing organizational structures. Other contributing

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factors are the perceived risk of loss of market or entrepreneurial position.\textsuperscript{10}

McCammon's views are reinforced by those of McGuire; who observes:

\ldots This rigidity may have been caused by investment in specialized equipments and plants, so that many firms could not change products except at a cost which they considered too exorbitant. In other instances, it seemed evident that businessmen simply lacked imagination to change and remained with their one product even though sales were declining, even when it appeared reasonable for them to change to similar but more profitable products.\textsuperscript{11}

Using a slightly different perspective, McNair concludes that institutions adapt to their environments but in small increments. Change is so small that executives are not fully conscious of the adaptive process in which they participate and thus often are unable to make meaningful adjustments.\textsuperscript{12} In both the McCammon and McNair approaches, the issue is fundamentally one of the executive awareness of and sensitivity to the environment. They conclude that the perceptual fields of many leaders in the established firms tend to be focused on day-to-day environmental changes. Moreover, it appears that those


\textsuperscript{11}J. W. McGuire, Factors Affecting the Growth of Manufacturing Firms (Bureau of Business Research, University of Washington, 1963), p. 54.

outside the established structures have a wider range of concerns and are more willing and able to adapt.

Few empirical studies have been made concerning the importance of environmental awareness and need for a constant striving by management to interpret environmental change. Notable among these are the works of Chandler and the Brookings Institution. Also, numerous case histories have been prepared which document the need for environmental awareness.  

Chandler's research reveals that the largest and most successful contemporary industrial firms have attained their status by creatively responding to changing environmental conditions. And, in concert with the thesis being developed in the present study; he concludes that major structural changes in organizations have been a result of environmental pressures. In extending these ideas to the future, Ansoff indicates that,

... the successful firm of the future will be one which is structured so that both external and internal problems are given appropriate and continuous attention. Beyond this, the management structure will be conducive to innovation. The search for opportunities and problems will be institutionalized and continuous...  

Similarly, in a study by the Brookings Institution, it is concluded that those firms which have been among the largest one-hundred industrial corporations for the past half century are characterized by their

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adaptive ability. It is stated that:

... continued economic dominance is not accomplished through any size-generated immunity to market pressure, but rather with developing industries and products, to cross product lines where advantageous, and to drop activities where continued investment would fail to provide the basis for sound growth.\textsuperscript{16}

Also, studies of business growth and diversification have been conducted at the Stanford Research Institute. The results suggest that the key ingredient of success and profitability is the ability and desire of senior executives to seek new risks and opportunities in areas which offer great potential. The difficulty of accomplishing this task, however, is also pointed out.\textsuperscript{17} In one study of corporate diversification, researchers found that of those who aggressively tried to diversify, only 33 percent were more profitable than those who remained in traditional product-markets. Similarly, another Stanford Research Institute study on corporate growth indicated that less than 20 percent of the 210 fastest growing industrial companies in the United States between 1939 and 1949 were able to maintain this growth in the 1949-1959 decade.\textsuperscript{18}

In his exhortations to businessmen to become more aware of the dynamics of the environment, Levitt summarizes in the following manner:


\textsuperscript{17}Stanford Research Institute, \textit{Diversification and Corporate Growth}, SRI Report No. 200 (February, 1964).

\textsuperscript{18}Frederick D. Sturdivant, et. al., \textit{Managerial Analysis in Marketing} (Glenview, Illinois: Scott, Foresman and Co., 1970), pp. 8-9; see also P. J. Lovewell, et. al., \textit{Environmental Change and Corporate Growth}, Stanford Research Institute, 1960.
"The history of every dead and dying 'growth' industry shows a self-deceiving cycle of bountiful expansion and undetected decay."\(^{19}\) In other words, executives who are insensitive to their environment are likely to try blindly to sustain dying businesses. Whereas, executives who are sensitive to environmental forces, are likely to strive to identify new opportunities and avoid emerging threats.\(^{20}\) In spite of these arguments, a recent study of 450 major U.S. companies revealed that "management by crisis is more prevalent than management by objective."\(^{21}\)

**Summary of Stages in the Process of Organizational Evolution**

Analysis and synthesis of these ideas results in a fundamental conclusion about organizational behavior. That is, an important prerequisite to a firm's survival and growth is recognition of the conditioning effect of the environment on company structure and behavior. Studies, and a logical appraisal of the situation, suggest that leaders who recognize the role of the firm from an ecosystemic viewpoint are more likely to be able to adapt. Furthermore, the leaders may be able to gain some control over their firm's destiny by forming coalitions with elements of the task environment.\(^{22}\) Many

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\(^{22}\) Thorelli, *op. cit.* p. 68.
scholars believe that this orientation can be achieved through the implementation of the marketing concept.\textsuperscript{23} This requires the satisfaction of three major prerequisites. First, the firm's leaders need to be outer-directed; consciously seeking to exploit new environmental opportunities and avoid new threats. Second, a state of disciplined balance among subsystems in the firm and the channel of distribution must be attained. Third, the operating subsystems must set objectives that compliment those of the firm.

The marketing concept holds that the firm's role is marketing and that all elements of the firm must operationalize this orientation so that there is a uniform commitment to the achievement of the firm's mission. In this regard, the ideal behavior system is the "marketing company" which "survives in the long run because its capacity to adapt its form and function to changing environmental conditions."\textsuperscript{24}

The logic of the marketing concept and the ecosystems orientation must pervade all functional areas for the organization to be responsive. A necessary, though not sufficient, manifestation of the ecosystems orientation in large firms is the existence of a formal marketing subsystem.\textsuperscript{25} The marketing subsystem can be an influential force in shaping the mission and objectives of the firm. The principal reason for this is that marketing personnel act as buffers and information

\textsuperscript{23}Leslie M. Dawson, "Marketing Science in the Age of Aquarius," Journal of Marketing, July, 1971, pp. 66-72; also see Appendix A of the present study for a synthesis of the marketing concept literature.


transfer agents between the other subsystems and segments of the task environment. Other subsystems depend partially on inputs from marketing to make effective decisions.

**Characteristics of the Business Ecosystem**

In this section, the components of the business ecosystem are identified and their interrelationships discussed. Next, salient characteristics of the business environment are presented. Finally, consideration is given to some of the potential effects of the environment on the industrial firm's marketing subsystem. These components and relationships have been selected to demonstrate cause/effect possibilities.

**Description of Model Elements**

The ecosystem model presented in Figure 2 contains three major interrelated elements, namely, the task and macro-environments, and the industrial firm. In both the macro-environment and the firm, the two-headed arrows indicate interaction between subsystems. In the macro-system, it is this interaction which triggers changes in the task environment. Each subsystem is capable of making a formative thrust and an adaptive response. The interactions in the firm are associated with information, cash, and physical product flows.\(^\text{26}\) The level to which these flows are balanced and oriented toward filling the gap between task environment demands and the firm's product offering is an index of organizational effectiveness. Of course, interaction occurs in the task of environment as well.

FIGURE 2
THE BUSINESS ECOSYSTEM MODEL
System Definition

There are many definitions of the term system. In its most theoretical form, a system has been defined as, "an organized or complex whole; an assemblage or combination of things or parts forming a complex or unitary whole."\textsuperscript{27} In an operational sense, a system has been viewed in terms of the dominant activity being analyzed.\textsuperscript{28} In the present study, the dominant activity of interest is strategic level, marketing decision making. System definition is a subjective task, depending on the situation and orientation of the analyst.\textsuperscript{29} Furthermore, the principal system can be divided into subsystems to facilitate analysis. The systems approach is concerned with the study of interrelationships among the elements of a system and its relevant environments. Thus, the scope of the system may differ among analysts and problems. In the present study, the firm is viewed as a system, the marketing unit as a subsystem, and everything else as the environment.

The concept of organized behavior systems.--A business firm and its subsystems can be viewed as a set of social organisms having a power and communication structure. Also, for the system as a whole, there is some hierarchical goal orientation and strategic posture


\textsuperscript{28}E. J. Kelley, Marketing Planning and Competitive Strategy, p. 18.

relative to dealings with its environment. The most basic goal of
the organization, of course, is to survive. Next, and following in
order to the most desirable level, are goals associated with security,
stability, success, and satisfaction. Alderson terms systems
exhibiting these orientations, "organized behavior systems." Intro-
ducing a similar idea, Thorelli defines a business ecosystem as, "an
organization or several organizations functionally linked to an
environment through a pattern of dynamic interaction principally
transactions." This conception has been discussed in Chapter I.

For organized behavior systems, the degree of goal achievement is
contingent upon how well the system fills an "ecological niche." The key elements required to fill the niche are:

(1) The system components must be able to achieve their
expectations arising from system affiliation.

(2) The system must have the ability to fill a niche so well
that it is immune to competitive threat.

(3) The system must be able to adapt to changing environ-
mental conditions.

(4) The system must have the capacity to grow to fill
expanding niches.

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30 J. L. March and H. A. Simon, Organizations (New York: John

31 Martin L. Bell, Marketing: Concept and Strategy, pp. 65-70.

32 Hans B. Thorelli, "Organizational Theory: An Ecological View,"
Academy of Management Proceedings, 27th Annual Meeting, (Washington,

33 Martin Bell, Marketing: Concepts and Strategy, pp. 69-70.

34 Wroe Alderson, Marketing Behavior and Executive Action: A
Functionalist Approach to Marketing Theory (Homewood, Illinois: R. D.
Irwin, Inc., 1957), pp. 52-60.
The Business Organization As a System

The organization can be viewed as a system composed of a number of interactive subsystems. Defined this way, business organizations can be viewed as containing three major operating subsystems performing financial, marketing, and production activities. From a broader perspective, the organization often is viewed as an element of a larger system such as the channel of distribution or the product-market in which it competes. In terms of this study, the relevant system is the firm. It is viewed as consisting of several operating subsystems which are responsible for the performance of specialized operating, administrative, and strategic level tasks. The principal subsystem of interest is the marketing subsystem. Administrative and strategic level task performance are the prime behavioral foci.


39 Anthony, Ibid, pp. 15-23
System specification.--Systems can be specified and identified in four key dimensions. They are:

Function or Purpose: The system exists to perform some specialized or identifiable service. In the firm, the marketing subsystem is responsible for establishing and maintaining contact with buyers and task environment influences.

Performance Requirements: The system can be measured according to how efficiently it achieves its purpose. The marketing subsystem may be measured in terms of revenues, growth, return on investment, contribution to profits, and so on.

Inputs: The system draws on outside sources for information, raw materials and management talent. The marketing subsystem has as inputs the product output of the firm, internal and external information, management skill, and financial resources.

Constraints: The system is constrained in achieving its purpose and performance requirements by internal and external factors. The marketing subsystem's effectiveness is limited by factors such as organizational constraints, and the power base of marketing leaders. External factors, such as market, competitor and broad social, political, technical, and economic conditions may constrain operations.40

Characteristics of the marketing subsystem.--The membership of the marketing subsystem may consist of product managers, sales and promotion managers, salesmen, distribution personnel, market researchers and so on. This group is charged with the task of matching the firm's product offering with market demands. The decisions made in the marketing subsystem are heavily flavored by the marketing executives' attitudes about changes in the condition of the task environment and intra-organizational environments. In addition, marketing executives are

confronted with demands imposed by conditions in less proximate environments. Other interest groups; including consumer advocates and federal, state, and local governmental agencies, may pressure the firm to alter its ways. Finally, marketing executives may be concerned about resource market conditions. This would be true especially when a lengthy strike in a resource market might affect the availability or cost of finished products. The other subsystems, to varying lesser degrees and ways, also are affected by similar environmental opportunities and threats.

**Characteristics of the production subsystem.**—The production subsystem contains various manufacturing functionaries such as plant managers, engineers and production officials. The decisions made in this subsystem are heavily influenced by the marketing subsystem's perception of demand levels. These views are tempered by the financial subsystem's ability to acquire adequate capital in resource markets and the intensity of its cost control activities.

**Characteristics of the financial subsystem.**—The financial subsystem houses a number of control and planning officials. The principal functions performed in this subsystem concern the acquisition and utilization of funds, control of operational efficiency, and planning of the asset mix of the organization. The financial subsystem relates continuously to other subsystems in attempting to enhance the financial well-being of the firm.41

Characteristics of the administrative planning and control subsystem.--Guiding the relationships among the firm's subsystems is an administrative planning and control subsystem. It contains senior level representatives of operating functions such as the marketing subsystem; the chief operating officer; and the board of directors. The activities of this group are devoted to specifying and monitoring the overall direction of the enterprise and the quality of the interrelationships among the firm's subsystems. Furthermore, this subsystem is responsible for interacting with elements of the firm's environment which may have substantial control over its destiny. Specifically, this subsystem is concerned with the integration of the activities of the operating subsystems, the creation of organization and subsystem strategies, and the monitoring of organizational progress toward goal attainment.

A Conceptual Framework for Analyzing Business Organizations

There are several stages involved in the creation of a product offering. Dissection of this process into its essential elements reveals the degree of interdependence the organization has with environmental factors.

In discussing the concept of organization rationality, Thompson views the organization as a collection of subsystems performing three major component activities. They are:

(1) Input Activities: Acquisition of resources such as capital, raw materials, labor, and technology. These are normally the province of the production and finance subsystems.

(2) Technological Activities: Allocation and mobilization of inputs to create a product and activities associated with information processing and distribution. All
operating subsystems perform technological activities.

(3) Output Activities: Disposal of output, contact with competition, information exchange, and collection of compensation for performance of overall activities. These are normally the province of the marketing subsystem.\footnote{J. D. Thompson, Organizations in Action, pp. 19-20.}

Clearly, for an organization to perform these activities effectively, it must understand conditions in its environment. Moreover, it must be able to organize itself to interface with environmental factors. In this regard, the responsiveness of the organization appears to be contingent upon the level of integration and compatibility of its operating subsystems. Another key factor is the ability of the organization to protect its core technology from environmental factors.

\textbf{Subsystem integration}.—For the firm to function effectively, all operating subsystems must be geared to the capabilities of the other.\footnote{Hans. B. Thorelli, "Organizational Theory: An Ecological View," pp. 19-24.}

This point is reinforced by Ackoff who states:

A concept of the organization as an integrated system is essential if an improvement in any one of its parts is to be kept from producing a compensating deficiency in another of its parts.\footnote{Russell L. Ackoff, A Concept of Corporate Planning (New York: Wiley-Interscience, 1970), p. 59.}

\textbf{Core technology protection}.—Beyond these considerations, Thompson says that a precondition for an organization's success is that it try to protect its technological core activities from attack by environment-
tal factors, such as competitor or government encroachment.\textsuperscript{45} This is accomplished by the buttressing effect of input and output activity areas like marketing and industrial relations. Also, the boundary spanning areas are needed as filters, transmitters and translators of environmental opportunities and threats into production problems for the technological activity sector.\textsuperscript{46}

\textbf{The concept of buffering.}---Several strategies are available for protecting the core technology and balancing the system. These objectives may be accomplished by a process of buffering. Buffering is a process of assimilation in which a segment of the environment, that if left uncontrolled, could threaten the organization's effectiveness.\textsuperscript{47}

On the output side of the firm, buffering might be accomplished by the building of a warehouse. Warehousing enables the firm to store in anticipation of demand and to dispense in peak periods; thereby allowing for constant production. Another buffering technique is to change the channel of distribution, perhaps by vertical integration. Firms may try to smooth fluctuations in the environment, such as product demand, by offering seasonal sales and so on.

Another buffering device used to protect the core technology from external influence is the anticipation of fluctuations in the environment and the design of the core so that it can operate under extreme conditions. Here, the role of forecasting and planning become

\textsuperscript{45}J. D. Thompson, \textit{Organizations in Action}, pp. 19-20.


essential to balancing the firm's resource conversion process.

Finally, if none of these steps are feasible, the organization can resort to a form of rationing. This occurs in cases where demand is so great that the organization is incapable of satisfying it without over-taxing its resource base. In such cases, a system of priorities is commonly devised which assures the system's ability to deliver within its overall capabilities.

The requirements for adaptability.--As the environment shifts to greater levels of complexity, it becomes increasingly necessary for the firm to acquire and systematically improve its adaptive capabilities. A central part of this capability is concerned with the development of information systems which can monitor environmental conditions and system activities.48 In this regard, a new and major role of those groups performing input or output activities will concern information handling ability.49 Beyond this, the system must be capable of adjusting or adapting to the environmental conditions it sees.

Adaptability, according to Terreberry, has two dimensions. The first has to do with the ability of the organizational structure to change form under external pressures. This is a condition of robustness.50 The other dimension deals with "the system's perceptual processing capabilities."51 Since organizational change is

49 March and Simon, Organizations, pp. 165-166 and p. 189.
50 Terreberry, op. cit., p. 612.
51 Terreberry, Ibid., pp. 612-613.
environmentally conditioned, the types of internal change that are considered relevant are regulated by the information that exists about the condition of the environment. Thus, it is important to examine the relationship between the factors affecting perception of environmental influences and decision making.

The Concept of Organizational Environment

To clearly understand the nature and composition of a system, one must decide what is encompassed by the environment. In fact, Boddewyn has commented that, "A system and its environment are the same fact differently apprehended and expressed, and we need to know one in order to understand the other." 52

That which is outside the system boundary is termed the environment. It too contains a hierarchy of subsystems. 53 For the marketing subsystem, the environment consists of several levels; namely, the intra-organizational, the task, and the macro-environments. 54 The intra-organizational environment consists of other departments in the firm. The task level contains markets for the factors of production as well as consumer markets. Also, included in the task environment are the channels of distribution and the facilitating institutions which allow organizations to integrate and buffer their capabilities with their target markets. Finally, the macro-environment consists of four major subsystems, the socio-cultural, the technological, the economic, and


53 Johnson, Kast, Rosenzweig, op. cit., pp. 45-47; see also Boddewyn, Comparative Management and Marketing, pp. 186-190.

the political-legal. These subsystems, acting singularly and in combination, shape the texture of the task environment.55

The Accelerating Rate of Environmental Change

In the past, changes in the business environment have been glacial and thus somewhat imperceptible.56 Following Boguslaw's concepts of established and emergent situations, the environmental condition was of the established type. New or emergent situations were rare.57 The forces shaping the environment were slow to change and thus allowed response systems, such as the firm's marketing subsystem, time to adapt and restructure without trauma. Exemplary of this is the rate of technological change. Not only did technology evolve at a slow rate, but more importantly, the diffusion rate was slow. The slow rate of diffusion has been attributed to cultural factors particularly the role of the family vis a vis other influence groups.58 The ecosystem was in a state of balance. The changes that did occur were infrequent. Furthermore, consumers, because of cultural and economic conditions, were slow to respond to innovation. Thus, firms, individually, and as


58 Kotler, Marketing Management, pp. 81-87.
members of larger systems, such as channels of distribution, usually had ample time to respond. Even those that refused to respond were able to survive for long periods. This set of conditions sanctioned an introspective administrative philosophy founded on incremental adaptation.

The present situation.--As with most evolutionary processes, the complexities of the change agent mechanism have increased. Consumers and producers have attained increased levels of affluence, sophistication and motivation to grow faster. The rate of change and the intensity of the demands placed on institutional structures today, taxes the abilities of many to respond. Industrial firms are particularly challenged by these changes because they have been charged with the task of providing for the material welfare of society.

The pace of environmental changes has increased markedly in the past 15 to 20 years. Major technological innovations, in such areas as electronic data processing, space technology, and energy conversion, have presented major, new opportunities and threats. Likewise, dramatic socio-cultural shifts in such areas as the role of the family unit, the orientation to work, and the level of geographic and social mobility have occurred.

These basic physical and sociological changes challenge industrial firms and the business system as a whole because they expand the feasible range of goods and services available to consumers. The challenge to industrial firms can be either opportunistic or threatening depending on the firm's ability to adjust its strategies and structure advantageously. Today, the situation has become so dynamic that many
authorities question the ability of existing organizations to survive without undergoing major and frequent structural and behavioral changes.\textsuperscript{59}

The future prospects.--Several influential writers have commented about the imperatives of the future. An important conclusion they draw is that mere extrapolation of existing trends is risky indeed. There is agreement that the business environment will become increasingly complex and dynamic. The pact of environmental change will reach turbulent levels. It will become increasingly difficult to sense and plan for change.\textsuperscript{60}

Peter Drucker claims that today's society is experiencing more than an age of change. It is passing through an "age of discontinuity" in which change no longer occurs in increments but rather in quantum jumps. In such an environment, he contends, existing institutions will be altered and destroyed. Moreover, new ones will be needed to fill the gaps created by change.\textsuperscript{61}

In Future Shock, Alvin Toffler envisions change occurring so rapidly that society will be unable to adapt. This state of paralysis he terms


"Future Shock." In this state, Toffler claims, the systems society has devised to respond to and interpret change are no longer capable of adapting at rates dictated by the demands imposed. As a result of the dissonance that such a situation creates, new industries and systems will evolve to satisfy new sets of needs. For instance, he foresees explosive growth of industries designed to provide new experiences to satisfy educational and leisure demands. ⁶²

Numerous other observers, such as E. B. Weiss, Daniel Yankelovich and William Lazer have commented on the rapidly changing socio-cultural fabric of society. Particular emphasis has been placed on new life styles in which the ethic is shifted from self-sacrifice to self-satisfaction.

A Typology of Organizational Environments

The condition of the environment can be ordered into four generalized types according to the degree of interdependency within the environment; termed the causal texture of organizational environments. Emery and Trist contend that organizational environments are a mixture of the four. They go on to demonstrate that the trend is toward increased interdependency and "turbulence." ⁶³ The following is a brief description of typical conditions in each stage.


Stage 1  Placid, randomized environment: Opportunities and threats are stable and randomly dispersed. Small, independent organizations can survive in this environment by employing the tactic of doing one's best on a "purely local basis." This might be characteristic of the environment of perfect competition.

Stage 2  Placid, clustered environment: Opportunities and threats are still stable but are non-uniformly distributed. Understanding of the environment is a prerequisite for survival. Strategy becomes important as organizations attempt to exploit opportunities by developing distinctive competences. Characteristic of the imperfect competition model, organizations in this environment seek to expand, maintaining a centralized decision structure. The dynamic qualities of the environment arise solely from interaction with the component organizations of the system.

Stage 3  Disturbed-reactive environment: Similar opportunities and threats confront organizations of the same kind. Organizations develop similar goals and increasingly try to anticipate and affect the tactics of their rivals. The typical model of behavior is that of an oligopoly. Decision making must be fast, oriented to environmental conditions, and robust. Under this environment, strategies of absorption, parasitism, or coalition would be appropriate. Like Stage 2 above, the dynamic qualities of the
environment arise from interaction with the component organizations of the system.

Stage 4 Turbulent field environment: Dynamic qualities arise in the environment itself. It becomes increasingly difficult to predict the state of the environment or to devise strategies. Viable courses of action quickly may be attenuated by the field. Increasingly, the major organizations that appeared under Stage 3 conditions come into contact as competitors, customers, and inter-organizational amalgams. In this stage, individual organizations are incapable of dealing with the environment on their own. Instead, they must combine with other organizations which are affected in a similar way by environmental conditions.64

The turbulent field is emerging as the dominant "causal texture" in the 1970s. It is the guiding force behind the following major patterns of organizational responses:

1. The increased dominance of large, integrated organizations vying for similar opportunities.

2. The expanding role of economic organizations in the affairs of non-economic organizations and the interdependencies that result from such situations.

3. The increased reliance on research and development to provide a distinctive competence.65


Trends in the Macro-Environment

This section presents a brief discussion of major trends in each macro-environmental subsystem. They are expected to have a significant effect on many industrial firms during the decade of the 1970s.

The socio-cultural subsystem.--This subsystem is concerned with society's values, needs, and life styles. There are a multitude of changes of direct concern to marketing executives taking place in this section of the macro-environment. Yankelovich has identified several.66 They are:

1. Psychology of affluence trends: As affluence spreads, society will seek fulfillment of higher order needs, such as self-satisfaction and self-actualization.

2. Antifunctionalism trends: The drabness of many life styles will be overcome by a quest for excitement, novelty and new sensations.

3. Reaction against complexity trends: The complexity and clutter associated with modern living will result in emphasis on simplification and adaptation.


5. Child-centeredness trends: The traditional role of the family unit will give way to a new acceptance of youth as the effects of early permissiveness catch up with society.

Already, significant changes in birth rates, geographical and social mobility patterns, employment, and educational ambitions give support to these trends. In addition, the high utilization of credit services and the quest for new experiences are significant indicators of change. Other indications can be found in the rapid emergence of fast food chains and other services tailored to conserve time. The demand for an improved "quality of life" and the alleged emergence of a youth subculture adhering to "Consciousness III" values are further expressions of changing value structures.

The impact of social change on the marketing system has been addressed by Malcolm P. McNair. He comments:


69 Toffler, op. cit., p. 23.


All of these efforts of modern distribution to adjust to the direction and pace of social change in reality are more properly evolutionary than revolutionary, but the swift pace of innovation in recent years following a long period of relatively little change makes the new developments seem revolutionary.  

The technological subsystem.--The more rapid the rate of technological innovation, the greater are the life style alternatives, good and bad, available to society. As a result, it is averred that technological innovation is the most powerful force on society today.  

The chain reaction effect on society of the automobile, electronic data processing equipment, and medical science, lends credence to this view.  

With major technological advances occurring every ten years or less, increased sophistication is needed to identify, appraise, and react to new ideas.  

The consequences of unresponsiveness are seen in the fate of the motion picture, rail transportation, and building materials industries.  

The demise of Life magazine in 1972, the last vestige of nonelectronic picture journalism, is a dramatic reminder of the impact of technology.


Moreover, the rapidity of advance has resulted in misapplication and premature use of technology. Often overlooked in the past, society is becoming concerned about the side-effects of uncontrolled technology. The recent outcry against environmental pollution and pesticides may be indicative of things to come. Surely, the demand for an improved "quality of life" is, in part, a demand for more responsible application of technology.

Several attempts have been made to forecast trends in technology. Although there is substantial lack of agreement on timing and specific details, major changes during the 1970s are anticipated in these areas:

1. Increased transport capability,
2. Increased mastery of energy,
3. Increased ability to extend and control the life of animate and inanimate things,
4. Increased ability to alter the characteristics of materials,
5. Extension of man's sensory capabilities,
6. Growing mechanization of physical activities, and

These trends may present spectacular opportunities and threats in such diverse areas as mass transportation, building materials,

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education and retailing. Also, new products and industries may be required to mitigate pollution and other second order effects of prior technologies. Opportunities to renovate urban areas and to participate in other public markets, such as health care, have yet to be examined with care. Studies which have been concluded indicate that the opportunities are numerous and substantial, if government cooperates and provides the needed leadership.

The economic subsystem.—Changes in the economy are derived from changes in other subsystems. Economic performance is an indicator of governmental activity and society's expectations for future prosperity and stability. With the present bifurcation of trends especially in public policy and consumer demand areas even Fortune has hedged in its economic projections. In spite of this, the following economic trends seem realistic and worthy of mention:

1. Growth of GNP. A projected annual rate of 4.3 percent for the 1970s is common. This would yield a 1980 GNP of nearly $1,500 billion

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in dollars of 1970 purchasing power.\footnote{81}

2. Real disposable income growth: In 1968 median real disposable income per family was $9,400.\footnote{82} By 1980 it may reach $15,000 in terms of 1971 purchasing power. The discretionary component of income is expected to grow from 20 percent of total personal income to 30 percent by 1980.\footnote{83}

3. Changing mix of GNP: The changing tastes of consumers and technological innovation will continue to stimulate expansion of the service sector beyond its current 60 percent share of GNP.\footnote{84}

In addition there is a trend to more central planning and control of economic growth as can be seen in the emphasis placed on fiscal and monetary policy in the 1971-1972 period.

Many of the implications of these trends are subsumed in the discussions of other subsystems. As a result, only brief mention is made of the effects of increased purchasing power on marketing opportunities.

Increases in purchasing power result in shifts in consumption goals. Satiation for goods is reached when consumers acquire the


\footnote{84}"Services Grow While the Quality Shrinks," Business Week, October 30, 1971, pp. 50-57; see also, Weiss, Advertising Age, February 8, 1971, p. 38.
requisite number and styles of electronic entertainment devices, automobiles, home furnishing and appliances. In the next few years, this point will be reached by a sizeable number of families. As this level is attained, interests are predicted to shift to finding ways to increase the time available to pursue leisure and mind expanding activities. The likely result will be an increasing demand for all types of services. For example, the use of video-tape systems, closed circuit television and the "picture-phone" are reducing the need for time consuming travel. In the near future, such devices may reduce the need for shopping trips to purchase staples such as groceries.85

The political-legal subsystem.—It has been said that "government today is undoubtedly the most important single force in business."86 Most major business decisions require examination of the law and administrative regulations before their execution.

A few years ago, government was concerned primarily with the nature of competition in the intermediate markets. Now, the focus has expanded and shifted to encompass problems in consumer markets such as the "consumerism" issue. In addition, government has become a major consumer in its own right, especially in the research and development and defense products areas. Its subsidization of major sectors of industry has a material effect on industrial firms.

85Doody and Davidson, "Next Revolution in Retailing"; see also, Bell, Marketing: Concepts and Strategy, pp. 69-70.

Beyond these considerations, government at all levels has taken a strong stand on issues concerning the diseconomies of scale or social costs of industrial activity. It has become vocal on matters like air and water pollution, urban affairs and civil rights. No longer will it be possible for business to transfer the total cost of its destructive activities to society at large.

Several major trends of importance to business emerge from an examination of this subsystem. They are:

1. Regulation of intermediate market structure: This discussion concerns governmental activity in intermediate output markets. Capital and labor market activities, although important, are not considered. In intermediate markets, structural tests are becoming increasingly stringent even on conglomerate activities. In addition, legislation concerning franchise arrangements may severely limit the growth of new competitive configurations like the vertical conglomerate or "verglomerate." In many cases, major firms are forced to seek growth from within. Even here, dominant firms, like IBM, are being


88 Theodore Levitt, "The New Markets - Think Before You Leap," p. 66; see also, Barber, p. 177.

89 Sturdivant, et. al., p. 41.
challenged by the anti-trusters.  

2. Regulation of consumer market conduct: In consumer markets, public policy has begun to focus on market conduct. For instance, the consumerism issue has attracted the interest of dozens of governmental groups at federal, state and local levels. Some, such as the FTC have expressed a long term commitment to the area. Beyond being involved in matters involving clear cut abuses such as fraud, the political-legal subsystem has pressed for more "informative" labeling and advertising and safer products and packaging. The FTC ruling against Continental Baking Company, forcing it to publicly retract claims it made on "Wonder" and "Profile" breads, is precedent setting. Moreover, the various "truth-in" pieces of legislation which have been promulgated lend substance to the administrative thrust. Increasingly, government is trying to protect consumers "against themselves and other consumers." This paternalistic orientation can be seen in the stand taken on cigarette advertising, automobile safety, and door-to-door selling


practices. The major implication of this trend is that marketing management will have to become more skilled in programming and in controlling the marketing mix.

3. Reduction of social costs: The dividing line between the costs that should be borne by business and society-at-large is becoming blurred. Political force is being applied to many industries causing them to install pollution control equipment and to design non-polluting products. Those most affected at present are the energy, automotive, paper and container industries. The most visible effects of trends in this area are on marginal and small producers who may be unable to adapt. Undoubtedly, stronger legislation and greater informal pressure is forthcoming. It will threaten some and provide abundant opportunities for others.

4. Social problem solving: More attention is being directed to the urban crisis, and civil rights issues. Significantly, government is beginning to recognize that it cannot solve these and similar social problems on its own. Enlightened businessmen are beginning to see


95Refer to footnote 46 for more information.

this as well. As a result, opportunities for joint programs in such areas as slum renewal, business district rehabilitation, mass transportation, and education are beginning to surface. Moreover, private opportunities to serve new market segments may evolve as a result of such programs. As the dialogue between business and government improves, as it must, many expect the social problem solving area to present exceedingly attractive marketing opportunities.

Task Environment Demands

This section presents a brief discussion of the implications of trends in several areas of the task environment which have not been mentioned in the discussion of the macro-environmental factors.

**Competition and channels of distribution.**—Competitive configurations are changing rapidly as firms seek to strengthen market positions. The traditional arrangement of competition between firms in the same "line of trade" is giving way to competition between different types of firms. Scrambled merchandising is particularly prevalent among drug

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stores, groceries, and discount stores. Moreover, vertical marketing systems are rapidly replacing conventional channel configurations. The economies associated with such alignments significantly alter the nature of competition. Instead of competition at one level of the channel, in many product-markets, it is between vertical systems.100

The marketing concept has become widely accepted as an operating philosophy.101 Business firms operating under this philosophy tend to be more innovative102 and use more sophisticated techniques for attaining a differential advantage.103 This factor, in combination with the extensive functional realignments in the channel, tends to impose stringent demands on marketing executives. For those who are aware of the changes, opportunities to achieve a differential advantage increase. For the unaware, competition becomes too great to cope with and market position is forfeited.

Resource markets.--The resource markets consist of the markets for labor, management, technology, and capital. It is apparent, from a study of the macro-environment, that the structure of these markets is becoming well developed. In order to negotiate and transact effectively


in them, firms need great amounts of information and decision-making skills.

The changing work ethic and the social responsibility arguments indicate that labor expects more than an equitable wage. The monetary controls imposed by government and its active support of industrial research and development is another example of the influence of the task environment. Finally, it is obvious, that skill in negotiating in the market for management talent and in developing in-house talent ultimately determines the firm's success.

**Consumer markets.**--The demands of consumers are influenced by the macro-environment, as has been discussed in previous sections. Socio-cultural and economic conditions shape consumer decision-making. These in turn influence decision-making of suppliers at all levels of the channel. In order to be aware of opportunities and threats, industrial firms must be able to obtain accurate and timely information about consumers in target markets. In some product areas, like snack foods, changes are occurring so rapidly that this task has become extremely difficult. Thus, the need for consumer behavior research and marketing information systems are other major considerations affecting a firm's success.

**Other interest groups.**--This area contains a variety of governmental and citizens' groups who assume an influential position over conditions in the task environment. "Naider's Raiders," the Federal Trade Commission, the Sierra Club, and local groups such as the Better Business Bureau and citizen's committees, all can influence the industrial firm and its
marketing ability. Through legislative, administrative, and coercive measures, they are able to shape the nature and level of transactions.

Summary of Characteristics of the Business Ecosystem

Emerging from these environmental pressures and trends are numerous areas of opportunity and threat for businesses. For example, explicit recognition is given to the need for population control as a means of limiting demand for already scarce natural resources, reducing congestion in urban centers, and abating the pollution which results from attempts to satisfy existing consumption wants. The drift toward zero population growth means a gradual reduction in primary demand for many items which may not be replaceable by increased marketing activity. New products or applications will have to be found to fill the gap for such firms.

There is a call for an improved "quality of life." This is attained, at least in part, by a continued change in consumption patterns from goods to services. Beyond this, many individuals and groups are imposing pressures on industries to eliminate pollution, to improve product quality, and to introduce products which are more directly tailored to their specific wants. In this regard, Feldman says:

The crux of the problem is that increased material consumption poses a general threat to an environment which may be unable to withstand it even at its present levels.\textsuperscript{104}

Life style changes, such as the trend toward working wives, the pursuit of leisure and education, tend to increase the value placed on

time. This, in turn, opens opportunities in the transportation, communication, and other service sectors of the economy.

Even if only a fraction of these situations are responded to by the marketplace, there is little question that many industries will be challenged to the breaking point and new industries will be formed. Outsiders are likely to present the major threats to existing firms. They have vested interests in the new technology but are unencumbered by a resource mix created within the boundaries of an obsolete technology.

For insiders to ward off the Malthusian implications of these trends requires an environmental sensitivity and organizational robustness heretofore unheard of. Insiders must adopt a strategic orientation to change. They must carve out ecological niches through a creative assessment of corporate competences, in light of environmental constraints and demands. The aspects of organizational response are considered in the next section.

Organizational Response Characteristics

The contemporary business environment is so dynamic and complex that the attainment of survival and growth objectives taxes management's abilities. Clearly, there is a need for a greater sensitivity to these forces. No longer can survival and growth objectives be achieved solely through tactical maneuvers involving incremental adaptations. The words of Alfred P. Sloan, Jr., capture the essence of this thought:

The usual reaction in the minds of all of us is against any change and I feel that our administration has been subject to criticism for not insisting upon changes and losing too much time in selling an idea and in not dealing promptly and effectively with weaknesses that are known to exist. It is for that reason that I have felt for some time past that we must have a more effective and definite form of coordination. Expressed otherwise, the resistance against progress has been greater than the manpower to effect progress; therefore, progress has been slow. This now I feel has got to be changed if the corporation is going to maintain its position, let alone improve it. We cannot wait so long to do things as we have because competition is becoming keener and the problem is daily becoming harder. The remarks I am making are not directed so much to the ordinary business routine as they are to the recognition of new necessities in the form of better general principles...\textsuperscript{106}

In this section, a discussion of the strategy formulation process is presented and consideration is given to the roles of the chief and senior marketing executives in formulating and implementing strategies.

The Strategic Imperatives for Business Organizations

The emergence of an expanding set of environmental demands has the effect of increasing the "relevant uncertainty" that managers must deal with in negotiating with the environment.\textsuperscript{107} There are more objective sources of opportunity and threat acting on organizations. There is uncertainty both about the occurrence of changes and the interpretation of their threats. This uncertainty is a result of both objective

\textsuperscript{106}A. P. Sloan, Jr., \textit{My Years with General Motors} (New York: Matson, 1964), pp. 82-94.

\textsuperscript{107}J. D. Thompson, \textit{op. cit.}, pp. 10-13.
factors and the interpretation of the meaning of these factors by decision makers in the firm. 108

Because of the increased complexity and the balance of the environment, it becomes increasingly desirable, if not necessary, to gain control over as many environmental factors as possible. Thompson has observed that in order to attain success, firms grow in the direction of their "crucial dependencies." 109 Stated differently, Ackoff has observed that:

Those who benefit most from the future are those who helped create it. One may be able to survive and even prosper without making the future, but one cannot pull away from the pack without doing so. 110

Reinforcing this viewpoint, Kotler observes that:

A passive firm faces extinction; an adaptive firm will survive and probably enjoy modest growth; and a creative firm will prosper and even contribute to the changes taking place in the external environment. 111

Business leaders must carefully examine the ramifications of such issues on their present practices and product offerings. They must consider a variety of alternative courses of action. They must evaluate their effect on the structure and behavior of the major functional areas of marketing, production, and finance. And, finally, they must select from these alternatives, ones which will allow the organization

108 Thompson, Ibid., p. 162. He says: "The ways in which uncertainties are perceived, the responses which are considered appropriate to those uncertainties, and the resulting rapidity of adaptation to the realities of technology and task environment are determined by the variability of the humans involved in the administrative process."

109 J. D. Thompson, Ibid., p. 156.

110 Russel L. Ackoff, A Concept of Corporate Planning, p. 56.

111 Philip Kotler, Marketing Management, p. 51.
to survive and achieve a realistic level of goal attainment.

Parochial viewpoints must give way to strategic orientations. A strategic orientation forces a comparison of the adaptive capabilities of the firm to the demands of a host of environmental conditions and forces. In this regard, even the traditional interpretation of the marketing concept has been challenged. Dawson comments that marketing thought is in a crisis stage. He urges recognition of the view that:

It is possible that a basic corporate concept which focuses upon society as a "market" and upon people as "consumers" is altogether inadequate for today's conditions. In this sense, the modern marketing manager finds himself very much involved in the basic search for a corporate philosophy or rationale attuned to a most extraordinary time.\textsuperscript{112}

In the marketing area, executives must be sensitive to a variety of factors, many of which are no longer in the task environment. Moreover, they must be able to identify new product and market opportunities and to evaluate the implications of environmental threats on existing strategies.

The commitment to strategy development and planning must be strong and continuous. Regarding this, H. I. Ansoff comments, "The successful firm of the future will be one which is structured so that both external and internal problems are given appropriate and continuous attention."\textsuperscript{113} Failure to view planning as an ongoing intellectual process hinders, rather than helps, organizational adjustment to a dynamic environment.\textsuperscript{114}

\textsuperscript{112}Leslie M. Dawson, "Marketing Science in the Age of Aquarius," p. 67.


In conclusion, the comments of Larry Greiner on strategy development are most appropriate. He points out "...these new practices eventually sow their own seeds of decay and lead to another period of revolution." Without continuous sensing of the mesh between the organization and its relevant environment, strategies become obsolete and dysfunctional. That is, a major solution in one time period becomes a major problem in another period. Clearly, "The predominant effect of change on any business organization is the necessity it creates for a company to effect change in itself." 

The Role of Senior Executives

The principal role played by senior executives is in uncovering potential matches between the capabilities and objectives of the firm and environmental demands. The fulfillment of role expectations is made difficult by the conditions under which executives are forced to make decisions. In making decisions about the allocation of the firm's resources, executives implicitly or explicitly make judgments and assumptions about the relationship of externalities to the mission and competences of the business. The amount of attention devoted to this task and the impact of such judgments on decision making are likely to show considerable variation. This variability, in part, can be attributed to the leadership style and the number and nature of the markets the firm deals in.

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According to W. H. Starbuck, the attitudes of organizational members toward change are crucial in the growth process. They are crucial because growth is a type of organizational change, and they are crucial because a growing organization must adjust to environmental change. In fact, it can be argued that growth depends upon the organization's ability to exploit opportunities created by environmental changes.\textsuperscript{117}

Another aspect of role fulfillment is concerned with interpretation of the opportunities and threats facing the enterprise. The composition of the firm's environment and the relative importance of its elements are subjectively defined. Thorelli points out that in the short run the perceived environment influences strategy but in the long run, the "real catches up."\textsuperscript{118}

For some observers, the relevant dimensions of the perceived environment are limited to the factors imposed by day-to-day pressures. For others, the environment contains a host of factors of short and long term importance. These differences in perceptions can be attributed to several factors relating to the characteristics, values and status of the observer, and the organization. Moreover, extra-organizational


forces such as peer group, industry, and family may shape one's perception of the environment.\textsuperscript{119}

Senior executives operate under conditions of uncertainty. Their needs for information of a quality amenable to low risk decision making are rarely met. Furthermore, because of the scope of information requirements, senior executives have to depend on lower echelon executives for the gathering, the synthesis, and often, the interpretation of that information which is available. As a result, senior executives often are recipients of information which has been filtered and possibly distorted by others.\textsuperscript{120} This prefiltering, along with the perceptual orientation and attitudes of the senior executive, yields a decision-making climate which may be far removed from reality. To minimize this possibility, the senior executive should be receptive to information from a variety of sources. Furthermore, he should encourage his advisors to broaden their horizons and sharpen their perceptual filters.

The Nature of Strategic-Level Decision Making

Given the importance and magnitude of strategy formulation, it would be impossible to assign lower echelon personnel the task of creating and implementing viable strategies. Strategy development is a high level, creative process which is influenced greatly by the value orientation of senior executives. The chief executive must be instrumental in


\textsuperscript{120}Joseph L. Bower, Managing the Resource Allocation Process (Boston, Massachusetts: Division of Research, Graduate School of Business Administration, Harvard University, 1970).
spurring the organization to a strategically advantageous posture.\textsuperscript{121}

The explicit recognition of the values of senior executives in strategy formulation is a critical dimension which many fail to recognize. A study by Guth and Tagiuri of the influence of values on strategic level decision making revealed that:

\textit{...it is quite clear, on the basis both of observation and of systematic studies of top management in business organizations, that personal values are important determinants in the choice of corporate strategy.}\textsuperscript{122}

In a sense, there is no rationale for some of the observed actions of the enterprise unless one understands how executives' perceptions and value orientation shape the fundamental purpose of the organization and, therefore, its strategies. The values of management heavily influence the strengths and weaknesses of the entire operation. Furthermore, not only the values of top managers but also those of the shareholders, the board of directors, and the society at large must be recognized, weighed and reconciled during the life of the enterprise. Acceptance of this fundamental idea is essential to a clear understanding of the strategy formulation process.

To date, little progress has been made in devising heuristics which might net out the creative aspects of strategy formulation. The value assigning and risk taking propensities of decision makers are not well understood nor are all the alternative possibilities known at the time of decision. As a result, decisions affecting the entire organization


are the domain of the senior executives. The combined value system of this group guides the course of the firm. The key role of executive judgment is stressed by Brady in an article which foretells of dramatic changes in the impact of computer technology on management decision making. He concludes that:

...there is one area where I do not anticipate that the computer will become much of a factor. That area is the setting of corporate goals and objectives...I am convinced that managerial judgment will always play the dominant role in the making of major strategic decisions.\(^{123}\)

The inability of optimizing techniques to handle unstructured problems results in the emergence of two other orientations to the decision making process. One is described by Ackoff and Simon as "satisficing," or accepting less than optimal solutions to problems. This method, however, is said to limit creativity, is linked to past behavior, and appeals to organizations who are playing a defensive (survival) rather than offensive (growth role)\(^{124}\). The other approach is termed "adaptivizing." Adaptivizing is said to focus on the future and allows the organization to be sensitive to the environment. It should be clear that the strategic model implies at least an adaptive orientation and, as developed herein, posits a formative model for executive decision making.\(^{125}\)

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Participation by other senior executives.--Bell, Steiner, Stanford Research Institute, and other experts all suggest that senior executives must be held responsible for the creation and implementation of strategies. Bower says that the organization should:

Fix accountability for strategic planning in line executives, with the chief executive primarily responsible.

Robert Schaffer reinforces this view and indicates that planning is an "inescapable" task of line management. He also indicates that the role of staff specialists must be limited to that of rendering technical assistance where needed. Stanford Research expresses the viewpoint that the top manager is the initiator, arbitrator, and final decider, but that strategic planning responsibilities can be shared between ranking line and staff executives. This approach, it is claimed, allows for the exploration of a larger number of alternatives than if the top executive were the sole participant.

Bower, and Berg in considering the problems associated with strategic planning in conglomerate or multidivisional companies, indicate that the divisional executives should be given a stake in planning.

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Senior executives should be held responsible for weighing the proposals submitted and, through dialogue with the divisions, formulate the grand strategy.

The Role of Senior Marketing Executives

Operating at the boundary between the organization and its environment, marketing executives play a gatekeeping role in channeling information to the other subsystems. Furthermore, they may be instrumental in interpreting environmental information. Their perceptions of environmental conditions and their expertise in devising marketing strategies can materially affect corporate performance. In this regard, Alderson assigns the firm's marketing subsystem the key role of:

...identifying opportunities to serve customers - cementing relationships so that it will be difficult for competition to lure them away, while preserving the elements of efficiency that make it possible to serve the market at a profit.

Regarding this, Kotler sees the task as determining:

...the setting of the company's marketing-decision variables that will maximize the company's objective(s) in the light of the expected behavior of noncontrollable demand variables.

Furthermore, Kollat, et. al., comment:

Marketing is perhaps the most dynamic, complicated, and challenging function of business. Indeed, more and more

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131 Bower, Ibid., pp. 58 and 288-290. See also, Guetzkow, "Relationships Among Organizations."


134 Philip Kotler, Marketing Management, p. 42.
businessmen are recognizing that marketing success is a pivotal determinant of corporate success.\textsuperscript{135}

The perceptual receptivity of senior marketing personnel concerning the effects of changing environmental conditions is critical to the entire corporate purpose.\textsuperscript{136}

Factors Affecting the Perceptual Framework of Marketing Executives

In some firms, marketing executives recognize the importance of the role they play in adapting the firm's capabilities to environmental demands. These executives can be a positive and formative force within the organization in trying to rally the efforts of the firm to address opportunities.\textsuperscript{137} In other companies, marketing executives have a more narrow perspective. At best, they tend to view the firm as a closed system which has little need for information interchange with environmental elements beyond customers. For them the marketing task may be synonymous with selling.

Considering the past comments, it should be apparent that not all marketing executives are likely to view the environment from the same vantage point. The level of awareness and the importance assigned environmental factors is likely to vary from company to company and man to man. Thus, one would expect a spectrum of evaluations concerning the

\textsuperscript{135}David T. Kollat, Roger D. Blackwell, James F. Robeson, \textit{Strategic Marketing}, p. 3.


perceived effects of changing environmental conditions on marketing according to the firm's industry, the role of marketing in the firm, and the viewpoint of marketing executives.

The senior market executive's perception of environmental opportunities and threats is conditioned by several factors. Among them are (1) the set of extra-organizational factors acting on him, (2) the set of organizational factors shaping his decision-making, and (3) the set of individual characteristics which influence self-concept and decision making style. The ramifications of differences in these factors on the level of environmental sensitivity is discussed briefly in the next sections. Figure 3 shows the nature of these relationships in graphic form.

Influences of extra-organizational factors.---Extra-organizational factors are those elements outside the domain of the organization which may affect one's view of the opportunities and threats facing the organization. These elements include news about business cycle trends, predictions about the future of the business environment, rumors and learned speculations about the industry and so on. These bits of information may shape the perceptual and attitudinal framework of senior executives in spite of the fact that they lack validity or objectivity. In the words of Kenneth R. Davis:

These environmental forces impinge significantly on the marketing executive as he performs his task. They help to distinguish his role from that of other executives. In large part as a result of these environmental conditions, the
EXTRAORGANIZATIONAL FACTORS
- Business and Market Conditions
- Other Group Pressures

COMPANY FACTORS
- Objectives
- Influence Structure
- Past Performance
- Degree of Specialization and Diversification
- Marketing Concept Sensitivity

INDIVIDUAL CHARACTERISTICS
- Self Concept
- Tenure
- Professionalism/Background
- Adaptability/Flexibility
- Entrepreneurial Tendencies

SENIOR MARKETING EXECUTIVE PERCEPTUAL FILTERS AND ATTITU-DINAL FORMULATION PROCESSES

FIGURE 3
FACTORS AFFECTING THE PERCEPTUAL FRAMEWORK OF MARKETING EXECUTIVES
marketing executive faces some rather unique problems as he makes decisions.\textsuperscript{138}

Influence of organizational factors.--The internal structure, objectives and behavioral norms of the organization are the principal organizational factors. The influence of these on perceptions and attitudes is likely to be great because of their proximity to the decision making task. In firms where an autocratic management style is prevalent, operating executives are likely to be less willing to challenge the norms than in organizations where open communication is sanctioned. Furthermore, the relative importance accorded other operating subsystems influences the latitude of the executive's perceptual field. Executives in organizations which are decentralized along product-market lines are in more frequent and direct contact with the task environment than those in centralized firms. These executives, should be more cognizant of the types of changes needed in product-market participation and in the marketing mix to secure market position.

Another important organizational factor, likely to influence perceptual field, is the nature of the organization's objectives and past performance in accomplishing them. In firms where stability is favored over growth or profitability, for instance, executives are likely to be more sensitive to threats than opportunities. Furthermore, they would be prone to incremental adaptation rather than more dramatic adjustments.

Influence of individual factors.--In addition to the external influences mentioned above, executives are influenced by internal factors not directly associated with their lives in formal organizations. These individual factors affect the roles played by individuals and shape how they interpret external events. Thus, one's self-concept affects how he behaves and how he views his environment. An individual whose self concept caused him to appear dynamic, aggressive, and future oriented would be likely to seek opportunities which would be capable of fulfilling his expectations. And those, whose self image was directed toward being safe, self-assured, and conservative might overlook opportunities which are laden with risk and uncertainty.

Other factors, such as the length of tenure with the organization and one's perception of the security of his position, would affect how he perceived and addressed environmental opportunities and threats. An executive with a limited association with the firm would be more likely to be more innovative than one with long tenure. Those with long tenure would have learned to assimilate and thus might ignore significant areas of change.

Categorization of marketing executives.--Senior marketing executives can be evaluated along a continuum graded in terms of environmental awareness. At one end of the spectrum are those who by their actions and words indicate internalization of the marketing concept. Characteristic behavior of this group involves the continuous scanning of the environment for opportunities and threats. They engage in the process of opportunistic surveillance. According to Aguillard
they "...move farther and farther from the immediate environment of the company in search of basic trends." At the other end of the spectrum are those who espouse a firm-centered, production, financial, or sales orientation. They are concerned with only those factors affecting day-to-day operations. Parochialism is the norm for this group. This inner-directed group is more sensitive to internal problems than to problems of customers and other interest groups.

Summary of Organizational Response Characteristics

The orientation of executives influences the perceived level of relevant uncertainty and the adaptive behavior choices considered to be appropriate. From this, it appears that responsive executives should recognize the need to consider the effects of a wider array of environmental interaction strategies. Less sensitive executives, on the other hand, may become overpowered by their own parochialism. They may not recognize the present and future states of the environment. Being unable or unwilling to adapt to the ubiquitous impact of change, the leaders, or the firms they lead, probably will be forced to move aside; letting more responsive counterparts take the lead.

Executives must adopt a broad perspective of the environment in order to be alert to the forces which impel change. They must adopt an open-system approach targeted on serving both short and long-term needs of consumers. According to James D. Thompson:


140 Emery and Trist, op. cit., p. 21; see also Thompson, Organizations in Action, p. 146.
...the closed system of logic is clearly inappropriate. ... The organization is open to influence by the environment (and vice versa) which can change independently of the actions of the organization. Here an open system of logic, permitting the intrusion of variables penetrating the organization from outside, and facing up to uncertainty, seems indispensable. 141

To fill an "ecological niche," organizational leaders must have the capacity to scan the environment for signs of change. Moreover, they must increase their "perceptual receptivity." Finally, they must develop the ability to adapt creatively.

The clarity and breadth of the marketing executive's interpretation of opportunities and threats affects the quality of the information base available for strategic-level decision making. Moreover, the relative influence of senior marketing executives on company strategy formulation affects the firm's ability to sustain an ecological niche. Thus, the firm's adaptive potential appears to be contingent upon the perceptual framework of senior marketing executives, as well as their ability to influence the firm's strategies. Firms exhibiting such sensitivities and orientations are considered enlightened advocates of the marketing concept.

An Overview of the Strategy Development Process

Corporate strategies shape the product-market options available to the firm. The close relationship between the overall direction of the firm and its marketing emphasis, at least in the long run, is obvious. As discussed in Chapter I, the strategic posture the firm selects,

141J. D. Thompson, Ibid., p. 12.
forces the adoption of marketing strategies which must be compatible with overall goals. If this were not the case, sharp divergencies would appear and result in enforced changes in the marketing plans and actions of the company. Thus, effective strategic plans normally are heavily influenced by marketing considerations. Strategies deal with matters affecting the consumer, competition and the posture that the firm intends to take to gain a sustainable differential advantage.

Every firm has a strategy of one sort or other. Strategies whether recognized as such, or not, shape the critical organizational elements guiding the course of the enterprise. To be of real value, however, strategies must be explicit, planned, and in a form which can be communicated to those responsible for their implementation. A self explanatory model of the strategy formulation process is presented by Steiner. It is shown in Figure 4. The Steiner approach places strategic planning at the top level of the firm. It shows the important linkages that must be maintained not only with internal subsidiary planning systems, but most importantly, with the fundamental purposes, values, and capabilities of the enterprise.

The impact of strategic planning resounds throughout the enterprise in all functional areas. It is important to recognize, however, that virtually all strategic moves will have a direct impact on marketing policy.

142 Philip Kotler, Marketing Management, p. 230.
143 Kollat, et. al., Strategic Marketing, p. 44.
144 Steiner, Top Management Planning, p. 33.
Support for this viewpoint is found in the writing of Norton Paley who says:

"...the marketing function is an extension of corporate policy to the extent that the total enterprise exists and is organized as a system of business activities to satisfy market requirements at a profit."

Successful strategies embody the mandate of the marketing concept. Strategies are operationalized, long-term manifestations of the philosophical commitment to consumers. Other strategies, such as in the financial, production, and other functional areas are considered to be supportive of the precepts of the marketing concept. The strategies which will be considered relevant for this study are shown in Figure 5.

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### Figure 5
**The S. C. Johnson Method**

<table>
<thead>
<tr>
<th>PRODUCT OBJECTIVES</th>
<th>IMPROVED TECHNOLOGY</th>
<th>NEW TECHNOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NO TECHNOLOGICAL CHANGE</strong></td>
<td>To utilize more fully the company's present scientific knowledge and production skills.</td>
<td>To acquire scientific knowledge and production skills new to the company.</td>
</tr>
<tr>
<td>Reformulation</td>
<td>Replacement</td>
<td></td>
</tr>
<tr>
<td>To maintain an optimum balance of cost, quality, and availability in the formulas of present company products. Example: use of oxidized microcrystalline waxes in Glo-Coat (1946).</td>
<td>To seek new and better ingredients or formulation for present company products not now employed by the company. Example: development of synthetic resin as a replacement for shellac in Glo-Coat (1950).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STRENGTHENED MARKET</th>
<th>New Use</th>
<th>Market Extension</th>
<th>Diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>To exploit more fully the existing markets for the present company products. Example: use of dripless spot can for emulsion waxes (1955).</td>
<td>To find new classes of consumers that can utilize present company products. Example: sale of paste wax to furniture manufacturers for Caul Board wax (1946).</td>
<td>To reach new classes of consumers by modifying present products. Example: wax-based coolants and drawing compounds for industrial machining operations (1951).</td>
<td>To add to the classes of consumers served by developing new technical knowledge. Example: development of &quot;Raid&quot; — dual purpose insecticide (1953).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NO MARKET CHANGE</th>
<th>Remerchandising</th>
<th>Improved Product</th>
<th>Product Line Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To increase sales to consumers of types now served by the company. Example: combination of auto paste wax and cleanser into one-step &quot;J-Wax&quot; (1956).</td>
<td>To improve present products for greater utility and merchandisability to consumers. Example: development of a general purpose floor cleaner &quot;Emerel&quot; in maintenance product line (1953).</td>
<td></td>
</tr>
</tbody>
</table>
They represent a combination of those presented below. Other approaches to strategy formulation and identification tend to be variations of these or they tend to be so elaborate as to be useless as taxometric devices.

Strategic Taxonomies

There are literally millions of strategies available. Fortunately, it is possible to present frameworks or taxometric devices which aid in reducing the possibilities to a meaningful few without constraining the opportunities for the development of truly novel and creative strategies. Two noteworthy approaches are presented in this section.

The S. C. Johnson method.--S. C. Johnson devised a highly organized taxonomy of marketing strategy. This approach, as diagrammed in Figure 5, presents a nine-celled matrix encompassing various combinations of market and product strategies. Figure 5 is self-explanatory in the sense that the various product-market choices are clearly defined. This model presents a conceptually pleasing way of viewing strategies. The model fails, however, to aid the strategist in determining the most effective strategy. It does present a basis against which the firm's proposed strategies can be evaluated and compared.146

Adler's basic marketing strategies.--Lee Adler envisions twelve basic marketing strategies which he claims represent the universal set. The following briefly summarize this approach.

1. Symbiotic Marketing - a mutual cooperation in marketing that extends beyond traditional agreements. The advantages of such a strategy focus on risk dispersion, synergy, and diversification under conditions of lower uncertainty than if attempted independently.

2. Market Segmentation - subdividing the total market into fractions which have homogeneous qualities amenable to concentrated - selective marketing practices.

3. Multi-brand Entries - capitalizing on as large a total market share as possible by offering several quality price-brand levels of the same basic product.

4. Distribution Strategies - exploiting opportunities for alteration of distribution channels. Unique approaches of merchandising have created "distinctive competences" and extremely powerful positions for enterprising firms who attempt to use new channels or vary their approach to existing channels.

5. Concentration - seeking a position of market dominance by creating such a powerful market position that threat from outside sources is minimized. This strategy aims at the way in which various sub-strategies are arranged or fitted together.

6. Brand Extension - concerned with the use of the brand name for prolonging product life and the matter of brand endorsement to a collection of products.

7. Product Innovation - encouraging a management orientation to new products. The user is encouraged to seek ways of obtaining a competitive edge; develop "harmonious dialogue" between R & D and the marketplace. The principal concern is for product concept rather than physical manifestation.


9. Investment Philosophy - reorienting of the firm to financial measurement and planning systems more in keeping with the objectives of the firm. Such matters as advertising should be considered as investments. Discounted cash flow approaches are encouraged.

10. Merger & Acquisition - acquiring other businesses or product lines. Diversification in product or market or both are possible.

12. Iconoclasm - employing unusual methods to solve common problems.147

**Conclusion to the Chapter**

The purpose of this chapter has been to demonstrate the importance of strategic-level marketing inputs to organizational vitality. The notion of the business ecosystem was introduced and the implications of the marketing concept on successful interaction with environmental forces also has been discussed. Within the context of the prerequisites of the marketing concept and the systems orientation, the need for strategic level thinking was presented. Several considerations about the locus and focus of strategic planning were addressed. The locus, it was decided, should be placed at senior management levels. Only here can the impact of environmental factors on the organization be fully realized or responded to. The principal role of the senior marketing executive in strategy formulation was identified. He should act as a sensor and interpreter of the effect of environmental change on the marketing operations of the firm. Also concluded was the idea that the quality of the marketing executive's interpretation of the environment contributed significantly to the organization's success.

In summary, it is clear that organizations must expand the scope of their concern for environmental change. Organizational leaders must internalize the outward-looking orientation prescribed by the marketing concept if they are to devise ways of more efficiently mobilizing the organization's resources. Finally, they must be prepared to pass

through the inevitable crises which are characteristic of rapidly changing environments and maladaptive industry structures. Thus, business leaders consciously must try to extend the range of their concern to areas which in the past were irrelevant. They must acknowledge explicitly the potential impact of a spectrum of environmental factors on their business strategies.

The present study is devoted to an analysis of the degree to which senior marketing executives have interpreted this aspect of their role. Also studied is the nature of the strategic-level marketing response to changing environmental perceptions and conditions.
CHAPTER III
METHODOLOGY

There is a paucity of empirical information about the adaptive behavior of senior marketing executives to environmental pressures. Exploratory studies of the adaptive behavior process are needed to provide a foundation for causal studies and hypothesis generation. This study examines the relationship between the senior marketing executive's conceptualization of the ecosystem and his strategic response orientation. Emphasis is placed on relating the perceptions of role, influence and environment, to action orientations.

As stated in Chapter I, the principal hypothesis of this dissertation is:

There is a direct relationship between senior marketing executives' perceptions of environmental influence and the level of their marketing and strategic response orientations.

A number of supporting hypotheses have been formulated. They are discussed in the Research Hypotheses section of this chapter.

To achieve the fundamental objective of the dissertation in a parsimonious way, two complementary research methods have been selected. The first method, involving unstructured-direct personal interviews, has been designed to gather qualitative insights into the relationship between role, environmental perceptions, and marketing strategy. Description, analysis, and categorization of the content of these responses is the primary research approach of
the study. The second method, involving a multiscaled questionnaire, has been designed to collect information about the attitudes of the executives toward the role of marketing in the firm and the effect of environmental change on marketing strategies. This approach has been chosen because it provides more quantifiable insights into the types and mix of marketing strategies and tactics that may be employed in response to environmental changes. Information from both collection methods is combined in various ways to provide the required inputs for hypothesis testing.

It should be stressed that the fundamental purpose of this study is exploratory. The principal task is to generate basic information about how marketing managers interpret and respond to change. While it would be possible to generate a wide variety of hypotheses, there is insufficient evidence to carry this very far prior to this study. As a result, only a limited number of hypotheses have been stated. The hypotheses presented in this chapter are offered to aid in interpretation and classification of trends. Hopefully, researchers in the future will incorporate them and the findings presented here into more refined and precise statements of relationships.

There are many ways to examine environmental sensitivity and orientation to change. For example, one could select a wide variety of environmental issues and ask respondents to present factual evidence which would indicate knowledge of the issue. Next, the respondents could be asked to evaluate the potential effect of each issue on the organization. Another approach would be to seek open-
ended responses to the question, "What are the major opportunities and threats facing you in the foreseeable future?"

In addition to the information collection approaches, one must select a respondent group. Within a business organization, one could solicit opinions of the president and senior executives in each functional area. The responses could be compared and contrasted based on industry, executive position, title, and so on.

In the present study, a decision has been made to focus on a preselected set of issues and to seek opinions of marketing executives. A cross section of industries has been selected to provide insights into variances in perceptions about the effects of change.

Rather than try to obtain insights which can be heroically generalized across the totality of U.S. industrial firms, this study seeks preliminary information about the behavioral predispositions of the elite of U.S. marketing executives. The behavior of such a group, many believe, is a barometer of the behavior of executives with similar positions in smaller companies. Furthermore, the insights gathered from contact with this elite group should be useful in determining the orientation and structure of subsequent investigations.

The methodology presented below is designed to facilitate exploration of some of the ways that marketing executives analyze and respond to several notable environmental opportunities and threats. The environmental factors which are considered are often cited as being of major importance to industrial firms. The research approach
is designed to obtain in-depth information about the managerial interpretation of these environmental pressures.

This chapter is divided into three major sections pertinent to the design and implementation of the study. The first section presents the research hypotheses and a discussion of the logic which supports them. A summary of the expected response patterns, data classification schemes, and hypothesis testing approaches is given. The second section considers the research design. A rationale for the choice of environmental factors and details of the information acquisition process are presented. The third section focuses on sample design. A discussion of the selection process is included.

Research Hypotheses

Complimenting the study objectives, a series of research hypotheses have been formulated. The hypotheses focus on several major ecosystemic relationships presumed to affect decision making by senior marketing executives. In general, the hypotheses concern associations between selected pairs of the following:

1. Changes in the perceived importance of environmental factors on company goals between the 1960s and 1970s,
2. Changes in the attitudes toward environmental factors on company goals between the 1960s and 1970s,
3. Changes in the marketing strategy emphasis between the 1960s and 1970s, and
4. Changes in the marketing mix or tactics emphasis between the 1960s and 1970s.
The measurement instrument for hypothesis testing is a structured questionnaire consisting of several scaled items. Also, information gained by classification of unstructured responses in the interview phase is employed. The questionnaire is presented in Appendix B. The interview phase materials may be found in Appendix C. The research hypotheses and their underlying logic are stated in this section.

Because of the limited number of respondents and the judgemental sampling plan, statistical analysis is not appropriate. Analysis of responses is based on observations of trends and relationships in the data. Thus, hypotheses cannot be tested in the true sense of the word. Only inferences about their supportability may be made.

For each hypothesis, the hypothesis is stated in testable form. Next, a brief introductory comment about the logic underlying the hypothesis is made. Also, the information sources and categorization scheme for each variable are stated. Finally, the analytical strategy is presented.

A Framework for Hypothesis Formulation

As shown in Figure 6, the relationships among variables may be viewed in the context of the familiar Stimulus-Response model of the psychologist. In this model, the subject is presented with a stimulus which he perceives and manipulates mentally prior to making an overt response.\(^1\) In the present study, the stimuli are the interview questions and the questionnaire items. Other indirect

stimuli may also affect the response orientation, such as cues offered by the interview setting and the interviewer. To simplify matters, consideration is only given to the impact of the questionnaire and interview questions. For the other items, the ceterus paribus assumption is made.

**Figure 6**

A general model of relationships

<table>
<thead>
<tr>
<th>Stimulus</th>
<th>Interfering Variables</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview Questions</td>
<td></td>
<td>Verbal Comments</td>
</tr>
<tr>
<td>Questionnaire Items</td>
<td>Stored Information</td>
<td>Scores on Items</td>
</tr>
<tr>
<td></td>
<td>Attitudes</td>
<td>Actions</td>
</tr>
<tr>
<td></td>
<td>Beliefs</td>
<td></td>
</tr>
</tbody>
</table>

Figure 7 shows the relationship between the stimulus of an interview question and probes concerning the role of marketing in the firm and the respondent's comments about the changes in the importance and direction of the function during the 1970s. The intervening variables section of the model contains the respondent's mental constructs about the stimulus object. In this case, the respondent may have attitudes about the role of marketing, the importance of the marketing function, and he may have a sizeable information base. Through interview probes and the questionnaire, responses are evoked which are indicative of the framework that the respondent employs in fulfilling his role expectations.
Another example, using as a stimulus object, questions about the effect of environmental factors on marketing may be helpful in explaining the relationships under study. Respondents are presented with a series of questions such as, "What effect, if any, will environmental factor 'X' have on your marketing strategies during the decade of the 1970s?" The respondent is viewed as receiving this stimulus as shown in Figure 8.
He is likely to search his mental information base for material which can be employed in an overt response. The nature of this response may contain statements about his interpretation of the meaning of the item. Furthermore, he may comment in an evaluative manner; stating his feelings about the importance and favorableness of the item.

Finally, one would expect some discussion of the ways that he expects to respond to the pressures imposed by the environmental issue. This area of his response is likely to contain implications about the types of strategies and tactics that he is considering as a means of responding to the perceived opportunities and threats.

Hypothesis 1: Stated as a Series of Subhypotheses 1.1-1.4

Hypothesis 1 concerns the general relationships which may exist between senior marketing executives' orientation to the firms' marketing mission, their perception of their influence, and a selected group of environmental issues. For clarity, H_1 is divided into four subhypotheses, H_{1.1} through H_{1.4}. Each subhypothesis is stated and its supporting logic is presented below:

Hypothesis 1.1.--Hypothesis 1.1 is:

H_{1.1}: There is a direct relationship between the respondent's perception of the scope and the importance of marketing in the firm, (MKTO), and his perception of the importance of the environment in shaping marketing strategies, (ENVI).

Supporting logic for H_{1.1}.--Marketing personnel, because of the gatekeeper role they play, can have a material effect on the direction and level of corporate effort and the achievement of
corporate objectives. Furthermore, their perception of the scope of the marketing task should have a major effect on the environmental awareness and concern they express. For instance, where the self image of marketers is low, or where marketers have a narrow view of the marketing task, one would expect little sensitivity to environmental change. Either they would be unaware of change or their decisions would not be heavily influenced by change.

In other words, executives who perceive changes in the environment as presenting opportunities and threats to the firm are likely to perceive an expanded role for marketing in the firm. Thus, there should be a direct relationship between the perception of change in the importance of the business environment and the perceived importance of marketing in the firm.

Hypothesis 1.2.—Hypothesis 1.2 is:

\( H_{1.2} \): There is a direct relationship between the respondent's marketing orientation, (MKTO), and his perception of the change in the importance of the environmental condition in shaping marketing strategies, (DELI).

Supporting logic for \( H_{1.2} \).—As above, one could reason that in firms where the marketing function is limited in scope, or where relatively few of the traditional marketing functions are being performed, the level of concern for environmental change would be low. Thus, sensitivity to the existence of the business ecosystem should be indicative of a marketing oriented firm.

Hypothesis 1.3 and 1.4.—Paralleling the logic suggested above for \( H_{1.1} \) and \( H_{1.2} \), the executive's perception of his level of influence
over strategy formulation may be related to his environmental orientation. Hypotheses 1.3 and 1.4 are concerned with the relationship between the executive's role perception (RP), the level and amount of change in the importance of the environment on marketing, (ENVI and DELI). These hypotheses are:

H1.3: There is a direct relationship between the respondent's perception of the influence of marketing on corporate objectives in the 1970s, (RP), and his perception of the importance of the environment in shaping marketing strategies, (ENVI).

H1.4: There is a direct relationship between the respondent's RP and his perception of the magnitude of change in the importance of the environmental condition in shaping marketing strategies, (DELI).

Information sources for Hypothesis 1.--Information from both the interview and questionnaire phases of the study is needed to analyze Hypothesis 1. The following items are required:

1. Perceived importance of the environment to marketing strategy (ENVI).
2. Perceived change in the importance of the environment as a determinant of marketing strategy (DELI).
3. Perceived importance of the marketing function (MKTO).
4. Perceived influence of the marketing executive on corporate objective formulation (RP).

The MKTO score.--The breadth or scope of the marketing task, in this study, is termed the respondent's marketing orientation (MKTO). Numerous empirical studies and conceptualizations of the operational
aspects of the marketing concept suggest that there are several dimensions of an individual's marketing orientation. By observing behavior and structure along these dimensions, it should be possible to deduce his MKTO relative to other respondents being studied and to more independent standards. The dimensions employed in this study have been obtained as outlined in Appendix D. Also discussed in Appendix D is the procedure employed to obtain MKTO scores. The dimensions are:

- Orientation to the Environment
- Systems Orientation
- Characterization of Response Orientation
- Hierarchical Position of Marketing
- Marketing Functions Performed
- Scope of Information System Concerns
- Perception of Importance of Role of Marketing

Each man is scored along each factor. The scores are summed and averaged. The resultant score is the marketing orientation. The scores range from one to three points. A low score suggests a relatively narrow orientation to marketing.

The RP score.--The other aspect of the interpretation of the marketing task considered here concerns the executive's perception of the role played (RP) by the marketing function in the determination of corporate objectives. Information about role perception has been derived exclusively from Questionnaire Item 2, "Influence of Senior Executives on Company Strategy Formulation." The 1970s scores for all respondents are
classified into High-Low categories.

The ENVI score.--Information about the perceived effect of the environmental factors on marketing strategy has been obtained from Questionnaire Item 8, "Evaluation of Importance of Factors on Marketing Strategy." Scores are obtained for each issue and from these a total score can be computed. The total score for each respondent is the mean value of the sum of the individual issue scores. Responses classified as "High" and "Low" are respectively above or below the median value of the distribution of total scores. Henceforth, the total score for the environmental issues will be termed ENVI.

The DELI score.--Using a similar approach as for the ENVI score, a value representing the net algebraic difference in importance scores between the 1960s and 1970s may be obtained. In the sections that follow, this score will be termed DELI. A positive DELI indicates that the environment is expected to increase in importance in the 1970s.

Analytical approach for Hypothesis 1.--Using these nomenclature and classification schemes, Hypothesis 1 can be analyzed by examining the cross tabulations associated with the relationships below:

H1.1 The greater the MKTO, the greater the ENVI on marketing strategy and company objectives.

H1.2 The greater the MKTO, the greater the DELI on marketing strategy and company objectives.

H1.3 The greater the RP, the greater the ENVI on marketing strategy and company objectives.
H1.4 The greater the RP, the greater the DELI on marketing strategy and company objectives.

Hypothesis 2

This hypothesis focuses on the amount of strategy change senior marketing executives expect to make in response to environmental influences. It is:

H₂: Senior marketing executives who expect larger increases in the importance of environmental factors between the 1960s and 1970s (DELI), perceive a greater need for change in marketing strategy (STGY), than those who perceive little or no change.

Supporting logic for Hypothesis 2.--A fundamental and implicit requirement for survival and growth in an ecosystem is the notion of adaptability. In the business ecosystem, as in physical systems, every action stimulates a reaction. A state of balance has to be maintained. There must be a linkage between the magnitude and direction of change in the environment and the strength of the perceived need for adaptation. In this regard, it has been established that the conditions in the business environment are changing at an accelerating pace. Extending these ideas further suggests that a direct relationships should exist between senior marketing executives' perceptions of the influence of the environment on marketing and their adaptation plans.

Adaptation plans are considered here to be represented by the mix of product-market strategies, (STGY), that the marketing executive considers relevant to successful negotiation with the environmental element under consideration. Thus, one would expect to find that the
number of strategy elements selected to respond to the opportunities and threats contained in an environmental issue would be greater for important items than less important ones. As covered later, it is also likely that there should be a different set of strategies selected to respond to threatening issues than those offering opportunities.

**Information sources for Hypothesis 2.**—Information about the perceived effect of environmental factors on marketing and corporate objectives is the same as that described in the section on Hypothesis 1.

Changes in marketing strategy, (STGY), are derived from several sources. The principal source is the interview, (IV). Interview responses, either explicitly or implicitly, contain statements about the type of strategies that are considered feasible for dealing with each environmental issue. By analysis of the individual responses, strategies can be deduced. The strategies identified in this manner are:

1. Same Product-Same Market
2. Product Modification
3. New Products-Present Markets
4. New Products-New Markets
5. Acquisitions-Present Markets
6. Acquisitions-New Markets
7. Integrative, Vertical in the Channel
8. Integrative, Horizontal-Open New Channels
9. Avoid
10. Wait and See

Each respondent is asked to state his strategic response orientation to each environmental factor. Classification, as above, makes it possible to determine the frequency of mention of each strategy type for each issue and for all issues. By summing strategy scores across
all issues, one obtains a total strategy score. The larger the total score, the greater the propensity to respond to change. This score is termed STGY-IV.

For classification purposes, it is necessary to allocate strategy responses to two levels, "High" and "Low," according to their value relative to the median value for all respondents.

Questionnaire Item 5, "Importance of Strategy Components to the Achievement of Company Objectives," also is employed to determine strategy orientation. The primary use of this question is to obtain an overall assessment of the amount of strategic level change that is perceived necessary to respond to the entire set of issues. A secondary, albeit important, use of this item is in determining the predominant strategies that are likely to be employed. It should be noted that the item scores that result in Questionnaire Items 5 and 6 represent an attempt to derive the growth vector that Ansoff refers to in his appraisal of the elements of strategy.\(^2\) The scores for each strategy component, in effect, represent the weighting factors in the growth vector relationship. There should be a correlation between the responses obtained in the questionnaire and the total of strategy responses for all issues mentioned in the interview phase of the study. The results of correlation studies are reported in Chapter IV.

In order to get the questionnaire responses into a form amenable to analysis, the raw scores from Item 5 must be converted to change scores and then classified into "High" and "Low" categories. The

change in strategy orientation is defined as the sum of the absolute value of the difference between the 1960s and 1970s scores for each strategy component. This score is termed STGY-Q, to distinguish it from interview information (STGY-IV). The resulting strategy change scores for growth are then ranked according to algebraic magnitude and dichotomized into "High" and "Low" change classes.

Analytical approach for Hypothesis 2.--Using the nomenclature and classification schemes mentioned previously, Hypothesis 2 can be analyzed by examining the contingency tables associated with the relationships listed below:

1. The greater the DELI, the greater the STGY-IV.
2. The greater the DELI, the greater the STGY-Q.

Hypothesis 3

This hypothesis deals with the relationship which may exist between a respondent's attitudes about the impact of environmental change and his strategic response orientation. Hypothesis 3 is as follows:

$H_3$: Senior marketing executives who have favorable attitudes about the effects of the environment on marketing and the achievement of corporate objectives in the 1970s, (ATT), express a different strategy orientation, (STGY), than those who express unfavorable attitudes.

Supporting logic for Hypothesis 3.--In addition to the importance or salience dimension, changes in the environmental factors may be viewed as presenting opportunities and threats to the firm. Thus, the effect of environmental change has an evaluative dimension which will
be termed valence. The multiplicative combinations of saliences and valences have been termed attitudes.

It is possible for executives to have attitudes ranging from strongly favorable to strongly unfavorable about the individual issues and the environment as a whole. Furthermore, the strategy orientation chosen to respond to environmental opportunities may be different from that chosen to defend against environmental threats. In one case, strategy change may emphasize product modification, whereas, if attitudes are the opposite, the emphasis may be directed toward alterations in market coverage.

Information sources for Hypothesis 3.—An attitude has been defined, in Chapter I, as a mental state which determines an individual's favorable or unfavorable inclination toward an attitude object. Attributions are considered to contain two dimensions; one concerning the importance of the attributes of the object, and the other involving the favorableness of perceptions about the potential of the object to satisfy the observer's expectations. Attitude scores may be obtained by using a paradigm similar to that used by Rosenberg. This paradigm states that the sign and strength of an overall attitude toward an object or situation is functionally related to the sum of the product of each attribute's importance times the favorableness or valence associated with the attribute. Algebraically, it may be stated as:

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4 Hughes, Ibid., pp. 58-59.
+ A = f \left( \sum_{i=1}^{n} I_i V_i \right)

where \( A \) = the attitude toward the object.

\( I_i \) = the importance (salience) associated with the ith attribute.

\( V_i \) = the evaluation (valence) associated with the ith attribute in terms of its potential for realizing the objective.

Computation of attitudes for \( H_3 \), therefore, involves multiplication of individual importance and favorability scores for each environmental factor. Attitude scores are obtained for the perceived effects of environmental change on growth objectives and on marketing strategies. The response for each issue is summed algebraically and classified as either "Favorable" or "Unfavorable" depending on the sign of the net value.

In the present study, respondents are viewed as having attitudes about the effects of the various environmental factors on growth and on marketing strategies. These attitudes can be inferred from an analysis of interview responses and from the questionnaire. In the interview, the respondent is asked to evaluate the impact of the environmental issues on marketing strategy in the 1970s. His comments contain statements about the importance and the favorableness of the issue. By combining these responses, as described above, one obtains attitude scores. For clarity, the attitude scores obtained in this manner are termed ATT.

There are two methods for inferring attitudes. The first involves combining the comments about the favorableness of each issue expressed
in the interview phase with the scaled importance responses from Questionnaire Item 8, "Evaluation of Importance Factors on Marketing Strategy." Summed over all issues, this provides an attitude score which can range in value from -7 for very unfavorable attitudes, to 7 for very favorable attitudes. The value obtained in this process is termed the ATT-IV indicating the interview as the principal source of information.

A second set of attitude scores may be obtained by an algebraic combination of the responses to Questionnaire Item 4, for the growth objective with responses to Questionnaire Item 8. Summing over all issues, an attitude value similar to ATT-IV may be obtained. This value is termed ATT-Q, indicating the questionnaire as the information source. The information on strategy is the same as that for the STGY-IV and STGY-Q values mentioned previously.

Analytical approach for Hypothesis 3.--Hypothesis 3 can be analyzed by examining the contingency tables resulting from cross tabulating the Favorable and Unfavorable Attitude values with the utilization of the strategy scores, STGY-IV and STGY-Q.

**Hypothesis 4**

Hypothesis 4 deals with the relationship which may exist between a senior marketing executive's perception of environmental change and his inclination to alter the firm's marketing mix. It is stated below:

\[ H_4: \quad \text{Senior marketing executives who expect an increase in the importance of environmental factors between the 1960s and 1970s, (DELI), perceive a greater need for change in the marketing mix, (MIX), than those executives who expect no change or a decline.} \]
Supporting logic for Hypothesis 4.--To effect strategic change, certain tactical changes in operations must be undertaken. The marketing mix, as defined in Chapter I, contains the areas of marketing management responsibility which can be manipulated and controlled to implement strategies.

Thus, using a similar line of reasoning as for Hypothesis 2, Hypothesis 4 has been derived. The only difference between the hypotheses is that changes in the marketing mix variables, (MIX), are considered instead of changes in STCY components. As with H₂, it can be argued that the weight of elements of the marketing mix are likely to change in relation to perceived changes in the importance assigned to environmental factors. For instance, if competition appears to be increasing, then it is likely that the marketing executive will call for changes in the marketing mix which will help to differentiate the firm from competition. These changes might be in the form of increased emphasis on advertising, personal selling, or new product development.

Information sources for Hypothesis 4.--Information about the importance of environmental forces is obtained and processed in the same manner as H₁. Information about the anticipated changes in the marketing mix (MIX) or tactics is derived from the questionnaire and the interview. Questionnaire Item 6, "Importance of Marketing Mix Factors to Marketing Strategy," provides an overall assessment of the types and magnitudes of the changes. The total score obtained from the questionnaire is termed the MIX-Q score.
Interview responses are more specific since they pertain to the effects of individual issues on the marketing mix. By analyzing the responses on each issue, one is able to deduce the types of changes in the mix which might be employed. By summing the number of mix changes over all issues, a total score can be obtained for each respondent. This score is termed the MIX-IV score. In general, the MIX scores are processed in the same manner as the STGY scores. These procedures have been discussed under Hypothesis 2. The mix elements employed are listed below:

1. New Product Development
2. New Market Development
3. Pricing Policy Making
4. Advertising and Promotion
5. Sales Management and Personal Selling
6. Customer Service
7. Channels of Distribution Management
8. Market Research
9. Logistics
10. Planning

Analytical approaches for Hypothesis 4.—Hypothesis 4 can be analyzed by examining the contingency tables resulting from the relationships stated below:

1. The greater the DELI, the greater the MIX-IV.
2. The greater the DELI, the greater the MIX-Q.

Hypothesis 5

Hypothesis 5 concerns the potential relationship between the executives' strategy and marketing mix change orientations. It is stated below:
Senior marketing executives who expect large changes in strategy orientation between the 1960s and 1970s, (STGY), expect larger changes in the marketing mix variables between the 1960s and 1970s, (MIX), than those who expect little or no change in strategy orientation.

Supporting logic for Hypothesis 5.---Even in the absence of change in strategy, small changes in the marketing mix may occur as the organization attempts to maintain a viable relationship with other elements of its ecosystem. These incremental changes are sufficient only so long as no major disruptive forces are perceived. However, when the disruptive forces reach a magnitude sufficient to require a shift in strategy, major changes in the mix should result.

Information sources and analytical approach for Hypothesis 5.---The mechanism for obtaining STGY and MIX scores has been described under Hypotheses 2 and 4. The analytical approach for Hypothesis 5 involves examination of the contingency tables resulting from the relationships stated below:

1. The greater the STGY-IV, the greater the MIX-IV.
2. The greater the STGY-IV, the greater the MIX-Q.
3. The greater the STGY-Q, the greater the MIX-IV.
4. The greater the STGY-Q, the greater the MIX-Q.

Sample Design

The exploratory objectives of this study have influenced the choice of a sampling plan. Just as the nature of the issues to be explored has dictated the information gathering approach, the breadth and depth of
responses desired has influenced population definition and sample selection. This section is devoted to a discussion of the major considerations influencing sample design.

Population and Sample Characteristics

The relevant population of industrial firms has been defined to include those 450 firms listed in both the 1971 Fortune, "Fortune Directory of the 500 Largest Industrial Corporations," and the Forbes "23rd Annual Report on American Industry."

Several structural and behavioral dimensions of the U.S. industrial firms have been used to control the sample constituency. They are firm size, industry class, profitability, and headquarters location. These controls have been imposed to improve the probability of tapping a range of attitudes across environmental issues and product-market areas.

Firm size.-- The range of sizes of U.S. industrial firms is vast. The 1967 Census of Manufacturers reveals that about 50% of the over 300,000 industrial firms have less than 10 employees. Furthermore, firms in this category contribute less than 3 percent of the total value added by manufacturing. At the other extreme, 0.2 percent of the firms, approximately 500 organizations, contribute over 20% of the value added. The degree of concentration is further dramatized considering the fact that the 200 largest industrial firms control nearly 60% of the manufacturing assets.5

Achieving a differential advantage within such a framework is difficult. Attempts to differentiate are carefully watched. If they appear to offer promise, then competitive actions are taken to mimic or upset them. Thus, it is understandable why attempts to differentiate on the basis of lower price rarely succeed. More sophisticated and longer lasting strategies are sought which are more difficult to follow. Because of the enormous resource base commanded by the larger firms, they are the ones most likely to be leaders in seeking and achieving sustainable differential advantages. The smaller, less powerful firms may be able to achieve differential advantages, but these are usually short lived. As a result, the behavior of executives in the smaller firms is likely to be heavily influenced by the attitudes and actions of those in a few dominant companies in each product-market.\(^6\) Therefore, by observing the response patterns of a few senior executives, it should be feasible to draw inferences about the inclinations of the rest of the industry.

**Industry Segments**

Every organization operates in a unique environment. Similar environments, however, confront firms serving similar markets. In such cases, it is likely that at least task environment conditions will be seen from the same perspective. Conditions in other elements of the environment probably will be perceived differently, since their impact is not likely to be as imminent as those in the task environment. Thus,

in order to get a perspective on the range of pressures affecting business in many markets, it is necessary to query marketing executives who serve many industry segments.

The use of industry segments as a stratification element has limitations. The prime one is that in today's economy, firms participate in many and often unrelated markets. Thus it is possible, if not likely, to find respondents seemingly in the same market segments operating under different environmental conditions. This limitation on the value of segmenting the respondent by industry class, although acknowledged, has been overlooked in the absence of more precise segmenting methods.

Firms have been selected from fourteen of the eighteen industry segments listed in Forbes because the segments seemed likely to be influenced by different environmental pressures. The median profitability of firms in each segment covers a wide range. This lends further support to the premise that conditions are different within and between segments. Table 2 lists the segments which have been selected.

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<td>INDUSTRY SEGMENTS REPRESENTED IN THE STUDY</td>
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<td>4. Electronics</td>
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Profitability.--Size, in terms of revenues or assets, is a poor index of financial performance, because it gives no indication of the efficiency of the firm's resource conversion process. It is possible, for instance, to generate volume sales but achieve little or no profit. Similarly, one can underutilize the firm's asset base, thereby attaining subpar profits. A more useful measure of economic efficiency, therefore, is profitability.

Profitability, in the present study, is defined as the average return on equity for the five year period 1967-1971. This measure indicates the overall efficiency with which the firm deals in its input and output markets over a relatively long time period. The information about profitability for each industry segment has been obtained from the Forbes "24th Annual Report on American Industry." Financial performance characteristics of each segment are reported in Appendix E.

Geographic location.--In order to limit the amount of travel time and expense, respondents have been selected only from firms whose headquarters are in the following areas:

- Boston
- Chicago
- New York City & Suburbs in New Jersey and Connecticut
- W. Virginia
- Pittsburgh
- Ohio
- Kentucky

The effect of this constraint is to selectively screen out companies in the aircraft, electronics, and defense industries who tend to locate elsewhere. Although this constraint has limited choices between
firms of similar profitability, it is negligible in light of other controls and sampling considerations.

The Sample

The sample consists of 35 firms, encompassing fourteen industry segments and a range of profitability levels. In addition, a geographic control has been imposed to limit the travel requirements. Since confidentiality was promised, the names of firms and respondents have been withheld.

Within the firm, senior corporate or divisional executives with strategic level marketing, or marketing related, responsibilities have been considered as potential respondents. Since many of these firms have divisional structures, there are many senior level marketing executives. Those who have been considered eligible have responsibility for the marketing activities of a major operating division of the firm. Appropriate titles could be any of those listed below:

Vice President - Sales
Vice President - Marketing
Group Vice President
Division Vice President
Director of Marketing

In a few cases, the intended respondent was unable or unwilling to participate. A subordinate then became the respondent. It is impossible to determine if these responses would agree with those of the senior executive. The assumption is made that they do agree. Appendix E presents a distribution of the titles of participants.

Information sources.—A number of information sources have been used to identify the target respondents by name and title, as well as to compile insights into the structure and operations of the firm. The
principal sources are:


5. Miscellaneous correspondence and conversations with company officials.

Other Considerations on Sampling

Two conflicting forces must be balanced in designing the sampling plan. The personal interview approach imposes limitations on sample size because of financial and travel constraints. On the other hand, satisfying the breadth and depth of response objectives would have required large sample sizes if a random sample had been drawn.

When one considers the interrelationship between sample design and research design, he finds that many tradeoffs must be made. In the present study the principal tradeoffs have involved considerations about sample size, sample composition, and data gathering approach. The decision to conduct personal interviews has been dictated by the study objectives. In this regard, the information requirements of the study suggest that personal interviews would be necessary to obtain information of the desired quality.  

Sample composition, also, has been dictated by the desires of the researcher and the exploratory orientation of the study. Responses from several industry segments, spanning a range of profitability characteristics, are desired. On its own, this requirement imposes a need for large samples. Furthermore, to assure representativeness, firms would have to be randomly selected.

Imposing the sample size constraints dictated by the interview approach on those for sample constituency creates a methodological dilemma. That is, the sample size requirements of the constraints are working against each other. The problem might be solved in two ways. First, either the informational or representational constraints could be removed. Changes in either would enable one to draw a relatively small random sample. The other solution, and the one chosen here, is to draw a judgemental sample. Using this approach, the other constraints on information and composition could be preserved. The inherent limitations of the judgemental approach are acknowledged. However, in the present study they can be tolerated. 8 In this regard, Herbert Simon has commented on the methodology employed in one of his studies as follows:

These are facts obtained by intensive interviews and to a limited degree, actual observations of behavior in individual business firms. The cost of intensive studies and the degree of co-operation required of the firms usually limited such studies to small and unrepresentative samples of firms. Hence, there are major difficulties in extrapolating the findings to American business as a whole. 9

8Boyd and Westfall, Ibid., pp. 46-57.
Research Design

Research design is concerned with aspects of problem definition especially those related to data requirements and collection mechanisms. This section is devoted to a discussion of the information sources employed and the development of data collection media.

The Environmental Issues

A number of alternatives exist in the choice of issues to be studied. For example, a single issue, like air pollution, could have been chosen for intensive study. In addition, the focus could have been limited to one or a few industries whose marketing activities might be seriously affected by air pollution controls. Another approach would have been to use a single issue and examine how sensitivities vary across several industries. Instead, several issues have been selected to achieve the breadth of coverage mentioned in the Objectives section. The issues are listed below:

- Consumerism
- Air Pollution Controls
- Water Pollution Controls
- Urban Substandard Housing Situation
- Deterioration of Downtown Shopping Areas
- Civil Rights Movement
- Nature and Intensity of Competition
- Consumer Market Trends
- Distribution Channels Changes
The specific items encompassed by this investigation have been selected from a wide range of potential issues for the following reasons:

1. The item is of long-term importance to a wide cross-section of U.S. industries.\(^{10}\)

2. The item receives widespread attention by the general public and marketing professionals.\(^{11}\)

3. The item appeals to the personal and professional interests of the researcher.


Information sources.--A number of sources have been employed to compile the requisite background information on these issues. The principal ones are presented below:

1. Fortune
2. Business Week
3. Harvard Business Review
4. Journal of Marketing
5. Wall Street Journal
6. Saturday Review
7. Future Shock, Alvin Toffler
8. The American Corporation, Richard J. Barber
9. The Future Environment for Marketing, Merle Crawford
10. Daedalus
11. Conversations and correspondence with businessmen and academicians

Data Collection Media

The information requirements of this study necessitate the use of two data collection approaches. A semi-structured personal interview has been chosen to uncover qualitative insights about the type of strategy alterations needed to adapt to specific environmental pressures. A structured questionnaire, containing several scale items, has been employed to gather the supplemental data needed to test the hypotheses and classify respondents. Details of both approaches are presented in this section.

Unstructured Direct Interview Phase

The unstructured-direct interview method has been used since it offers the best balance among a number of influential factors: namely, (1) flexibility of the interview, (2) potential for interviewer bias, and
(3) depth of inquiry. Personal interviews have been employed because of (1) the exploratory nature of the study, (2) the potential for non-response bias, and (3) the complex, confidential nature of the topics. The specific questions asked in the interview phase are shown in Appendix C.

Justification for the approach.—Several reasons have influenced the choice of the unstructured-direct personal interview method for the primary part of this investigation. The most influential force has been advice from experts who have attempted similar studies or tried to reach senior executives using other media. Generally, they agree that response rates to mail questionnaires, from such an elite population, will be less than 15 percent under the best conditions. This rate is prone to decrease sharply when the subject matter becomes as complex as that addressed here or when the amount of information requested is as great. Also, when confidentiality is a major factor, the response rate and quality quickly decline to non-useable levels. These authorities have recommended personal contact with a tie-in questionnaire as a way of overcoming the non-response, accessibility, and rapport problems.


commonly associated with the mail or telephone media. 14

Other factors influencing the medium and approach are related to
the exploratory nature of the study and the researcher's desire for
depth of response. Personal contact and the unstructured approach
allow the researcher to be cued by the respondent's verbal and nonverbal
behavior so that probing can be most effective. Finally, inconsisten-
cies and deep feelings can be identified and discussed during the course
of the interview.

General information requirements.--Information yield from the
unstructured questions consists of a series of comments containing one
or several of the following dimensions:

1. Affective--feeling about the issue in terms of likes and
dislikes.

2. Salience--feeling about the issue in terms of importance
to the firm.

14The researcher has corresponded with the following individuals
on this and related issues: John S. Coulson, Vice President, Leo
Burnett Company, Inc., July 23, 1971; E. Jerome McCarthy, Ph.D.,
Professor of Marketing, Michigan State University, June 23, 1970;
Philip McDonald, Ph.D., Associate Professor of Marketing, Northeastern
University, June 16 and July 31, 1970; John G. Udell, Ph.D., Director--
Bureau of Business Research and Service, The University of Wisconsin,
August 4, 1970. The researcher has met with the following individuals
on this and similar issues: William Eddy, Ph.D., University of Missouri
at Kansas City, March, 1971; C. Richard Hofstettier, Ph.D., Assistant
Director Psychometrics Laboratory, The Ohio State University, August,
1971; C. A. McCarthy, Jr., Director--Executive Education, Sales and
Marketing Executives International, June, 1971; R. D. Blackwell, Ph.D.,
W. A. Cullman, Ph.D.; and D. T. Kollat, Ph.D.; Marketing Faculty, The
Ohio State University, 1971.
3. Intentions—action orientation or propensity to respond or adapt to the issue.

4. Knowledge—stored information regarding the issue.  

The affective, salience, and intentions dimensions are the most evident. Intentions are shaped by the other aspects (affective and salience) of the individual's position regarding the issue. The statement of intentions should contain the strategy orientation of the individual. The knowledge or information base of the respondent is likely to be subsumed into the affective and salience areas.

It is impossible to give a precise a priori description of response categories to the unstructured questions. Yet, the importance of obtaining information from all respondents in certain general areas cannot be denied. Analysis would be impossible if the response categories were not comparable.

To insure comparability, several general areas of desired content have been specified below and a series of standard probes have been devised. The probes, presented in Appendix C have been designed to assist the respondent in clearly specifying the nature, the type, and the magnitude of changes he anticipates. The nature of the probes and their frequency of use is varied according to the respondent.

Expected response patterns.—To be of value, responses to the unstructured questions should be rich in information about the way executives view the environment and about their behavioral predispositions. Richness, however, may be offset by complexity. Extracting

\[15\] Engel, et. al., Consumer Behavior, pp. 165-169.
meaning from such responses requires great care. Using the techniques of content analysis, the level of sensitivity and responsiveness of marketing executives to their environment may be deduced.\textsuperscript{16} The issue of sensitivity can be addressed by examination of the respondents' comments concerning the magnitude and favorableness of the environmental condition on marketing strategy. The responsiveness dimension can be derived from analysis of comments concerning intended behavior. Thus, in order to arrive at information amenable to analysis, the content of responses for each environmental effect and participant must be separated into several components as follows:

1. Action orientation or intentions: A wide variety of responses are possible in this area, depending on the knowledge the respondent has about the environmental factor and his perceptions of its importance as an opportunity or threat to marketing. For example, a respondent associated with the automotive industry might indicate that the emission standards for 1975 automobiles have caused his firm to take action to develop new product standards, and that the new technology acquired has created several opportunities in other markets. Furthermore, he might indicate that a new market direction for the firm is possible which would decrease the importance of some current product-market activities. Also, some indication might be forthcoming concerning the resources that will be required to become active in this area. Perhaps, an assessment of the probabilities for success might be mentioned.

\textsuperscript{16}R. Holsti, Content Analysis for the Social Sciences and Humanities (Reading, Massachusetts: Addison-Wesley Publishing Co., 1969).
2. Type of effect on strategy: This dimension encompasses general remarks about changes expected in the marketing function relating to elements of the marketing mix, new product-market opportunities, or organizational adjustments. A case in point might be the comments of a food producer concerning the effects of consumerism on marketing strategy. He might say that the consumerism issue has forced a costly reevaluation of certain product lines in terms of advertising, promotion, and pricing practices. Or, he might comment that competition in certain product lines has become so heated that the company must make major changes in the formulation of the product and select new market segments to serve.

3. Perceive magnitude of the effect: Responses in this area might include ordinal comparisons of the effect to other effects. Or, comments about the costs needed to adapt to the factor might be stated. For example, soap and detergent manufacturers might comment on the high costs associated with improving their pollution control systems and the changes in price required to cover these costs. Others, in discussing the substandard housing issue, might indicate that opportunities are great in this area and that the effects of changed housing legislation would create unparalleled opportunities, requiring major reallocations of manpower and capital from present product-market endeavors.

4. Perceived favorableness of the effect: Remarks concerning the costs or profits associated with adapting to the environmental issue would be expected here. Using the soap and detergent example again, some producers might perceive their market position as being threatened by the pollution standards, because the costs they must incur to meet
the standards may be high relative to competition. The added costs
ultimately affect either margins or selling prices. Declines in margin
affect return on investment and increased selling prices may result in
severely decreased sales volume. Of course, other respondents might
see opportunities arising from changes in their environment. The
comments on this dimension may be a component part of responses concern-
ing the perceived magnitude of the effect.

5. Information available about the issue: The knowledge the
respondent has about the environmental issue is likely to influence
his responses in other areas. The greater the information base, the
more likely it is that the respondent would have made explicit plans
concerning the nature and scope of his response. As part of the
response from each interview, some statement of the content of the
respondent's information base is expected. For instance, comments
regarding the changes in the consumer market might include information
about the trend toward leisure time and the trend toward women in the
workforce. Also, comments about the increased use of services and the
impact of widespread affluence might be offered.

Analysis of interview response.--Several analytical strategies have
been employed to uncover relationships in the interview information and
to analyze questionnaire responses. This section discusses some key
aspects of the technique used to analyze unstructured responses.

Upon categorization of the responses along the dimensions indicated
in the Research Design section, it should be possible to prepare a
series of frequency distributions regarding various aspects of responses.
Dimensions such as the types of strategies to be employed and the opportunity/threat value of environmental factors may be derived from such an approach.

Other important aspects of the unstructured responses, however, extend beyond this. Numerous, insightful comments may be obtained and although unsuitable for detailed classification, add depth to the study. These are summarized in Appendix F. In addition, the overall impression the participant made on the researcher has enriched the synthesis of information.

The distributions which are discussed in Chapter IV are listed below:

1. Frequency distribution of the importance scores given each environmental factor for the 1960s and the 1970s. These importance scores have been obtained from Questionnaire Item 8, "Evaluation of Factors on Marketing Strategy." This item was given to each respondent prior to the interview.

2. Frequency distributions of the perceived opportunity or threat value of each environmental factor. This information has been derived from interview comments to probes.

3. Frequency distributions of the types of strategy and mix utilization expected for each environmental condition.

4. Joint frequency distribution of environmental factor importance measures with perceived opportunity of threat value of each factor.

5. Joint frequency distribution of environmental factor importance measures with the expected strategy and mix utilization for each environmental condition.
6. Joint frequency distribution of environmental factor opportunity or threat value information with expected strategy and mix utilization information.

Questionnaire Phase

A second data collection vehicle, using a structured-direct approach, has been designed to obtain information for hypothesis testing and classification purposes. As mentioned previously, the scale type questionnaire is shown in Appendix B. A structured questionnaire facilitates precise, unambiguous statement of questions, control of question sequence, response and analysis.\(^\text{17}\) There is considerable support in the literature for the use of constant sum scales such as employed in the present study.\(^\text{18}\) The questionnaire is mailed prior to the personal interview. If possible, it is collected at the time of the interview. This procedure helps to assure questionnaire completion. Also, it serves as a mechanism to aid respondents in structuring their thoughts for the personal interview.


Justification for the approach.—First, scale scores on the importance of environmental factors can be used as an internal validity check on the unstructured responses. Second, scores on the marketing strategy and marketing mix questions should provide more specific information on the nature of the changes expected in the marketing area. Finally, written comments solicited for each item in the questionnaire may assist in the analysis of response patterns to the unstructured questions. Thus, although only given secondary consideration in the study, the questionnaire provides substantial backup to the analysis of unstructured responses.

Protocol for Data Collection

This section will outline the sequence of events followed both before and during the interview and provides explanation where needed. Appendix C contains samples of the interview materials and procedures.

The major steps are as follows:

1. Mail letter of introduction to respondent.

2. Place telephone call to the respondent to schedule personal interview, approximately one week after mailing of letter.

3. Mail questionnaire to the target respondent immediately following confirmation of a visitation date.

4. Meet with executive, introduce purpose of the study and start with a general discussion of the changing role of marketing in his firm.

5. Ask the executive to complete Questionnaire Item 8 and to address the issues in order of importance to him.
6. After completion of the interview, ask executive to comment in general or to state the major opportunities and threats he sees forthcoming.

7. Rewrite and organize the entire interview immediately and begin content analysis along the dimensions described previously.

8. Mail thank you letter and questionnaire follow-up letters as appropriate.

Analysis of questionnaire responses.--The questionnaire seeks information about eight items, as follows:

Item 1. The mix of corporate objectives influencing strategic level decision making.

Item 2. The perceived importance of senior executives on strategy formulation.

Item 3. The perceived importance of the environmental issues on the achievement of corporate objectives.

Item 4. The perceived degree of favorableness of the environmental issues on the achievement of corporate objectives.

Item 5. The perceived importance of strategy components on objectives.

Item 6. The perceived importance of marketing mix factors on strategy.

Item 7. The expectations for financial performance in the 1970s.

Item 8. The perceived importance of the environmental issues on marketing strategies.
Comparisons are sought between the 1960s and the 1970s. Frequency distributions of the information derived in all items is presented and discussed in Chapter IV. Where appropriate these results are compared with those obtained from the interviews. In addition, the scores obtained from an analysis of responses to Questionnaire Items 2, 4, 5, 6, and 8 are utilized in the analysis of the hypotheses. Item 3, although part of the questionnaire, has been discarded from analysis since it tended to confuse respondents and, therefore, generated spurious responses. Most respondents failed to answer Item 7.

Development of Data Collection Protocol

The instruments and procedures for this study have been selected and based on findings from several preliminary investigations and studies. The major features of this developmental process are described in this section.

Feasibility study.--The researcher attended the Sales and Marketing Executives International (SME-I) 19th Annual Graduate School of Sales Management and Marketing at Syracuse University in June, 1971. The participants in the school were middle management sales and marketing executives. Informal discussions were held with twenty-five attendees concerning their perceptions of the feasibility of this study, their reaction to the issues and approach, and their ability and willingness to articulate responses. Their comments about the value and desirability of a study of this type were generally favorable. This visit reinforced the importance of the personal interview and structured probes. Also concluded, was the fact that middle management executives were not likely
to be as aware of, and as sensitive to, the issues as senior level executives. The environmental forces they consider relevant tend to be restricted to short-run changes in competitive and customer sectors.

Pretest I.--Based on the feasibility study results, a personal interview procedure was developed. It incorporated the research questions listed in Appendix C. In addition, a preliminary scale type questionnaire was developed.

A small test of these instruments and the associated procedures was made using four chief executives of leading Columbus, Ohio industrial organizations. They were approached in the same manner as if they were members of the study sample and experienced the planned interview sequence. This study gave the researcher an opportunity to develop his skills, test the technique, and modify the interview approach to accommodate the situational constraints which were bound to arise.¹⁹ The outcome of this study resulted in further modifications in the questionnaire and interview approach. The questionnaire was revised to include specific questions about financial performance expectations. Interviews took over 90 minutes. Furthermore, it was difficult to keep the respondent focused on specifics. As a result, additional emphasis was placed on interview technique especially in the area of probing.

¹⁹The companies are as follows: Dean and Bary Paint, Inc.,--Mr. Robert McKay, President; Buckeye International--Mr. Rowland C. W. Brown, President; Ross Laboratories, Inc.,--Mr. J. A. Cooper, Assistant to the President and Mr. R. W. Gast, Director of Product Management and Advertising; Industrial Nucleonics--Mr. David Nelson, President.
Scale reliability. -- Considering the sensitive nature of the issues addressed in this study, it is possible that respondent's attitudes and salience evaluations may change simply as a result of agreeing to address the issues. Cohen, for example, recognizes this instability effect in his study of interpersonal response traits.\(^{20}\) As a result of Cohen's finding, a small study of the stability of salience evaluations concerning environmental issues, strategy, and marketing mix changes has been made.

Graduate students in the College of Business and Administration at Wright State University were asked to respond to a series of scale questions similar to those shown in Appendix B. A period of two weeks transpired and the same questions were asked. Using the Spearman Rank Correlation Coefficient, \(r_s\), on the summated scores, the coefficients of stability in this test-retest were as follows:\(^{21}\)

\[
\begin{array}{c|c}
\text{Importance of Environment} & r_s \\
\text{Factors on Strategy} & .75 \\
\text{Change in Strategy Orientation} & .78 \\
\text{Change in Marketing Mix*} & .42 \\
\end{array}
\]

\(*\text{not significant } @ \ = \ .05\)

Thus, with this sample, evaluations of the importance of the environmental factors on strategy and changes in strategy orientation appear to be stable. Marketing mix changes seem to be affected by the administration


of the questionnaire. The cross-sectional design of this study limits the extent to which this effect can be studied.
CHAPTER IV

ANALYSIS OF THE RESULTS OF THE STUDY

The purpose of this chapter is twofold. First, the data obtained in the interview and questionnaire phases are described and summarized. Descriptive information is presented first to aid the reader in interpreting the approaches employed to analyze the hypotheses. Second, inferences are drawn from an analysis of these data to test the appropriateness of the hypothesized relationships. Data description is kept to the minimum deemed necessary for understanding the approach used in analyzing the hypotheses. Other information is presented in the Appendixes. This chapter also includes a discussion of information which, although not directly related to the hypotheses, provides considerable insight into the decision framework of senior marketing executives. Finally, the results are compared to those of other recent studies.

Description of the Data

This section is devoted to summarization of the data obtained in the interview and questionnaire phases. The information is described briefly and the sources are stated. Next, a summary table is presented and described. Finally, more detailed information is presented and related to the other elements, where appropriate.
Perceptions About the Environment

As mentioned in Chapter III, respondents are likely to view the environment along several dimensions. First, they may have varying conceptualizations of the meaning of the environmental issue under examination. They may have varying levels of objective information about the issue. Second, they may perceive the issue along an importance continuum. High salience issues are those which are viewed as containing great opportunities or threats to the organization and its objectives. Third, the environmental issue may be regarded as having an evaluative dimension. Respondents assess the potential of the issue to either facilitate or thwart goal attainment. This valence aspect indicates the opportunity-threat dimension of the factor. By combining the salience and the valence dimensions, a fourth dimension, the attitudinal dimension can be formed. A brief discussion of information obtained on each dimension is presented in the forthcoming sections.

The informational dimension.--In the interview phase, each respondent was asked to respond to the question, "What effect, if any, will issue 'X' have on your marketing strategies during the 1970s?" As part of the response pattern that evolved, statements were made that gave an indication of the amount and type of information the respondent was using to evaluate the salience and valence of the factor. Analysis indicated that fundamentally similar comments could be expected from all respondents, regardless of their industry segment. As a result, the comments have been classified as shown in Table 3, "Informational Content of Interview Responses." The comments are listed in order of
their frequency of occurrence. The first column of percentages shows the percentage of firms eliciting a comment in that category. Multiple responses are possible. The second column shows the relative frequency of the specific comment to the total number of comments about the issue in question. Thus, for the factor, "Changes in Consumer Markets," 36 percent of the respondents stated that changes in life styles are an element of change. In addition, comments about changes in life styles represented 16.4 percent of the total comments. In both distributions, the relative frequency of occurrence may be indicative of the underlying mental constructs shaping the strategic level thinking discussed subsequently.

In reviewing the Table 3 findings, the reader's attention is drawn to the high frequency of mentions about the impact or need for governmental involvement. Also note the large percentages of "No Concern to Marketing" comments. For convenience, the pertinent information on both of these is shown in Table 4. Table 4 has been constructed from information provided in Table 3. The table shows the percentage of the total firms surveyed who took either the "governmental" or "no concern" postures in their responses to the environmental issues. For example, under the "Need for Government Involvement" category, the "Consumerism" issue area row shows a 36.2 percentage figure. This means that 36.2 percent of the study firms expressed a desire for governmental intervention to either provide issue definition and leadership or to promulgate legislation with industry-wide impact. The 19.7 percent of total responses figure for the "Consumerism" issue means that 19.7 percent of the total responses on that issue implied or stated a need for governmental involvement.
<table>
<thead>
<tr>
<th>Content Area</th>
<th>% of Firms</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in life styles</td>
<td>36.0</td>
<td>16.4</td>
</tr>
<tr>
<td>Pace of change</td>
<td>36.0</td>
<td>16.4</td>
</tr>
<tr>
<td>Growing consumer awareness</td>
<td>30.3</td>
<td>13.9</td>
</tr>
<tr>
<td>Effect of the youth movement</td>
<td>29.8</td>
<td>12.6</td>
</tr>
<tr>
<td>Increased convenience orient-</td>
<td>22.2</td>
<td>10.1</td>
</tr>
<tr>
<td>tation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changing tastes</td>
<td>19.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Effects of affluence</td>
<td>19.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Population growth</td>
<td>19.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Other</td>
<td>8.3</td>
<td>3.8</td>
</tr>
<tr>
<td>(N = 79)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Content Area</th>
<th>% of Firms</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government intervention</td>
<td>36.2</td>
<td>19.7</td>
</tr>
<tr>
<td>Consumer education and aware-</td>
<td>36.2</td>
<td>19.7</td>
</tr>
<tr>
<td>ness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product safety and performance requirements</td>
<td>30.6</td>
<td>16.7</td>
</tr>
<tr>
<td>Effect on production costs</td>
<td>19.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Pressures of consumer advocate</td>
<td>19.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Effect of misleading marketing practices</td>
<td>14.1</td>
<td>7.7</td>
</tr>
<tr>
<td>Impact of product liability claims</td>
<td>14.1</td>
<td>7.7</td>
</tr>
<tr>
<td>Environmental pollution effects</td>
<td>11.2</td>
<td>6.1</td>
</tr>
<tr>
<td>Other</td>
<td>2.8</td>
<td>1.5</td>
</tr>
<tr>
<td>(N = 66)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the Channel of Distribution</td>
<td>Nature and Intensity of Competition</td>
<td>% of Firms</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Increases in mass merchandising</td>
<td>Intensity increasing</td>
<td>27.8</td>
</tr>
<tr>
<td>Increases in vertical integration</td>
<td>Legislation limits opportunities to compete</td>
<td>21.8</td>
</tr>
<tr>
<td>Increases in direct sales</td>
<td>Impact of foreign competition</td>
<td>19.1</td>
</tr>
<tr>
<td>Changing role of wholesaler</td>
<td>Technology advancing</td>
<td>16.4</td>
</tr>
<tr>
<td>Increasing logistics costs</td>
<td>Changes in consumer markets</td>
<td>16.4</td>
</tr>
<tr>
<td>Shifting market locations</td>
<td>Rate of change is increasing</td>
<td>10.9</td>
</tr>
<tr>
<td>Consumerism</td>
<td>Other</td>
<td>8.3</td>
</tr>
<tr>
<td>Foreign imports</td>
<td>No change seen</td>
<td>30.6</td>
</tr>
<tr>
<td>(N = 55)</td>
<td>(N = 71)</td>
<td></td>
</tr>
<tr>
<td>Content Area</td>
<td>% of Firms</td>
<td>% of Total</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Increases production costs</td>
<td>66.0</td>
<td>24.0</td>
</tr>
<tr>
<td>No concern to marketing</td>
<td>55.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Impact of legislation and regulation</td>
<td>52.3</td>
<td>19.0</td>
</tr>
<tr>
<td>Cause changes in structure of competition</td>
<td>33.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Presents new product opportunities</td>
<td>19.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Technology is needed</td>
<td>11.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Problem of ecological crisis in general</td>
<td>8.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Increases in group pressures</td>
<td>2.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Other</td>
<td>24.8</td>
<td>9.0</td>
</tr>
<tr>
<td>(N = 99)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deterioration of Downtown</td>
<td>% of Firms</td>
<td>% of Total</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Exodus to the suburbs</td>
<td>41.8</td>
<td>33.4</td>
</tr>
<tr>
<td>No concern to marketing</td>
<td>30.6</td>
<td>24.4</td>
</tr>
<tr>
<td>Problems of marketing in the city</td>
<td>25.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Changes in channels</td>
<td>5.5</td>
<td>4.4</td>
</tr>
<tr>
<td>New product opportunities</td>
<td>5.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Past efforts failed</td>
<td>5.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Personal concern only</td>
<td>5.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Other</td>
<td>5.5</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: Content analysis of interview responses.
<table>
<thead>
<tr>
<th>Need for Governmental Involvement</th>
<th>% of Firms Responses</th>
<th>% of Firms Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumerism</td>
<td>36.2</td>
<td>19.7</td>
</tr>
<tr>
<td>Nature and intensity of competition</td>
<td>27.8</td>
<td>14.1</td>
</tr>
<tr>
<td>Air and water pollution</td>
<td>52.3</td>
<td>19.0</td>
</tr>
<tr>
<td>Civil rights movement</td>
<td>16.7</td>
<td>10.7</td>
</tr>
<tr>
<td>Deterioration of downtown</td>
<td>55.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Air and water pollution</td>
<td>47.4</td>
<td>30.4</td>
</tr>
<tr>
<td>Urban substandard housing</td>
<td>47.5</td>
<td>24.4</td>
</tr>
</tbody>
</table>
These findings indicate that there is considerable selectivity in the interpretation of the impact of the issues. Also, this group of executives, at least, is looking to the public sector for aid in defining an acceptable course of action. This finding is supported elsewhere in comments about the strategies which are planned to confront the issue. In many cases the strategic response can be expressed as either "Wait and See" or "Avoid." Both strategies imply, in this study, an incremental adaptation or defensive posture.

The salience and valence dimensions.--The way that the respondents view the environment was studied from two vantage points, importance and evaluative, and from two methodological schemes, interview and questionnaire. Information about the perceived importance of the various issues and the attitudes about the various environmental elements was obtained from questionnaire items and the personal interview.

Questionnaire Items 4 and 8 deal specifically with the valence and salience aspects of the study. Analysis of the interview responses reveals that there is an expression of the magnitude and direction of the impact of each issue on the marketing practices of the firm. Thus it is possible to arrive at an understanding of the impact of the environment from two sources. The benefits of this is that comparative analysis of the responses should provide a check on the consistency of the respondent and the quality of the interpretation of the interview responses.

The importance of the environment on marketing is expected to be greater in the 1970s and in the 1960s. Figure 9 displays, graphically, the mean importance scores for each environmental issue in the 1960s and
Figure 9
DISTRIBUTION OF ENVIRONMENTAL FACTOR IMPORTANCE SCORES
ALL FIRMS
1960s and 1970s

Magnitude of Change

Changes in Consumer Markets
Consumerism
Changes in Channels of Distribution
Nature and Intensity of Competition
Air Pollution
Water Pollution
Civil Rights Movement
Deterioration of Downtown
Urban Substandard Housing

1960s Average Score
1970s Average Score

1 2 3 4 5 6 7
Very Unimportant Very Important
the 1970s. The impact of items such as consumerism and air pollution is expected to be considerably greater in the 1970s than for the 1960s. Even relatively unimportant factors such as the urban crisis are expected to be more important.

Examination of the opportunity-threat characteristics of the issues is shown in Figure 10. The information in Figure 10 was obtained from content analysis of the interview responses associated with each issue. The interpretation of the figure is aided by an example. Consider the first issue presented, "Changes in Consumer Markets." The histograms indicate that 52 percent of the respondents evaluated the changes forthcoming as providing marketing opportunities. About 15 percent perceived the changes as containing threats. Twenty-five percent anticipated both opportunities and threats and the remaining 16 percent perceived no effect.

In some cases, especially for unimportant factors, the evaluative orientation of the respondent had to be inferred from relatively unstructured comments. Reference to Figure 10 reveals that some respondents perceived the issue as containing both opportunities and threats. Also, there were several areas which were perceived as containing neither. As might be expected, the evaluative aspects of the comments gravitate to the "Neither Favorable or Unfavorable" category as the level of perceived importance diminishes. The other noteworthy finding, demonstrated in Figure 10, is that the set of issues were perceived to present more threats than opportunities.

The attitudinal dimension.--As discussed in Chapter III, an attitude, in the present study, is defined as the numeric score result-
FIGURE 10
SUMMARY OF OPPORTUNITY-THREAT EVALUATIONS
ALL FIRMS - 1970s

THREAT

OPPORTUNITY

80 60 40 20

20 40 60

Changes in Consumer Markets

Consumerism

Changes in Channels of Distribution

Nature & Intensity of Competition

Air Pollution

Water Pollution

Civil Rights Movement

Deterioration of Downtown

Urban Substandard Housing

NEITHER OPPORTUNITY NOR THREAT

40 60 20

20 40 60 80
ing from an algebraic summation of the product of the salience and the valence scores for each environmental issue. Thus, a total score for all issues, as well as a score for each issue, can be obtained. This section begins with a summary of the attitude scores for each factor. Table 5 displays the scores obtained by combining the importance scores on Questionnaire Item 8, "Evaluation of Importance of Factors on Marketing Strategy," and the valence oriented comments derived from analysis of interview responses. Table 6 shows the scores obtained by combining the importance scores of Item 8 with the favorableness scores of Questionnaire Item 4, "Favorableness of Environmental Factors to Company Objectives."

**TABLE 5**

**AVERAGE ATTITUDE SCORES CONCERNING THE EFFECTS OF ALL ENVIRONMENTAL ISSUES ON MARKETING STRATEGY IN THE 1970s**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Attitude Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in consumer markets</td>
<td>1.9</td>
</tr>
<tr>
<td>Consumerism</td>
<td>-0.9</td>
</tr>
<tr>
<td>Changes in channels of distribution</td>
<td>0.8</td>
</tr>
<tr>
<td>Nature and intensity of competition</td>
<td>-4.3</td>
</tr>
<tr>
<td>Air pollution</td>
<td>-0.8</td>
</tr>
<tr>
<td>Water pollution</td>
<td>1.1</td>
</tr>
<tr>
<td>Civil rights movement</td>
<td>-0.7</td>
</tr>
<tr>
<td>Deterioration of downtown</td>
<td>-0.1</td>
</tr>
<tr>
<td>Urban substandard housing</td>
<td>-0.1</td>
</tr>
<tr>
<td>The total set of issues</td>
<td>-3.1</td>
</tr>
</tbody>
</table>

Source: Interview comments combined with Questionnaire Item 8.

Notes: 1. The possible range of scores is from -7 "Very Unfavorable," to +7 "Very Favorable."
2. N = 34 respondents.
Several points should be made about the differences between these scores. The discrepancies can be explained, in part, by the fact that the Table 6 results are based on twenty-six responses; whereas, the Table 5 results are derived from thirty-four responses. Secondly, the returned questionnaires often were completed after the interview date and undoubtedly under time pressures. Third, and perhaps most importantly, the valence comments from the interview were directed toward the effects of the issue on marketing strategy; whereas, the questionnaire responses were specifically aimed at the effects of the issue on growth. The distinctions in interpretation of the meaning of the issues may have been more precise than was anticipated by the researcher. In any event, both tables clearly indicate that a range of attitudes exist.
concerning the effect of the environment.

As expected, the most negative attitudes are associated with the nature and intensity of competition. The most positive are centered around the changes in the consumer markets. Reference to Table 5 reveals that the total impact of change is perceived in an unfavorable light as indicated by the total score of -3.1. Furthermore, only three of the nine issues were felt to provide opportunities for marketing. These favorable items involve changes in the consumer market, changes in the channels of distribution, and the water pollution issue. Table 6, although using different information, indicates that the same issues were viewed in a favorable light compared to the rest.

The Mix of Organizational objectives

Theoretically, business organizations exist to achieve one fundamental objective, that is to render service to consumers. Effectiveness in accomplishing this results in wealth expansion of the owners. The task of executives is to make decisions which maximize the possibilities of achieving this objective. However, the role of owner and manager has split and specialization in the management area has become the rule rather than the exception. As a result of this and other forces, the mix of objectives has expanded considerably since the 1930s.

In the 1970s, the objectives of the firm appear to be expanding to encompass such issues as social responsibility. Moreover, many business leaders recognize the need to make risk trade-offs expressed in the form of flexibility and stability objectives. Thus, the present situation forces many executives to make decisions which seek to accomplish many objectives simultaneously. Frequently, however, the accomplishment of
one objective acts as a constraint on the achievement of the others. In a manner analogous to decisions about the marketing mix, then, executives must weigh the relative merits of each objective and formulate strategies which are directed to their accomplishment.

With the scope of the relevant environment increasing, and with change occurring at an accelerating rate, one would expect commensurate changes to be occurring in the relative weights assigned elements in the objectives mix. Questionnaire Item 1, "Composition of Company Objectives," has been designed to gather information about such shifts. The objective elements selected for this item were drawn from a variety of sources. Although they do not necessarily represent the complete set, the objectives chosen cover the spectrum which is most frequently mentioned in the literature. Table 7 presents a summary of the responses with average weights assigned each element.

Since a 100 point constant sum scale was employed for this item, the scores on each element represent the relative importance assigned to the factor. Interpreted in this way, one notes that profitability considerations, with an average score of 37.8 points, are considered to be three times as important as stability, flexibility, or social responsibility objectives. Furthermore, profitability considerations have grown in importance over the 1960s. Apparently, this has occurred at the expense of the competitive strength objective. In fact, the positions of these elements has virtually inverted since the 1960s. Another noteworthy shift has occurred in the social responsibility area. Although still receiving the lowest score, social responsibility considerations are commanding more attention.
TABLE 7
THE MIX OF ORGANIZATIONAL OBJECTIVES - 1970s
AND CHANGES OVER THE 1960s

<table>
<thead>
<tr>
<th>Elements of Corporate Objectives</th>
<th>Average Score 1970s</th>
<th>Change Over 1960s Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>37.8</td>
<td>8.2</td>
</tr>
<tr>
<td>Competitive Strength</td>
<td>24.4</td>
<td>-8.0</td>
</tr>
<tr>
<td>Stability</td>
<td>12.5</td>
<td>-2.7</td>
</tr>
<tr>
<td>Flexibility</td>
<td>12.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>11.3</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: Questionnaire Item 1.
Note: The figures above are based on 23 responses out of a possible 36.

Table 8 is introduced to show the interrelationship between changes in the importance of the profitability objective and other elements of the objective mix.

This table shows that in every case but social responsibility, the majority of the 22 firms responding anticipate a decline in the importance of competitive strength, stability, and flexibility areas. Moreover, of those expecting declines, over 60 percent anticipate increases in the importance assigned to profitability considerations. The limitations of the sampling plan and sample size eliminate the feasibility of using statistical analysis. In spite of this, there are
<table>
<thead>
<tr>
<th>Objective Category</th>
<th>Direction of Change</th>
<th>Profitability</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No Change or Decrease</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Competitive Strength (Growth)</td>
<td>Dec.</td>
<td>7</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Inc.</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Stability</td>
<td>Dec.</td>
<td>4</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Inc.</td>
<td>5</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Dec.</td>
<td>5</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Inc.</td>
<td>4</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>Dec.</td>
<td>3</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Inc.</td>
<td>6</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Questionnaire Item 1.
obvious trends and shifts which should be acknowledged. The most notable of these is the trend toward an increase in the importance of social responsibility considerations in the decision framework of senior marketing executives.

The Perceived Influence of Senior Executives on Strategy Formulation

Studies of the operational interpretation of the marketing concept suggest that as a firm becomes marketing oriented, the influence of marketing executives expands. Further, as this shift takes place, the roles of other executives also change. Questionnaire Item 2, "Influence of Senior Executives on Company Strategy Formulation," has been constructed to measure the changes in the influence structure that marketing executives perceive. The item also serves a second purpose. In a simplified sense, it measures one aspect of the self-concept of marketing executives as related to their role perceptions (RP). The results of this investigation are summarized in Table 9.

The information presented in Table 9 has been derived in the same way as that described previously for Table 7. The principal finding is that the influence of marketing executives is increasing. Curiously, the influence of general management executives appears to be decreasing.

As can be seen in Table 10, the majority, (61 percent), of respondents expect the role or influence of senior marketing executives on company strategies to increase in the 1970s. Furthermore, nearly 60 percent of those expecting decreases in the influence of the other executives anticipate increases in the influence of senior marketing executives. Also note that although the financial executive is
TABLE 9
THE PERCEIVED INFLUENCE OF SENIOR EXECUTIVES ON STRATEGY FORMULATION IN THE 1970s AND CHANGES SINCE THE 1960s

<table>
<thead>
<tr>
<th>Classification of Senior Executives</th>
<th>Average Score 1970s</th>
<th>Change Over 1960s Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Management Executives</td>
<td>39.4</td>
<td>- 2.1</td>
</tr>
<tr>
<td>Marketing Executives</td>
<td>23.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Financial Executives</td>
<td>20.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Manufacturing Executives</td>
<td>14.4</td>
<td>- 5.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire Item 2.

Note: The figures above are based on 23 responses out of a possible 36.

expected to increase his influence the majority of respondents still expect some decrease in his relative position.

The Marketing Orientation

Numerous articles and commentaries suggest that the level of adoption of the marketing concept can be inferred from the structure of the organization and the behavior of senior executives. In a generic sense, the present study is concerned with ascertaining the relationship between a measure of one's marketing orientation and his adaptive inclinations. This section is devoted to the development of some preliminary methods for measuring the marketing orientation of respondents.
<table>
<thead>
<tr>
<th>Senior Executive Category</th>
<th>Direction of Change</th>
<th>Influence of the Marketing Executive</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Change or Decrease</td>
<td>Increase</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>General Management Executive</td>
<td>7</td>
<td>41</td>
<td>10</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>33</td>
<td>4</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>39</td>
<td>14</td>
<td>61</td>
</tr>
<tr>
<td>Financial Executive</td>
<td>5</td>
<td>38</td>
<td>8</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>40</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>39</td>
<td>14</td>
<td>61</td>
</tr>
<tr>
<td>Manufacturing Executive</td>
<td>5</td>
<td>36</td>
<td>14</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>39</td>
<td>14</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: Questionnaire Item 7
The sensitivity of the respondents to the environment seems to be indicative of a marketing orientation. Other measures of adherence to the marketing concept are discussed in the literature. The information presented here is derived from attempts to classify respondents based on these factors. The end result of such efforts has resulted in the Marketing Orientation Index (MKTO). Appendix D describes the sources used and the method employed to synthesize the factors presented next.

Before proceeding, a brief disclaimer is in order concerning the MKTO Index. The approach used here is preliminary. It is based on an interpretation of many unstructured responses. As a result, its reliability is open to challenge. The validity of the interpretation has not been assessed. The approach has been chosen to extend the range of the analysis and to provide a benchmark for subsequent studies. The factors contributing to the MKTO Index are:

1. Orientation to the environment.
2. Systems orientation.
4. Hierarchical position of marketing.
5. Marketing functions performed.
7. Perception of the importance of the role of marketing.

Each factor has been assigned a weight of one. There are three possible scores for each factor (1, 2, and 3) depending on the level of attainment of the criteria for each factor. The MKTO score is defined as the mean of the sum of the seven factor scores. The highest possible overall score is a 3 which only can be obtained by attaining a score of
3 on each factor comprising the Marketing Orientation Index (MKTO). Scoring is based on the researcher's evaluation of the response and other indicia of structure and behavior. In Figure 11 the distribution of MKTO scores is shown. As might be expected for the group of respondents in this study, the distribution is skewed toward the high end of the scale.

The Marketing Strategy Orientation

The response the organization plans to make to environmental opportunities and threats can be classified in terms of changes in its product and market orientation. In addition, other aspects of internal change may be identified such as realignments in the channel of distribution, and shifts in the interaction patterns with other segments of the task environment. In the present study, information has been gathered on the types of strategic-level responses that marketing executives intend to make to shifts in their relevant environments.

As with other aspects of the study, responses have been obtained by interview and questionnaire. Both approaches have been used to provide inputs about specific items of importance, as well as to ascertain the overall orientation of the respondent. The interview approach allows for probing of specific areas. The questionnaire approach provides more general and comparative information about the respondents' perceptions.

Interview responses.—As was discussed in Chapter III, there are ten possible strategy types that could be obtained from an analysis of the interview responses. It is possible, under the coding procedures,
to uncover several strategy types for each issue and for each respondent. Thus, if each of the thirty-six respondents had mentioned ten strategies for each of the nine environmental issues, a total of 3240 strategies would have been found. Obviously, this did not occur but rather only 326 mentions were identified. In addition, 168 "No Strategy" or "No Response" comments were recorded. Combining these with the explicit statements about strategy, results in a total of 594 comments out of a possible of 3240 or about 18 percent of the total possible. The frequency of strategy mentions is shown in Table 11.

### Table 11

**Summary of Strategies Mentioned During the Interview Phase**

<table>
<thead>
<tr>
<th>Strategy Component</th>
<th>Number of Mentions</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Including</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No Response</td>
</tr>
<tr>
<td>1. Same product - same market</td>
<td>76</td>
<td>15.4</td>
</tr>
<tr>
<td>2. Product modification</td>
<td>76</td>
<td>15.4</td>
</tr>
<tr>
<td>3. New products - present markets</td>
<td>40</td>
<td>8.1</td>
</tr>
<tr>
<td>4. New products - new markets</td>
<td>26</td>
<td>5.3</td>
</tr>
<tr>
<td>5. Acquisitions - present markets</td>
<td>9</td>
<td>1.8</td>
</tr>
<tr>
<td>6. Acquisitions - new markets</td>
<td>8</td>
<td>1.6</td>
</tr>
<tr>
<td>7. Integrative - vertical</td>
<td>16</td>
<td>3.2</td>
</tr>
<tr>
<td>8. Integrative - horizontal</td>
<td>30</td>
<td>5.9</td>
</tr>
<tr>
<td>9. Avoid</td>
<td>16</td>
<td>3.2</td>
</tr>
<tr>
<td>10. Wait and see</td>
<td>29</td>
<td>5.7</td>
</tr>
<tr>
<td>No response or strategy mentioned</td>
<td>168</td>
<td>33.2</td>
</tr>
</tbody>
</table>

*Source: Content analysis of interview comments.*
Another relationship that must be considered in the strategy utilization area is the one between strategy mentions and the importance score assigned the environmental issue. As shown in Table 12, the number of strategies mentioned varies directly with the perceived importance of the issue to the organization's marketing strategy.

**Table 12**

<table>
<thead>
<tr>
<th>Environmental Issue</th>
<th>1970s Average Importance Score</th>
<th>Number of Strategy Elements</th>
<th>Percentage of Total Strategy Mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature and Intensity of competition</td>
<td>6.6</td>
<td>70</td>
<td>21.4</td>
</tr>
<tr>
<td>Changes in consumer markets</td>
<td>6.2</td>
<td>62</td>
<td>19.0</td>
</tr>
<tr>
<td>Changes in channels of distribution</td>
<td>5.9</td>
<td>55</td>
<td>16.9</td>
</tr>
<tr>
<td>Consumerism</td>
<td>5.4</td>
<td>40</td>
<td>12.3</td>
</tr>
<tr>
<td>Air pollution</td>
<td>5.2</td>
<td>31</td>
<td>9.5</td>
</tr>
<tr>
<td>Water pollution</td>
<td>4.5</td>
<td>16</td>
<td>4.9</td>
</tr>
<tr>
<td>Civil rights movement</td>
<td>4.0</td>
<td>14</td>
<td>4.3</td>
</tr>
<tr>
<td>Urban substandard housing</td>
<td>3.5</td>
<td>16</td>
<td>4.9</td>
</tr>
<tr>
<td>Deterioration of downtown</td>
<td>3.3</td>
<td>22</td>
<td>6.8</td>
</tr>
</tbody>
</table>

*Source: Questionnaire Item 8 and interview responses.*

The marketing strategy mix.—The mix of strategies that might be appropriate for a specific environmental issue is likely to vary from issue to issue and from firm to firm. As a result, the individual responses have been analyzed for explicit and implicit comments about
the strategies being considered. For each issue, there might be several strategies. Of those respondents commenting, the strategy mixes for each are shown in Table 13. Details of the strategy mix at every important level are shown in Table 14.

Table 13 reinforces the information presented in Table 11. Notice the dominance of the first four strategy types. The importance of acquisition strategies is low in all cases. Also note the importance of integrative strategies in combating changes in the channels of distribution. Finally, observe that the strategies of "Wait and See" and "Avoid" dominate the pollution, civil rights, and deterioration issues. Also note, a key response orientation for the consumerism issue is the "Avoid" strategy.

Questionnaire responses.--Viewing the strategy orientation using the responses to Questionnaire Item 5, "Importance of Strategy Components on the Achievement of Company Objectives," provides additional insights not revealed by the interview responses. In particular, the questionnaire information presents a summary of the respondent's strategic response orientation. This is in contrast to the interview approach which sought detailed information for each issue.

Compared to the interview format which resulted, ultimately, in the identification of ten strategy possibilities, the questionnaire is concerned with only six. They are, however, the same as the first six used in the assessment of the interview responses. They are:

1. Sales, Existing Products,
2. Product Modifications,
<table>
<thead>
<tr>
<th>Environmental Issue</th>
<th>Strategy Types</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 % 2 % 3 % 4 % 5 % 6 % 7 % 8 % 9 % 10 % Total Response</td>
</tr>
<tr>
<td>Changes in Consumer Markets</td>
<td>19.4 32.2 24.2 8.0 4.6 1.6 4.8 3.2 1.6 0 62 9</td>
</tr>
<tr>
<td>Consumerism</td>
<td>37.4 17.5 5.0 7.5 2.5 2.5 5.0 0 2.5 20.0 40 10</td>
</tr>
<tr>
<td>Changes in Channels of Distribution</td>
<td>18.2 14.5 5.5 5.5 1.8 3.6 16.4 32.8 0 1.8 55 13</td>
</tr>
<tr>
<td>Nature and Intensity of Competition</td>
<td>30.0 30.0 10.0 10.0 5.7 4.3 1.4 8.6 0 0 70 5</td>
</tr>
<tr>
<td>Air Pollution</td>
<td>9.7 9.7 32.2 9.7 0 0 0 0 0 38.6 31 18</td>
</tr>
<tr>
<td>Water Pollution</td>
<td>18.7 6.2 12.4 12.4 0 0 0 0 6.2 0 43.6 16 26</td>
</tr>
<tr>
<td>Civil Rights Movement</td>
<td>21.4 21.4 0 0 0 0 0 7.1 42.8 7.1 14 26</td>
</tr>
<tr>
<td>Deterioration of Downtown</td>
<td>27.2 27.2 0 4.5 0 0 0 9.0 31.8 0 22 23</td>
</tr>
<tr>
<td>Urban Substandard Housing</td>
<td>18.8 43.7 6.2 12.4 0 6.2 6.2 0 6.2 0 16 28</td>
</tr>
</tbody>
</table>

Notes: The code identifying each Strategy Type is as follows:
1. Same product-same market
2. Product modification
3. New products-present markets
4. New products-new markets
5. Acquisitions-present markets
6. Acquisitions-new markets
7. Integrative-vertical
8. Integrative-horizontal
9. Avoid
10. Wait and See

Source: Content analysis of interview responses.
<table>
<thead>
<tr>
<th>Importance Level</th>
<th>Strategy Types</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>(Very Unimportant)</td>
<td>28.6</td>
</tr>
<tr>
<td>1</td>
<td>28.6</td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>27.8</td>
</tr>
<tr>
<td>5</td>
<td>17.2</td>
</tr>
<tr>
<td>6</td>
<td>30.8</td>
</tr>
<tr>
<td>7</td>
<td>26.0</td>
</tr>
<tr>
<td>(Very Important)</td>
<td></td>
</tr>
</tbody>
</table>

Notes: The code identifying each Strategy Type is as follows:

2. Product modification      5. Acquisitions-present markets  8. Integrative-horizontal
10. Wait and see

Sources: Content analysis of interview responses and Questionnaires Item 8.
3. New Products, Present Markets,
4. New Products, New Markets,
5. Acquisitions, Present Markets,
6. Acquisitions, New Markets.

Since a constant sum 100 point scale was employed for Questionnaire Item 5, all scores are relative scores. The importance scores may be interpreted as representing the allocation of the total marketing effort to the various product-market alternatives available to the organization. Table 15 is a summary of the responses to Item 5. The conservative (low perceived risk), strategy of "Sales, Existing Products," dominates the list in both time periods. Also shown in Table 15 are the changes in the importance scores between the 1960s and 1970s.

TABLE 15
SUMMARY OF STRATEGY COMPONENTS RELATIVE IMPORTANCE SCORES FOR 1970s

<table>
<thead>
<tr>
<th>Strategy Component</th>
<th>Average Importance Score 1970s</th>
<th>Average Change in Importance Over the 1960s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales, existing products</td>
<td>32.4</td>
<td>- 9.2</td>
</tr>
<tr>
<td>2. Product modifications</td>
<td>17.5</td>
<td>0.0</td>
</tr>
<tr>
<td>3. New products, present markets</td>
<td>15.5</td>
<td>5.2</td>
</tr>
<tr>
<td>4. New products, new markets</td>
<td>12.2</td>
<td>3.5</td>
</tr>
<tr>
<td>5. Acquisitions, present markets</td>
<td>9.8</td>
<td>- 0.8</td>
</tr>
<tr>
<td>6. Acquisitions, new markets</td>
<td>10.8</td>
<td>- 1.3</td>
</tr>
</tbody>
</table>

Source: Questionnaire Item 5.
These scores indicate the shifts in strategy orientation that are expected to occur in the 1970s. There is a pronounced decline in the "Sales, Existing Products" category of 9.2 points and a decline in the importance of acquisitions. These decreases are balanced by the new products strategy areas.

Comparison to interview findings.---Information has been obtained from two sources. Table 16 compares the results obtained using each approach. With the exception of the "Production Modification" category, the results are comparable. Moreover, both sets of information show the emphasis on the conservative approach. The relatively high risk strategic options involving acquisitions are accorded low importance.

<table>
<thead>
<tr>
<th>Strategy Component</th>
<th>Questionnaire</th>
<th>Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Impor-</td>
<td>Percentage</td>
</tr>
<tr>
<td></td>
<td>tance Score</td>
<td>of Total</td>
</tr>
<tr>
<td>1. Sales, existing products</td>
<td>32.4</td>
<td>32.0</td>
</tr>
<tr>
<td>2. Product modifications</td>
<td>17.5</td>
<td>30.2</td>
</tr>
<tr>
<td>3. New products, present markets</td>
<td>15.5</td>
<td>14.5</td>
</tr>
<tr>
<td>4. New products, new markets</td>
<td>13.2</td>
<td>12.6</td>
</tr>
<tr>
<td>5. Acquisitions, present markets</td>
<td>8.8</td>
<td>4.4</td>
</tr>
<tr>
<td>6. Acquisitions, new markets</td>
<td>10.8</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Note: These percentages are based on the total number of mentions of Strategies 1-6 in the interviews rather than all mentions.

Sources: Content analysis of interview responses and Questionnaire Item 5.
This may be a result of the perceived increase in government enforcement of the Clayton Act.

The Marketing Mix Orientation

The marketing mix is the tactical or operational manifestation of strategy. Marketing executives, to implement strategies, must make a series of relatively minor, interrelated decisions about the product-market offering. Decisions about the price level, sales coverage and staffing, promotion and so on, frequently are required to implement strategies. The importance of each mix element may be interpreted as the amount of marketing effort that would be expended in that area. It is reasonable to expect that the more radical the strategy change, the more changes that will have to be made in the marketing mix. Furthermore, logic suggests that as the importance of the issue increases, the number of tactical level decisions required will increase as well. Hypotheses 4 and 5 are concerned with such relationships for both the marketing mix and strategy.

Interview responses.--As with the discussion on marketing strategy in the last section, information about the marketing mix has been obtained from the interview and questionnaire phases. Variations in the marketing mix are expected to be similar to those for strategy.

The information discussed in the interview has been coded in a manner similar to that employed for the strategy responses. The distribution of mentions of marketing mix elements is summarized in Table 17. The marketing mix emphasis for each environmental issue is displayed in Table 18.
<table>
<thead>
<tr>
<th>Marketing Mix Element</th>
<th>Number of Mentions</th>
<th>Percentage of Total Mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Including No Response</td>
</tr>
<tr>
<td>1. New product development</td>
<td>85</td>
<td>18.2</td>
</tr>
<tr>
<td>2. New market development</td>
<td>52</td>
<td>9.9</td>
</tr>
<tr>
<td>3. Pricing policy making</td>
<td>13</td>
<td>2.5</td>
</tr>
<tr>
<td>4. Advertising and promotion</td>
<td>37</td>
<td>7.1</td>
</tr>
<tr>
<td>5. Sales management and personal selling</td>
<td>34</td>
<td>6.5</td>
</tr>
<tr>
<td>6. Customer service</td>
<td>35</td>
<td>6.7</td>
</tr>
<tr>
<td>7. Channels of distribution</td>
<td>57</td>
<td>10.8</td>
</tr>
<tr>
<td>8. Market research</td>
<td>25</td>
<td>4.8</td>
</tr>
<tr>
<td>9. Logistics</td>
<td>22</td>
<td>4.2</td>
</tr>
<tr>
<td>No response</td>
<td>165</td>
<td>29.5</td>
</tr>
<tr>
<td>Total</td>
<td>525</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Content analysis of interview responses.

The marketing mix.--As with strategies, the marketing mix varies from issue to issue and according to the issue's importance. Variation also exists among the respondents, but due to the limitations of the sample design and heterogeneity of the groups, it is not possible to segment these responses meaningfully.

Table 19 and 20 present details of the marketing mix distributions for each issue and each level of importance. Table 19 shows the distribution of the mix for each environmental issue. The distribution of mentions of the mix elements indicates a heavy
TABLE 18

<table>
<thead>
<tr>
<th>Environmental Issue</th>
<th>1970s Importance Score</th>
<th>Percentage of Total Mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature and intensity of competition</td>
<td>6.6</td>
<td>25.7</td>
</tr>
<tr>
<td>Changes in consumer markets</td>
<td>6.2</td>
<td>14.0</td>
</tr>
<tr>
<td>Changes in channels of distribution</td>
<td>5.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Consumerism</td>
<td>5.4</td>
<td>10.0</td>
</tr>
<tr>
<td>Air pollution</td>
<td>5.2</td>
<td>9.2</td>
</tr>
<tr>
<td>Water pollution</td>
<td>4.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Civil rights movement</td>
<td>4.0</td>
<td>15.4</td>
</tr>
<tr>
<td>Urban substandard housing</td>
<td>3.5</td>
<td>6.8</td>
</tr>
<tr>
<td>Deterioration of downtown</td>
<td>3.3</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Sources: Content analysis of interview responses and Questionnaire Item 8.

dependence on product and market development activities, with several noteworthy exceptions. For instance, the mix appropriate to confronting changes in the channel of distribution emphasizes channel management activities. Channel management problems, it is realized, are problems involving the marketing mix.

The need for channel management is also stressed as a means of confronting the effects of deteriorating downtown areas. In the consumerism area, the mix element, advertising and promotion is emphasized.
<table>
<thead>
<tr>
<th>Environmental Issue</th>
<th>Marketing Mix Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Changes in Consumer Markets</td>
<td>32.8</td>
</tr>
<tr>
<td>Consumerism</td>
<td>34.4</td>
</tr>
<tr>
<td>Changes in Channels of Distribution</td>
<td>13.7</td>
</tr>
<tr>
<td>Nature and Intensity of Competition</td>
<td>25.0</td>
</tr>
<tr>
<td>Air Pollution</td>
<td>40.0</td>
</tr>
<tr>
<td>Water Pollution</td>
<td>27.8</td>
</tr>
<tr>
<td>Civil Rights Movement</td>
<td>8.3</td>
</tr>
<tr>
<td>Deterioration of Downtown</td>
<td>19.1</td>
</tr>
<tr>
<td>Urban Substandard Housing</td>
<td>28.6</td>
</tr>
</tbody>
</table>

Notes: The code to identify the Marketing Mix Elements listed above is as follows:

1. New Product Development
2. New Market Development
3. Pricing Policy Making
4. Advertising and Promotion
5. Sales Management & Personal Selling
6. Customer Service
7. Channels of Distribution
8. Market Research
9. Logistics

Source: Content analysis of interview responses.
TABLE 20
THE MARKETING MIX ASSOCIATED WITH EACH IMPORTANCE LEVEL - 1970's

<table>
<thead>
<tr>
<th>Importance Level</th>
<th>Marketing Mix Elements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>Total Response</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Very Unimportant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>26.7</td>
<td>6.7</td>
<td>6.7</td>
<td>20.0</td>
<td>6.7</td>
<td>6.7</td>
<td>20.0</td>
<td>6.7</td>
<td>15</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>26.3</td>
<td>21.0</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>15.8</td>
<td>21.0</td>
<td>19</td>
<td>8.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>30.0</td>
<td>15.0</td>
<td>2.5</td>
<td>10.0</td>
<td>7.5</td>
<td>7.5</td>
<td>15.0</td>
<td>12.5</td>
<td>40</td>
<td>18.2</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>28.3</td>
<td>13.2</td>
<td>1.9</td>
<td>11.3</td>
<td>5.7</td>
<td>19.0</td>
<td>5.7</td>
<td>3.8</td>
<td>11.3</td>
<td>53</td>
<td>24.2</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>26.4</td>
<td>17.5</td>
<td>5.4</td>
<td>7.6</td>
<td>7.6</td>
<td>11.3</td>
<td>11.3</td>
<td>8.7</td>
<td>3.3</td>
<td>92</td>
<td>42.0</td>
</tr>
<tr>
<td>(Very Important)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>34</td>
<td>8</td>
<td>21</td>
<td>15</td>
<td>26</td>
<td>26</td>
<td>19</td>
<td>10</td>
<td>219</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes: The code to identify the Marketing Mix Elements listed above is as follows:
1. New Product Development
2. New Market Development
3. Pricing Policy Making
4. Advertising and Promotion
5. Sales Management & Personal Selling
6. Customer Service
7. Channels of Distribution
8. Market Research
9. Logistics

Sources: Content analysis of interview responses and Questionnaire Item 8.
Finally, the mix element stressed for the civil rights issue is sales management and personal selling. In Table 20, notice that as the importance of the issues increase, the number of mix changes increases and the distribution of mix elements becomes more uniform.

Considering some of the issues individually, the comments on consumerism suggest that both product development and advertising changes are anticipated. Over 60 percent of the responses indicated a need for changes in these areas. For changes in channels of distribution, the mix emphasis shifts to recognition of the need for explicit management of the channel interface. Closely related to the channel management area is the element of personal selling and sales management. Also scoring high is the new product development element. New products, it seems, may be needed to satisfy demands issuing from new channel patterns.

In dealing with competitive pressures, respondents see innovation in products and market coverage as the principal means of interaction. Interestingly, they also perceive modifications in their service offering and channel choices as providing mechanisms for creating differential advantages.

The response patterns for air and water pollution are similar in that the dominant mix element for both is new product development. Market development rates a weak second and is considered more as a defensive response than one triggered by opportunity. The civil rights issue appears to evoke concern about the selling area, and specifically, matters of sales personnel. The comments on this were focused on the difficulties associated with recruiting and retaining competent minority
salesmen. There is, however, limited interest in developing minority market segments. Nevertheless, many respondents expressed a continuing interest in researching the needs of these segments.

Deteriorating downtown areas are perceived as threatening to retail distribution patterns. Most of the respondents admitted to having resolved these problems in the 1960s by relocating in the suburban shopping centers. Some, such as the gasoline marketers, still face substantial problems. The costs associated with maintaining downtown outlets is increasing rapidly as the criminal elements destroy the properties and recruiting and training expenses spiral upward. Creative solutions to the excess property problem are yet to be found in this industry.

The condition of urban housing is seen as presenting opportunities to only a few firms. As shown in the strategy discussion, however, there is only minimal interest in pursuing these opportunities.

Questionnaire responses.—In the questionnaire phase, the relative importance of all mix elements was addressed. Item 6, "Importance of Marketing Mix Factors to Strategy," asked respondents to allocate 100 points to the mix factors according to their importance to the accomplishment of strategies in the 1960s and the 1970s. The results of this scoring procedure are summarized for all responses as shown in Table 21.

The distribution of importance assignments is fairly uniform over all factors except for the selling area. The importance of selling and sales management dominates the other factors, in spite of the 4.8 points decrease over the 1960s. The decline in the selling role appears to
<table>
<thead>
<tr>
<th>Marketing Mix Factors</th>
<th>Average Importance Score 1970s</th>
<th>Average Change in Importance Over the 1960s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New product development</td>
<td>12.5</td>
<td>2.0</td>
</tr>
<tr>
<td>2. New market development</td>
<td>12.9</td>
<td>2.0</td>
</tr>
<tr>
<td>3. Pricing policy making</td>
<td>9.6</td>
<td>-0.4</td>
</tr>
<tr>
<td>4. Advertising and promotion</td>
<td>8.7</td>
<td>0.0</td>
</tr>
<tr>
<td>5. Sales management and personal selling</td>
<td>18.1</td>
<td>-4.8</td>
</tr>
<tr>
<td>6. Customer service</td>
<td>9.6</td>
<td>-1.4</td>
</tr>
<tr>
<td>7. Channels of distribution</td>
<td>10.4</td>
<td>1.4</td>
</tr>
<tr>
<td>8. Market research</td>
<td>7.5</td>
<td>1.6</td>
</tr>
<tr>
<td>9. Logistics</td>
<td>9.4</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Questionnaire item 6.

have been compensated by increases in the new products and new market areas. The increase in the importance of the market research function supports this conclusion.

Comparing the importance ratings of Table 21 with the frequency of response information obtained in the analysis of the interview responses fails to show the parallelism found for the strategy responses. This comparison is shown in Table 22.

There may be several reasons for this lack of comparability. First, the interview comments at the tactical level tended to be sketchy, often
TABLE 22
COMPARISON OF THE MARKETING MIX COMPONENT UTILIZATION SCORES OBTAINED IN THE INTERVIEW PHASE WITH MARKETING MIX IMPORTANCE SCORES OBTAINED IN THE QUESTIONNAIRE PHASE FOR THE 1970s

<table>
<thead>
<tr>
<th>Marketing Mix Factor</th>
<th>Questionnaire</th>
<th>Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Importance Score</td>
<td>Percentage of Total Mentions</td>
</tr>
<tr>
<td>1. New product development</td>
<td>12.5</td>
<td>25.7</td>
</tr>
<tr>
<td>2. New market development</td>
<td>12.9</td>
<td>14.0</td>
</tr>
<tr>
<td>3. Pricing policy making</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td>4. Advertising and promotion</td>
<td>8.7</td>
<td>10.0</td>
</tr>
<tr>
<td>5. Sales management and personal selling</td>
<td>16.1</td>
<td>9.2</td>
</tr>
<tr>
<td>6. Customer service</td>
<td>9.6</td>
<td>9.5</td>
</tr>
<tr>
<td>7. Channels of distribution</td>
<td>10.4</td>
<td>15.4</td>
</tr>
<tr>
<td>8. Market research</td>
<td>7.5</td>
<td>6.8</td>
</tr>
<tr>
<td>9. Logistics</td>
<td>9.4</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Sources: Content analysis of interview responses and Questionnaire Item 6.

requiring considerable interpretation. Second, the questionnaire seeks general evaluations of the importance of factors, whereas, the interview attempts to uncover details of the response orientation for each environmental issue. Finally, the mix changes suggested in the interview remarks may have different weighting factors as the importance of the issue varies.
The Analysis of the Hypotheses

This section is concerned with the investigation of the evidence related to the main hypothesis stated in Chapter I and those developed in Chapter III. The nature of the sample eliminates the applicability of statistical analysis in the true sense of the term. Rather only trends in the information can be discussed. Cross tabulations are presented and analyzed. No statistical tests are employed.

For each hypothesis, the hypothesis is restated. The information employed to examine the relationship is identified, and where necessary, the scoring scheme is explained beyond that presented in the section that follows. Finally, the results are discussed.

Data Classification Protocol

Since most of the information obtained in the questionnaire and interview phases is at least ordinal level, classifications can be based on distributions about the median values. The small number of respondents dictated that a two level classification be used. Values above the median for the variable are classified as "High" scores and those falling below the media are "Low" scores. This scheme has been employed for all variables except those of growth and profitability. These variables, because they are on a ratio scale, are amenable to distributions around the average value. The analysis of hypotheses involves study of the relationships that may exist between the "High" and "Low" scores of the appropriate variables. Details of the data classification protocol may be found in Appendix G.
Hypothesis 1

The first hypothesis to be analyzed is the following:

There is a direct relationship between the respondent's perception of the scope and the importance of marketing in the firm, (MKTO), and his perception of the importance of the environment in shaping marketing strategies, (ENVI).

The information used in testing this hypothesis is the following:

1. The perceived importance of the set of environmental issues on marketing strategy in the 1970s, (ENVI).

2. The respondent's Marketing Orientation Index, (MKTO).

The scores for all respondents have been classified and cross tabulated as shown in Table 23. There is only a slight indication of correlation between "High" MKTO scores and "High" ENVI scores. With 56 percent of the total MKTO scores rating "High," only 62 percent of the "High" ENVI scores fell into the "High" MKTO category. Even if statistical tests were appropriate in this study, the chi-square, one-sample test would not yield statistically significant differences at low confidence levels. There appears to be no association between the

<table>
<thead>
<tr>
<th>Low</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>38</td>
</tr>
<tr>
<td>High</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>62</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

Table 23
A Summary of the Relationship between MKTO and ENVI

MKTO: The Marketing Orientation Score.
ENVI: The Environment of Importance Score for the 1970s.
MKTO and ENVI scores. Therefore, this aspect of Hypothesis 1 must be tentatively rejected.

A related hypothesis was stated in Chapter III regarding the MKTO score. It is:

There is a direct relationship between the respondent's MKTO and his perception of the magnitude of change in shaping marketing strategies, (DELI).

In addition to the MKTO scores, information is needed about the respondent's perceived changes in the importance of the set of environmental issues on marketing strategies, (DELI).

The scores for all respondents, classified as specified in the Data Classification Protocol section, have been cross tabulated as shown in Table 24. Again, the uniformity of the distribution suggests that the hypothesized relationship may not exist.

A corollary to that discussed above involves the relationship between an executive's perceptions of the importance of the influence of the marketing executive on corporate objectives and his orientation

TABLE 24
A SUMMARY OF THE RELATIONSHIP BETWEEN MKTO AND DELI

<table>
<thead>
<tr>
<th>DELI&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Low</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Low</td>
<td>9</td>
<td>47</td>
<td>5</td>
</tr>
<tr>
<td>MKTO High</td>
<td>10</td>
<td>53</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>100</td>
<td>12</td>
</tr>
</tbody>
</table>

<sup>a</sup>DELI = The Change in the Importance of Environmental Issues Score Between the 1960s and 1970s.
to the environment. Stated in the form of a hypothesis, the relationship is as follows:

There is a direct relationship between the respondent's perception of the influence of marketing on corporate objectives in the 1970s, (RP), and his perception of the importance of the environment in shaping marketing strategies, (ENVI).

In addition to the ENVI material, this hypothesis requires scores on the respondent's perception of the relative influence of marketing on corporate objectives in the 1970s, (RP). The classified scores for all respondents have been cross tabulated as presented in Table 25. There appears to be little support for the existence of this relationship.

\[\begin{array}{|c|c|c|c|}
\hline
& ENVI & & \\
& Low & High & Total \\
\hline
Low & 6 & 55 & 8 & 67 & 14 & 61 \\
RP^a & High & 5 & 45 & 4 & 33 & 9 & 39 \\
\hline
Total & 11 & 100 & 12 & 100 & 23 & 100 \\
\hline
\end{array}\]

\(\text{RP}^a = \text{The Role Perception Score.}\)

As with the hypotheses involving MKTO, there is a related hypothesis using RP. It is:
There is a direct relationship between the respondent's RP and his perception of the magnitude of change in the importance of the environmental condition in shaping marketing strategies, (DELI).

In addition to the information on the respondent's RP, this hypothesis employs information on the perceived change in the importance of the set of environmental issues on marketing strategies, (DELI). Table 26 displays the resultant contingency table. Again, a fairly uniform distribution appears among scores. Thus, based on the present information, there is no relationship.

<table>
<thead>
<tr>
<th></th>
<th>DELI</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Low</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>RP</td>
<td>50</td>
<td>40</td>
<td>54</td>
</tr>
<tr>
<td>High</td>
<td>7</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>60</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Hypothesis 2

The hypothesis tested here is as follows:

Senior marketing executives who expect larger increases in the importance of environmental factors between the 1960s and the 1970s, (DELI), perceive a greater need for change in the marketing strategy, (STGY), than those who perceive little or no change.
The information used in testing this hypothesis is as follows:

1. The perceived change in the importance of the set of environmental issues on marketing strategies, (DELI).

2. The respondent's classification in terms of the number of strategy mentions derived from the interview, (STGY-IV).

3. The respondent's classification in terms of the relative amount of strategy change expected in the 1970s, (STGY-Q).

The contingency tables formed by cross tabulating these items are shown in Tables 27 and 28.

As with the relationships investigated under Hypothesis 1, there appears to be no relationship of consequence between an increase in the importance of the environment and a need for change in strategy orientation. This conclusion is based on the observation that the distributions of scores in Tables 27 and 28 are fairly uniform. If anything, there is an inclination for a negative relationship to exist. There is, however, no compelling reason to conclude that any relationship exists.

**TABLE 27**

A SUMMARY OF THE RELATIONSHIP BETWEEN DELI AND STGY-IV

<table>
<thead>
<tr>
<th></th>
<th>STGY-IV a</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>DELI</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>DELI</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

aSTGY-IV = The Strategy Score derived from content analysis of interview responses.
Hypothesis 3

This hypothesis deals with the relationships that may exist between a respondent's attitudes about the impact of the environment and the type of strategic and tactical responses that he considers appropriate to the situation. Hypothesis 3 is stated below:

Senior marketing executives who have favorable attitudes about the effects of the environment on marketing and the achievement of corporate objectives in the 1970s, (ATT), express a different strategy orientation, (STGY), than those who express unfavorable attitudes.

The information employed in studying this relationship is:

1. The respondent's classification in terms of the overall degree of favorableness expressed in the interview comments, (ATT-IV).

2. The respondent's classification in terms of the overall degree of favorableness expressed in the questionnaire responses, (ATT-Q).

3. The respondent's classification on the strategy mentions derived from an analysis of interview responses, (STGY-IV).
4. The respondent's classification on the amount of strategy change expected as derived from an analysis of questionnaire responses, (STGY-Q).

The contingency tables resulting from cross tabulations of these scores are presented in Tables 29 and 30. Again, examination of these joint distributions indicates that the hypothesized relationships are not supportable with the information obtained in the study.

**TABLE 29**

A SUMMARY OF THE RELATIONSHIP BETWEEN ATT-IV AND STGY-IV

<table>
<thead>
<tr>
<th>STGY-IV</th>
<th>Low Number</th>
<th>%</th>
<th>High Number</th>
<th>%</th>
<th>Total Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfavorable</td>
<td>6</td>
<td>46</td>
<td>14</td>
<td>64</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td>Neutral</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>ATT-IV a</td>
<td>Favorable</td>
<td>7</td>
<td>54</td>
<td>6</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>100</td>
<td>22</td>
<td>100</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

aATT-IV = The Attitude Score generated from interview responses.

**TABLE 30**

A SUMMARY OF THE RELATIONSHIP BETWEEN ATT-Q AND STGY-Q

<table>
<thead>
<tr>
<th>STGY-Q</th>
<th>Low Number</th>
<th>%</th>
<th>High Number</th>
<th>%</th>
<th>Total Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfavorable</td>
<td>4</td>
<td>31</td>
<td>4</td>
<td>31</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>Neutral</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ATT-Q a</td>
<td>Favorable</td>
<td>9</td>
<td>69</td>
<td>9</td>
<td>69</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>100</td>
<td>13</td>
<td>100</td>
<td>26</td>
<td>100</td>
</tr>
</tbody>
</table>

aATT-Q = The Attitude Score generated from interview responses.
Also presented is Table 31, which summarizes the differences in the frequency of mention of strategy components under favorable and unfavorable environmental conditions. Both favorable and unfavorable environmental conditions product similar strategy patterns, with some exceptions. Notice in Table 31, that there is a shift in emphasis from new product strategies for favorable conditions to acquisitions in new markets, channel changes, and avoidance strategies for unfavorable conditions. Each of these strategies suggests that fairly radical departures from tradition are perceived as viable mechanisms for confronting threatening environments.

### Table 31

**A SUMMARY OF THE DIFFERENCES IN UTILIZATION OF STRATEGY COMPONENTS ACCORDING TO THE OVERALL PERCEPTION OF THE EFFECT OF ENVIRONMENTAL CHANGE**

<table>
<thead>
<tr>
<th>Strategy Component</th>
<th>Perception of Effect of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Favorable(^a)</td>
</tr>
<tr>
<td></td>
<td>Percent of Total Strategy Mentions</td>
</tr>
<tr>
<td>1. Same product, same market</td>
<td>22.4</td>
</tr>
<tr>
<td>2. Product modification</td>
<td>26.3</td>
</tr>
<tr>
<td>3. New products, present markets</td>
<td>18.4</td>
</tr>
<tr>
<td>4. New products, new markets</td>
<td>13.1</td>
</tr>
<tr>
<td>5. Acquisitions, present markets</td>
<td>5.3</td>
</tr>
<tr>
<td>6. Acquisitions, new markets</td>
<td>1.3</td>
</tr>
<tr>
<td>7. Integrative, vertical</td>
<td>3.9</td>
</tr>
<tr>
<td>8. Integrative, horizontal</td>
<td>3.9</td>
</tr>
<tr>
<td>9. Avoid</td>
<td>2.6</td>
</tr>
<tr>
<td>10. Wait and see</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Source:** Content analysis of interview responses.

\(^a\)Based on 76 mentions representing 38.8 percent of total mentions.

\(^b\)Based on 120 mentions representing 61.2 percent of total mentions.
The relationships for strategy discussed above are also appropriate to the marketing mix. As shown under Hypothesis 5, there appears to be a relationship between the STGY-IV and MIX-IV scores. Therefore, a relationship similar to that for strategies should exist between attitudes and the mix. Because of this, only Table 32, summarizing the differences between the average marketing mix for threatening and opportunity laden situations, is presented here. As with the strategy material, there are differences in the frequency with which the mix elements are mentioned under different environmental conditions. For example, notice the decline in new product and new market development.

### Table 32

**A Summary of the Differences in Utilization of Marketing Mix Elements According to the Overall Perception of the Effect of Environmental Change**

<table>
<thead>
<tr>
<th>Marketing Mix Element</th>
<th>Favorable(^a)</th>
<th>Unfavorable(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent of Total Mix Mentions</td>
<td>Percent of Total Mix Mentions</td>
</tr>
<tr>
<td>1. New product development</td>
<td>31.4</td>
<td>25.4</td>
</tr>
<tr>
<td>2. New market development</td>
<td>21.8</td>
<td>12.3</td>
</tr>
<tr>
<td>3. Pricing policy making</td>
<td>2.7</td>
<td>4.1</td>
</tr>
<tr>
<td>4. Advertising and promotion</td>
<td>6.8</td>
<td>11.0</td>
</tr>
<tr>
<td>5. Sales management and personal selling</td>
<td>5.5</td>
<td>7.5</td>
</tr>
<tr>
<td>6. Customer service</td>
<td>12.3</td>
<td>11.6</td>
</tr>
<tr>
<td>7. Channels of distribution</td>
<td>8.2</td>
<td>13.7</td>
</tr>
<tr>
<td>8. Market research</td>
<td>9.6</td>
<td>8.2</td>
</tr>
<tr>
<td>9. Logistics</td>
<td>1.4</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Source: Content analysis of interview responses.

\(^a\)Based on 73 mentions representing 33.4 percent of total mentions.

\(^b\)Based on 146 mentions representing 66.6 percent of total mentions.
elements between favorable and unfavorable environmental perceptions. Also note the increases in advertising, channels, and the logistics areas. Other elements, including market research, remain relatively stable.

**Hypothesis 4**

The fourth hypothesis is similar to Hypothesis 2 except the marketing mix is involved rather than marketing strategy. Hypothesis 4 is as follows:

Senior marketing executives who expect an increase in the importance of environmental factors between the 1960s and the 1970s, (DELI), perceive a greater need for change in the marketing mix, (MIX), than those who expect no change or a decline.

In addition to the DELI scores for each respondent, the following information has been employed in the analysis of this hypothesis.

1. The respondent's classification on the number of changes in the marketing mix as obtained from an analysis of interview comments, (MIX-IV).

2. The respondent's classification on the amount of marketing mix change expected as derived from an analysis of questionnaire responses, (MIX-Q). The contingency tables resulting from cross tabulation of these scores are presented in Tables 33 and 34. As with the previous results, the joint distributions here are nearly uniform thereby indicating a lack of correlation.

**Hypothesis 5**

This hypothesis ties the strategy and marketing mix expectations together as follows:
TABLE 33
A SUMMARY OF THE RELATIONSHIP BETWEEN DELI AND MIX-IV

<table>
<thead>
<tr>
<th></th>
<th>MIX-IV (^a)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
<td>Total</td>
</tr>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>Low</td>
<td>8 62</td>
<td>11 58</td>
<td>19</td>
</tr>
<tr>
<td>DELI</td>
<td>High</td>
<td>5 38</td>
<td>8 42</td>
</tr>
<tr>
<td>Total</td>
<td>13 100</td>
<td>19 100</td>
<td>32</td>
</tr>
</tbody>
</table>

\(^a\)MIX-IV = The Marketing Mix Score derived from content analysis of interview responses.

TABLE 34
A SUMMARY OF THE RELATIONSHIP BETWEEN DELI AND MIX-Q

<table>
<thead>
<tr>
<th></th>
<th>MIX-Q (^a)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
<td>Total</td>
</tr>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>Low</td>
<td>7 64</td>
<td>7 58</td>
<td>14</td>
</tr>
<tr>
<td>DELI</td>
<td>High</td>
<td>4 36</td>
<td>5 42</td>
</tr>
<tr>
<td>Total</td>
<td>11 100</td>
<td>12 100</td>
<td>23</td>
</tr>
</tbody>
</table>

\(^a\)MIX-Q = The Marketing Mix Score derived from questionnaire responses.

Senior marketing executives who expect large changes in strategy orientation between the 1960s and 1970s, (STGY), expect larger changes in the marketing mix between the 1960s and 1970s, (MIX), than those who expect little or no change.

The information employed in this analysis has been described elsewhere in this chapter. The variables involved are STGY-IV, STGY-Q, MIX-IV, and MIX-Q. Tables 35 and 36 present the variables in cross
TABLE 35
A SUMMARY OF THE RELATIONSHIP BETWEEN STGY-IV AND MIX-IV

<table>
<thead>
<tr>
<th></th>
<th>MIX-IV</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Low</td>
<td>11</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>STGY-IV</td>
<td>78</td>
<td>9</td>
<td>36</td>
</tr>
<tr>
<td>High</td>
<td>3</td>
<td>20</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>91</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>22</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

TABLE 36
A SUMMARY OF THE RELATIONSHIP BETWEEN STGY-Q AND MIX-Q

<table>
<thead>
<tr>
<th></th>
<th>MIX-Q</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Low</td>
<td>9</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>STGY-Q</td>
<td>75</td>
<td>27</td>
<td>52</td>
</tr>
<tr>
<td>High</td>
<td>3</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>73</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Tabular form. There appears to be a relationship, as hypothesized, between STGY and MIX for both the interview mentions information and for the change in importance information derived from the interviews. If the chi-square test could be applied legitimately, it would reveal that Hypothesis 5 is statistically significant at the 95 percent level.
Comparison of Results to Other Studies

The third aspect of this chapter centers on the relationship of the findings of the present study to those of other investigators. The work presented here, in many ways, parallels that of others either in terms of methodology or focus. Although the work was intended to be pioneering rather than replicative, it was designed to parallel the scale type questions used by Udell in his study, "The Perceived Importance of the Elements of Strategy." In this section, the results of a number of studies are discussed and their results compared to the present study.

The Udell Study - Strategy Elements

In his study, "The Perceived Importance of the Elements of Strategy," Udell administered a mail questionnaire to 485 division level senior executives.\(^1\) The major hypotheses of the study concerned the importance of various strategy elements of the strategy mix. Of prime concern was the importance of price strategy in the mix. Employing a 100 point, constant sum scale in the same manner as the present study, Udell asked respondents to allocate 100 points among a set of marketing activities according to the estimated contribution of each to the success of the product. The marketing activities constitute what have been described elsewhere as the marketing mix. The set includes all the elements of the marketing mix as employed here. Udell found that there is a distribution of importance scores for the activities and that the

distribution was different between industrial and consumer goods producers.

The present study also addressed the issue of the perceived importance of the elements of strategy and the marketing mix. By arranging and combining the interview and questionnaire scores shown in Table 22 into the classification scheme used by Udell, it is possible to obtain comparative information. This comparison is shown in Table 37. It shows that the trend of the data is similar and that pricing is not a major element in the decision matrix employed by executives to make marketing decisions.

The CED Viewpoint

Throughout the interview comments, the idea of enlightened self interest crops up.² It is apparent that executives are sensitive to their complimentary role with government in the solution of many of the social problems covered in the study. The perceived need for strategic-level decision making to changes in the environment is suggestive of this orientation as are the responses concerning the need for governmental assistance and guidance.

²The notion of enlightened self interest has been discussed by the Committee for Economic Development in its June 1971 publication, Social Responsibilities of Business Corporations, pp. 27-29 passim, as follows: "There is broad recognition today that corporate self-interest is inexorably involved in the well being of the society of which business is an integral part, and from which it draws the basic requirements needed for it to function at all - capital, labor, customers, enlightened self-interest. There is the positive appeal to the corporation's greater opportunities to grow and profit in a healthy, prosperous, and well functioning society. And there is the negative threat of increasingly onerous compulsion and harrassment if it does not do its part in helping create such a society."
TABLE 37
A COMPARISON OF THE PERCEIVED IMPORTANCE OF MARKETING MIX ELEMENTS
BETWEEN UDELL’S 1968 STUDY AND THE PRESENT STUDY

<table>
<thead>
<tr>
<th>Marketing Mix Elements</th>
<th>Overall Scores¹</th>
<th>Industry Class Scores²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Udell</td>
<td>Quest.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Effort</td>
<td>41.1</td>
<td>39.7</td>
</tr>
<tr>
<td>Advertising and Promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Management and Selling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Effort</td>
<td>27.8</td>
<td>29.6</td>
</tr>
<tr>
<td>Product Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>12.2</td>
<td>19.8</td>
</tr>
<tr>
<td>Channels of Distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing Strategy</td>
<td>18.4</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Notes: 1. The Interview and Questionnaire scores are for the 1970s.
2. The segmentation of study respondents was based on the nature of the markets served by the divisions the respondent’s represented.
Of some concern to the researcher, however, are comments suggesting a "Wait and See" or "Avoid" strategy. The "Wait and See" indicates a perceived need for clarification of the dimensions of the issue. The "Avoid" strategy, however, may reflect an "ostrich-like" approach. This is not necessarily the case since avoidance may be the best strategy. In reality, however, it may be impossible to avoid the issue.

Another viewpoint on the enlightened self interest dimension has been offered by Phillip I. Blumberg. He points out that,

"...management faces a crisis in which business is vulnerable because the problem is one which it created itself, where the objective of the struggle is to anticipate or shape the pattern of inevitable legislation, where the stakes are so high that the motivation is essentially one of self-preservation, and in consequence, where the corporate response may no longer be fairly regarded as voluntary."

In the course of his exposition, Blumberg also poses several questions about the roles of business and government in an era of expanded concern for the preservation and enhancement of the environment. The questions listed below are paraphrased versions of Blumberg's. The present study provides some insights into the likely responses to these sorts of questions.

1. Will the competitive climate cause individual firms to seek non-marketplace solutions to the environmental problem?

2. What effect will voluntary and industry-wide standards development have on the level of competition?

3. What will the role of government be regarding the environmental challenge and what should it be?

---

Obviously, complete answers to these questions are not to be found in a study such as this, but it is apparent that questions similar to these concern many executives.

The results of this study indicate that the role of government is expected, if not hoped, to increase during the decade. Furthermore, the structure and competitive state of many industry segments can be expected to change in the direction of increased concentration and competitive rigor. Firms unable to adapt will find it difficult to survive in the 1970s.

Changes in the Organizational Objectives

As the scope of the relevant environment of the firm expands, it is likely that the set of objectives the leadership considers relevant should change as well. In the present study, it was observed that, on the average, the participants expect there will be an increase in the importance of social responsibility objectives at the expense of competitive strength and stability objectives. This shift is consistent with the predictions of George Steiner who has said:

...the social responsibility view will, in my judgment, become much more widely accepted in the 1970s as a replacement for older views.\(^4\)

In developing his thoughts, Steiner indicates that the level of involvement should be chosen carefully and in full cognizance of the need for continued profitable participation in the economic system.

The Conference Board - Sources of Growth Study

In a recent and definitive study of the sources of corporate growth, the NICB found that firms rely on several methods to achieve their profitable growth goals.\(^5\) The study consisted of a survey of the NICB's Senior Marketing Executives Panel. The panel consists of 152 members, 118 in the manufacturing industries and 34 in insurance, transportation, utilities, and banking. Respondents were asked to rank the principal sources of growth in their organization during the previous five years (1963-1967) and to do the same for the next five years (1967-1971). Below, the results obtained for the manufacturing representatives of the NICB panel are compared to the responses obtained in the present study. There is some liberty taken in making this comparison since the time periods are not the same nor are the survey participants.

As can be seen by reference to Table 38, the rank order of importance of the strategy components in the NICB "Retrospective" category demonstrates the tendency of firms to prefer product alterations over market shifts, but fails to replicate the preference of the present study's executives for mergers and acquisitions during the 1960s. The future oriented views of the NICB participants show a shift in emphasis to new products and new market focus. The tendency in this study is for the new product area to increase from a rank of five in the 1960s to a rank of four for the 1970s. This is hardly a major shift when one examines the raw scores upon which the ranks are based.

<table>
<thead>
<tr>
<th>NICB Retrospective</th>
<th>Rank Order of Importance in the 1960s</th>
<th>NICB Future</th>
<th>1970s Present Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Market Demand</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Increased Market Penetration</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>New Products and Services</td>
<td>3</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Mergers and Acquisitions</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Creation of New Markets</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Sources: "Handling Company Growth: Managing the Moderate-Sized Company," No. 5, 1967, (Retrospective Views are for 19 to 19. Future Views are from 19 to 19.) and Tables 15 and 16 of the present study.
The Conference Board - Defensive Strategies Study

Another Conference Board study concerned the strategies employed by moderate-sized firms to combat threats to their current product-market postures. The study, reported in 1970, involved a survey of the opinions of 66 company chairmen or presidents of United States and Canadian manufacturing, wholesaling, mining, and construction firms, almost all of which employed fewer than 2,000 persons. The results of the Conference Board study, like the others, should give some indication of the appropriateness of the trends witnessed in the present study.

The three most popular strategies employed to minimize vulnerability to adverse environmental developments in the NICB study are: (1) broadening the market base for existing or modified products, (2) diversification of the product line, (3) diversify along product and/or market paths. About two-thirds of the respondents indicated at least one of these strategies as appropriate for the defensive aspects of the strategy mix. In Table 39, the results from the present study are contrasted to the NICB results.

The results from the present study suggest that unfavorable attitudes evoke a greater emphasis on acquisitions in new markets but also a corresponding increase in the no change strategy of same product-same market. Thus, the comparison is inconclusive.

Product-Market Shifts

The results of analysis of both the interview and questionnaire responses indicates that there is an aversion on the part of the

TABLE 39

THE RELATIVE IMPORTANCE OF STRATEGY COMPONENTS IN THE 1970S AS RELATED TO ATTITUDES ABOUT THE EFFECT OF ENVIRONMENTAL CHANGE

<table>
<thead>
<tr>
<th></th>
<th>Favorable Attitudes Based On Questionnaire Interview</th>
<th>Unfavorable Attitudes Based On Questionnaire Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Importance</td>
<td>Importance</td>
</tr>
<tr>
<td>1. Same Product--Same Market</td>
<td>32.2</td>
<td>27.2</td>
</tr>
<tr>
<td>2. Product Modification</td>
<td>19.4</td>
<td>16.6</td>
</tr>
<tr>
<td>3. New Products--Present Markets</td>
<td>16.5</td>
<td>17.8</td>
</tr>
<tr>
<td>4. New Products--New Markets</td>
<td>12.6</td>
<td>15.4</td>
</tr>
<tr>
<td>5. Acquisitions--Present Markets</td>
<td>9.5</td>
<td>10.0</td>
</tr>
<tr>
<td>6. Acquisitions--New Markets</td>
<td>9.0</td>
<td>8.2</td>
</tr>
</tbody>
</table>
constituency to strategies which call for modifications in the markets covered by the firm. This is a form of risk aversion. Other studies support this tendency to adhere to familiar markets and to alter products. For example, McGuire reported:

There is considerably more product rigidity among manufacturing firms than many business scholars would expect. Respondents to the investigation into the growth patterns of 270 manufacturing firms were asked if substantial changes had been made in their products in the past (1950-1959). Only 8.5 percent indicated a major change in product line; 91.5 percent noted that they had not made such alterations. To a certain extent, this rigidity may have been caused by investment in specialized equipment and plant, so that many firms could not change products except at a cost which they considered too exorbitant. In other instances, it seemed evident that businessmen simply lacked imagination to change and remained with their one product even though sales were declining, even when it appeared reasonable for them to change at least to similar but more profitable products.7

Chief Executive Officer's Role Study

In a study of chief executive officer's perceptions of the importance of the future sources of growth, McDonald and Eastlack found that their respondents looked to new products and acquisitions as sources of sales and earnings growth over the 1969-1973 period.8 Table 40 presents a comparison of the CEO's expectations of strategy components contributions to growth with the importance scores assigned the components by the marketing executives in this study. Note the wide discrepancy, in the perceived contribution of, "Sales-Existing Products," and, "Modified Products," between the CEO's and marketers. The difference, like others


TABLE 40
COMPARISON OF RESULTS OF MCDONALD-EASTLACK STUDY TO THE PRESENT STUDY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Sales, Existing Products Product Modifications</td>
<td>49.9</td>
<td>14</td>
</tr>
<tr>
<td>B. New Products - Present and New Markets</td>
<td>28.7</td>
<td>50</td>
</tr>
<tr>
<td>C. Acquisitions - Present and New Markets</td>
<td>20.6</td>
<td>36</td>
</tr>
</tbody>
</table>


in this comparison, is likely to be attributable to several factors such as differences in the time frame, classification of the firms and the respondents, and differences in the study methodology.

Corporate Growth Constraints Study

A study entitled, "Planning for Growth in Leading U.S. Companies," indicated that senior executives in nearly 300 leading companies identified five main obstacles to growth. They are:

1. Breaking down resistance to change.
2. Keeping on top of advancing technology.
3. Developing executive manpower.

4. Facing competition from new sources.
5. Increasing government regulation.

Also, the surveyed executives indicated that the acquisition route is not as promising as in the past, primarily because of the impact of governmental intervention and restraint. By contrast, new product and service offering development, and the recognition of a need to develop formal marketing strategies were assigned high importance ratings as factors affecting company growth.

A comparison of these findings to the present study reveals that the constraints on growth are similar although those mentioned here are more extensive. However, there is a discrepancy in the importance of acquisition strategies on growth. The present study suggests that the participants are searching for acquisition candidates which will strengthen present market positions and provide opportunities in new markets. The comments received during the interview phase, however, indicated that many feared that merger attempts would be stymied by the government and that internal means of growth must be identified and developed. A summary of the findings of the present study along these dimensions are presented in Table 41.
### TABLE 41
SUMMARY OF COMMENTS CONCERNING THE MAJOR OPPORTUNITIES AND THREATS FACING MARKETING IN THE 1970s

<table>
<thead>
<tr>
<th>Major Opportunities</th>
<th>Number of Comments</th>
<th>Percent of Total Comments</th>
<th>Major Threats</th>
<th>Number of Comments</th>
<th>Percent of Total Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding Leadership Role of Government</td>
<td>7</td>
<td>46.7</td>
<td>Expanding Leadership Role of Government</td>
<td>5</td>
<td>33.4</td>
</tr>
<tr>
<td>Changes in Market Tastes</td>
<td>3</td>
<td>20.0</td>
<td>Impact of Foreign Competition</td>
<td>4</td>
<td>26.6</td>
</tr>
<tr>
<td>Product Developments and Positioning Opportunities</td>
<td>4</td>
<td>26.6</td>
<td>Increased Intensity of Competition</td>
<td>4</td>
<td>26.6</td>
</tr>
<tr>
<td>Energy Crisis</td>
<td>1</td>
<td>6.7</td>
<td>Energy Crisis</td>
<td>2</td>
<td>13.4</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td></td>
<td>Total</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

Source: Content analysis of interview responses.
CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The purpose of this dissertation has been to explore several aspects of the adaptive behavior process of senior marketing executives. In this regard, information was uncovered about their attitudes concerning the influence of the environment of the 1970s on the marketing function. Furthermore, the salient attributes of a set of environmental issues were determined. Finally, the strategic and tactical response orientations of the executives to a set of environmental issues were studied. The principal unit of analysis was the marketing executive. The principal behavioral focus was on anticipated changes in marketing strategy and tactics.

Rationale for the Dissertation

The study objectives, stated in Chapter I, pointed to a need for increased understanding of the role of the marketing function in the 1970s. Furthermore, a principal objective was to gain insight into the way senior marketing executives conceptualize the environment and its impact on decision making in the 1970s.

The mandate for studying the adaptive behavior process of marketing executives was attributed to the dynamic condition of the business ecosystem and the key role that the marketing function plays in bridging the gap between the environment and the organization. The buffering and information transfer roles of the marketing executive were established.
Furthermore, the importance of marketing inputs into the strategy development process was established and covered in detail in Chapter II.

As a result of these considerations, the marketing executive was conceptualized as a gatekeeper between the firm and its environment. It was deduced that the information base and perceptions of marketing executives are likely to materially affect the objectives and strategies the firm chooses to negotiate with its environment. In fact, the marketing executive may be instrumental in defining the scope of the environment considered relevant by others.

Information was obtained about the marketing executive's perceptions of his role relative to other executives. Also, information was gathered about the executive's perceptions of the changes in the firm's objectives mix. These pieces of information were obtained to provide a broad baseline for comparison of strategic and tactical responses.

The study hypotheses.--In order to uncover some of the dimensions of the perceptual framework of marketing executives and to examine the manner that the executive's perceptions shape his action orientations, a series of hypotheses were constructed and presented in Chapter III. The hypotheses focused on the relationship that may exist between the executive's orientation to the marketing task and the breadth and depth of his orientation to ecosystemic change.

The hypotheses, adopting a Newtonian view, were concerned with the types of reactions the executives anticipated they would make to changes in the environmental condition. In this regard, the respondents
were asked to state the changes in strategy and tactics they considered appropriate to respond to the environmental demands of the 1970s.

The study methodology.--The complexity of the subject and the character of the target respondents were such that the most appropriate methodology involved personal interviews coupled with a scale-type questionnaire. Chapter III contains a description of the methodology and a rationale for its choice. The combination of techniques facilitated the gathering of qualitatively rich information, while maintaining a baseline amenable to quantitative analysis. Given the exploratory nature of the study, the study constituency was limited to thirty-six respondents, representing thirty-six industry segments and thirty-five of the Fortune "500" industrial corporations.

The interview phase of the study involved personal interviews with each respondent, lasting approximately two hours. The respondent was asked to express his views on the amount and type of changes he foresaw in the role of marketing. Also, he was asked to evaluate the impact of nine environmental issues on marketing strategies in the 1970s. The following issues were presented to the participants: (1) the role of marketing in the firm; (2) consumerism; (3) air and water pollution; (4) urban substandard housing; (5) deterioration of downtown areas; (6) consumer market changes; (7) distribution system changes; (8) civil rights movement; (9) nature and intensity of competition.

The verbal responses were recorded and subsequently translated and categorized according to the information base employed by the respondent, the attitudes, the importance, and favorableness of the issues
to the marketing task. Finally, the responses were classified according to the types of marketing strategy and mix changes the executive stated, or implied, as being appropriate responses to the opportunities and threats contained in the issue.

The questionnaire phase involved the administration of an eight item instrument, which took about one hour to complete. The respondent was asked to evaluate the impact of environmental change, in a more quantitative way, on marketing in the firm. Also, to gain further insight into the changing character of the firm and the marketing function, questions were asked about the shifts in the corporate objectives emphasis that senior marketing executives anticipated. Moreover, the executives were asked to evaluate the changes in the relative influence of the firm's functional areas on the formulation of corporate objectives. Finally, two items were devoted to gaining information on the shifts in the strategy and marketing mixes that could emerge as a result of changing environmental conditions during the remainder of the decade.

Summary

The content of the interviews and questionnaire responses have been analyzed and categorized in Chapter IV. The results of this analysis are summarized in this section. The material is organized by topical areas. The major divisions are, "The Environmental Issues," and "The Response Orientations." Within these divisions, the material is sequenced so that the most important or revealing findings appear first.
The Environmental Issues

1. Importance

a. All of the issues studied were perceived as increasing in importance during the 1970s. The issues showing the greatest overall increases—consumerism and air pollution—were among the least important during the 1960s. More importantly, they are perceived as presenting threats rather than opportunities.

b. The overall effect of environmental change on marketing strategy in the 1970s is unfavorable, according to the interview results. However, this is contradicted by the results of the questionnaire analysis.

c. No discernable relationships were found between the changes in the importance of the environment and changes in the marketing response variables.

d. There appears to be no relationship between the participant's attitudes about the impact of environmental change and his action orientation in the marketing area.

2. Attitudes

a. The issues that tended to produce unfavorable or relatively low level favorable attitudes, tended to produce comments suggesting a need for more governmental involvement.

b. The civil rights movement issue, received nearly fifty percent "No Concern to Marketing" comments. The deterioration of downtown issue received over thirty percent. This suggests that other non-business means may have to be found to address these issues in a constructive manner.
c. Over fifty percent of all respondents stated that urban substandard housing conditions, air and water pollution conditions were of no concern to marketing, or that they presented no marketing opportunities to the firm.

3. Information

a. Respondents tended to indicate their conceptualization of each issue by mentioning two or three pieces of information that they used in making statements about strategies and tactics.

b. The information employed by all respondents to evaluate environmental impact was similar and amenable to relatively simple categorization.

The Response Orientations

1. The Marketing Orientation

a. Shifts in the relative influence of the firm's functional areas on corporate strategy formulation are expected, with the largest increase going to marketing executives. The area expected to suffer the greatest loss in influence is manufacturing.

b. The distribution of Marketing Orientation Index (MKTO) scores suggests that the constituency has inculcated the marketing orientation to a high degree. The subjective and unproven predictive qualities of the index, however, temper the validity of this statement.
c. No relationship was found between the level of a participant's marketing orientation and his perceptions of the environmental condition.

2. The Strategy Response Orientation
   a. Interview responses and questionnaire scores suggest that the participants, in general, are risk averse. They tended to choose strategies which allowed them to alter the product rather than to participate in new markets.
   b. In spite of its decline in important for the 1970s, the strategy of no internal change, (sales-existing products), dominates the strategy utilization profile for the questionnaire phase, and leads the list of mentions in the interview phase.
   c. The strategy and marketing mixes appear to be different for favorable and unfavorable percepts. Unfavorable situations tend to evoke responses suggesting a reluctance to take action.
   d. The variety of strategies and tactics employed to confront important issues is greater than the variety for less important issues.

3. The Marketing Mix Orientation
   a. The number of strategy and mix alterations (tactics) mentioned in the interview phase tend to vary with the importance of the issue. This would suggest that until an issue reaches some threshold level of importance, it receives little executive attention.
b. There is a direct and strong relationship between the amount of change expected in marketing strategies and the amount of change expected in the marketing mix.

c. For the marketing mix, unfavorable percepts result in sharp declines in the new products and market development areas, and increases in channel, and promotional considerations.

d. Consistent with the trends for strategy response, the principal marketing mix element, in the interview phase, was the new product development category. It received nearly twice as many mentions as the new market development option.

e. The questionnaire scores showed that the sales management area should be the most important, although declining, for the 1970s. New market development and new product development rank second and third in importance, respectively.

4. Other Considerations

a. The respondents expect increased emphasis on the objectives of profitability and social responsibility during the 1970s. A substantial decline in the growth or competitive strength objective is the principal balancing factor.

b. There appears to be a relationship between past financial performance and the adaptive inclinations of the respondents. Respondents in firms which experienced low sales growth between 1967 and 1971 are likely to perceive a lower need for strategy change than those in high growth firms.

c. A relationship may exist between past financial performance and attitudes about the effect of environmental change.
Respondents in firms which experienced above average growth and profitability during the 1967-1971 period tend to have more unfavorable attitudes about the effects of change than those in the lower performance firms.

Conclusions

The information presented in this study suggests that the role of marketing will expand rapidly in the next few years. Also, the scope and magnitude of the environmental challenges facing marketers are likely to grow. As a result, marketing practitioners will have to become more effective in defining and interpreting changes in their ecosystem.

It appears that important expansive shifts in the role of marketing may occur in the 1970s. The importance of the function was acknowledged, almost universally, in the present study. The influence of marketing executives on strategy formulation is likely to increase during the period.

The importance of macro-environmental issues such as air and water pollution, and consumerism, are expected to increase dramatically; challenging the skills and resources of the firm and its marketing leaders. Also, the continued prime importance of changes in the task environment was demonstrated. Issues such as changes in markets, competition, and channels were accorded high levels of importance.

It is unclear from the information obtained here, whether or not the environment is expected to become more benign or hostile. However, it can be concluded that major attitude and importance evaluation
changes are occurring concerning the impact of environmental pressures on the marketing task.

The implications of the information presented above must be constrained in the sense that the size and the character of the study do not allow sweeping generalizations to be made. The results, however, indicate the complexities of the adaptive behavior process and offer abundant opportunities for further study.

Finally, it is somewhat disappointing to have to conclude that the hypothesized relationships, in general, were not supported. There may be several reasons for this as discussed in the Recommendations section that follows.

Recommendations

The results of this study suggest that the role of marketing is expected to increase in importance and scope during the remainder of the decade. It will become increasingly important for marketing executives to consider the forces affecting their strategies and to extend the range of their understanding of the ecosystem. For some a redefinition of the relevant environment may be necessary for survival. That is, perceptions may have to become more realistic. In any event, it is clear that more information is needed about the adaptive behavior of senior executives. This section presents a discussion of several potential research paths that might be pursued in gaining the understanding that is needed.

1. The present study attempted to explore adaptive inclinations across a wide range of industries. Within the target organizations, only one or two respondents were contacted. The results indicate
that more information should have been obtained from each respondent. Furthermore, in order to capture the real character of the firm's marketing orientation, other executives would have to be interviewed. Thus, a promising and necessary research path would be in the development of case studies. Perhaps a few firms in the consumer goods industries could be studied and compared to industrial producers. Comparisons of the ways the executives in each industry interpret the marketing task and the need for strategic change would be fruitful.

2. It appears from the present study, that some aspects of the adaptive behavior process are amenable to study at relatively low cost using mailed questionnaires. Information about environmental issues considered important and the overall strategic response directions could be obtained by such means. Study of other aspects of the behavioral process, such as the level and scope of the marketing orientation, necessitate the use of personal interviews.

3. This study provided some initial insights into the changes in the role of marketing in the 1970s, but, because of financial and conceptual limitations, the researcher was able to make few definitive statements about the types of changes that may be forthcoming. More importantly, there is insufficient evidence to suggest specific policy implications for marketing in the future. To accomplish this task would require a longitudinal study of the strategy formulation process, and substantially greater depth of inquiry than was possible in this undertaking.
Research is needed on the present status of adaptive behavior in order to establish a baseline for more definitive studies. Subsequent studies should be directed at improving the strategic-level decision making skills of marketing practitioners. The writer is hopeful that this study has made a measurable contribution to the establishment of such a research focus.
APPENDIX A

A SUMMARY OF THE LITERATURE ON

THE MARKETING CONCEPT
A SUMMARY OF THE LITERATURE ON
THE MARKETING CONCEPT

Different environmental conditions have dictated different philosophical orientations of businessmen. Observation of the nature of business' response to changing environmental demands is indicative of these viewpoints. Pragmatically speaking, most responses have been appropriate to the period. Those who have recognized the context in which they operate have survived. Those who have lagged or adhered to obsolete viewpoints have been punished by the markets' resistance to their offerings. Conversely, those at the forefront have been rewarded by rapid and enthusiastic acceptance of their practices.¹

Using these notions as a background, this section serves to integrate and summarize the ideas presented throughout Chapter II. It is designed to provide logically placed stepping stones between the concepts of strategic decision making, adaptive behavior, and environmental determinism. Moreover, it has been written to facilitate an understanding of the rationale and logic supporting the hypotheses which are presented in Chapter III.

The Evolution of the Marketing Concept...and Beyond

Moving from an agricultural to an industrial orientation at the end of the nineteenth century, the U.S. economy changed dramatically. Basic industries, such as steel, textiles and energy emerged as giants. Mass markets became a reality with the rapid spread of railroads and communication facilities. In response to the mass markets, various attempts to mass produce were made.

Accompanied by an expanding population and rising aspirations of consumers, the economy found its supply capabilities seriously limited. The most apparent and critical concern during this period centered on the acquisition and utilization of the factors of production. Particular concern was voiced over the gap between manufacturing capabilities and market demands.

As a result of these conditions, it was timely that the primary business orientation centered on the production function. Moreover, the generally recognized environmental components were the basic productive resources. Emphasis, therefore, was placed on conditions in input markets and on the organization and direction of the factors of production. By comparison, conditions in consumer or output markets were accorded relatively little significance.

Today, the orientation is substantially different. All segments of the environment are visible influences on business survival and growth.

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Leading businessmen are finding that they must be sensitive to the conditions in input and output markets. Furthermore, they must be aware of the conditions affecting other publics which sanction their behavior. This orientation conceptualizes the firm as part of a total system bent on providing satisfactions for several constituencies. The dynamics of the present situation dictate this orientation. Furthermore, the environmental context is such that a process of continuous self evaluation and correction is required if firms expect to maintain a viable relationship with their constituencies.

The various stages of evolution from a production centered to a socio-technical or total systems business orientation are summarized in Table 1.\textsuperscript{3} Using this scheme, firms can be classified according to the managerial interpretation given to the business task or the executive orientation given to ecosystem components. For example, non-progressive organizations might be expected to exhibit the qualities of production or sales oriented firms. Their executives' perceptions of ecosystem components would be limited to input and certain output market factors. Little concern would be expressed over other environmental forces such as urban problems or the side effects of pollution on society as a whole. The various stages are discussed briefly here.

\underline{From a production to a sales orientation.}--As mentioned previously, the earliest orientation of businessmen was toward production. The

\textsuperscript{3}The underlying basis for this table is attributed to Dr. Herbert E. Brown, Wright State University and E. J. Kelley, Marketing Planning and Competitive Strategy, pp. 68-69.
TABLE 42

STAGES IN THE DEVELOPMENT OF THE BUSINESS ECOSYSTEM

<table>
<thead>
<tr>
<th>Managerial Interpretation of the Business Task</th>
<th>Generally Recognized Ecosystem Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Land, Labor, Capital, Entrepreneurship</td>
</tr>
<tr>
<td></td>
<td>{ Factors of Production }</td>
</tr>
<tr>
<td>Finance</td>
<td>Stockholder</td>
</tr>
<tr>
<td>Sales</td>
<td>Customers, and/or Consumers (Marketing Concept)</td>
</tr>
<tr>
<td>Marketing</td>
<td>Community (Social System Concept)</td>
</tr>
<tr>
<td>Integrated Marketing</td>
<td>Total Ecosystem (Generic Concept of Marketing)</td>
</tr>
<tr>
<td>Integrated Technological and Marketing System</td>
<td></td>
</tr>
</tbody>
</table>

principal managerial task was one of producing as much as possible to serve the burgeoning needs of society.

As time passed, enterprises expanded to the point that they were constrained by limited financial resources. Firms approaching this state began to place more emphasis on the acquisition and use of financial resources. The role of stockholder and his demands on the organization were added to the ecosystem conditions generally recognized by businessmen.

The availability of new productive capacity and finances allowed firms to reach a point where their supply capabilities exceeded the
basic level of demand. For the first time in the history of American industry, the orientation shifted to the customer. Furthermore, the task became one of selling what could be produced. The focus was on sales and much managerial effort was expended in developing the sales force and sales management areas of the firm. Remnants of this viewpoint are still evident in a wide variety of industries, even today.

The evolution of the integrated marketing orientation.-- As consumers became more affluent and sophisticated, executives were again forced to change viewpoints. Enterprising firms, appraising the new environmental demands, saw opportunities to fully exploit corporate capabilities. To do so, it became necessary to determine what consumers wanted and to assume a new strategic focus. Business leaders, recognizing the opportunities, mounted consumer research programs. They started to listen to consumers on such matters as product design; and started to create communication programs which held promise of stimulating latent demand.

The result was a shift from a sales to a marketing orientation. The central task of the firm became marketing. The dominant ecosystem component for the marketing orientation adherent became the consumer. Even today, not all firms have accepted this viewpoint. Yet despite the uneven pace of conversion, a major shift from an inner-directed to an outer-directed philosophy has been witnessed throughout American industry.

Along with the adoption of the consumer orientation, many organizations have realized that sales volume alone was not an adequate indicator of performance. In order to satisfy the demands of its two main
constituencies, shareholders and customers, firms became concerned with the generation of profitable sales. That is, the demands of owners for increased wealth and power could best be satisfied by the creation and satisfaction of customers willing to compensate the firm for its service.

It has become apparent to many that the most effective way of achieving this is for the various functional areas of the firm and its channels to operate as a team. This sense of teamwork, dedicated to satisfying consumer wants, is held by many to be an expedient to satisfying the demands of the owners.

Under the rubric of the Marketing Concept, this business philosophy views the firm as a system dedicated to serving the material needs of consumers. The Marketing Concept has three major elements. These specify the need for a consumer orientation, the importance of an integrated management effort, and the derivative effect of satisfying customers; namely profits.4

The Marketing Concept holds that the firm's role is marketing and that all elements of the firm must operationalize this orientation so that there is a uniform commitment to the achievement of the firm's mission. In this regard, the ideal behavior system is the "marketing company which survives in the long run because its capacity to adapt its form and function to changing environmental conditions."5

Toward a generic concept of marketing.--Recently, another component of the ecosystem has received attention. Encompassing the community at

4For an extensive development of these ideas refer to Philip Kotler, Marketing Management, pp. 17-27; and Martin L. Bell, Marketing: Concepts and Strategy, pp. 6-10.

5Martin Bell, Ibid., p. 71.
large, it gives recognition to the effects of the firm's operations on the rest of society. Still in its infancy, the societal orientation requires a broadened sensitivity to the effects of environmental demands on the firm.

Some feel that marketing has "commensurate social responsibilities that cannot be the exclusive concern of companies and consumers."\(^6\) Representatives of this view believe that business has to become sensitive to its effects on the ultimate environment. It must achieve,

...a genuine external social purpose within the ultimate environment by contributing to the identification and fulfillment of the 'real human needs of our time.'\(^7\)

In discussing his "human concept", Dawson identifies three levels of "real human needs":

(1) The first level is internal in nature, and pertains to the role of the enterprise as a developer of human resources within the organization.

(2) The second level of the human concept concerns the relationship of the enterprise to its consumers, competitors, suppliers and distributors, that is, the proximate environment.

(3) The third level concerns the relationship of the enterprise to society in general, that is the ultimate environment.\(^8\)

Several operationalized manifestations of this view may be found in the work of Feldman, Lavidge, and Lazer. Their concept of social responsibility, in effect, holds the Marketing Concept to be viable but requires that business leaders recognize emerging socio-cultural trends

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which shape consumer values.

Feldman, for example, taking into account changing cultural norms, advocates a shift in business emphasis to the marketing of services in both the public and private sector. He believes that consumers are becoming concerned about the social costs of high consumption of goods. As a result, consumers in the future are likely to seek "societal satisfaction" from their purchases. Societal satisfaction is derived from "the buyer's knowledge that the purchase benefits the larger society." In effect, Feldman stresses the need for a broadened and more sensitive consumer orientation along with meaningful dialogue with government as a means of striking a "social balance."9

Lazer, addressing similar issues, concludes that business' social responsibility is met by a heightened awareness of the changes in the societal norms and life styles of consumers in an era of abundance. Also, the firm must help consumers accept affluence and the higher order needs associated with such a stage of self development.10 This may result not only in expanded offerings of goods but also in products which foster social development. He points out that to develop this more responsive orientation,

...marketing must develop its sense of community its societal commitments and obligations, and accept the changes inherent in any institution of social control.11

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Marketers cannot be responsible to society, according to Lavidge, if they appeal solely to the needs of the affluent. Poverty problems must fall under the purview of responsible business firms as well.12

Others encourage a shifting of marketing emphasis from goods to services. Also, they seek a widening of the application of marketing ideas to non-economic institutions.13 In this vein, there are reports of joint study groups between business and government.14 They are seeking to identify changing relationships between values and technology.

The essence of the integrated marketing orientation has been captured by Kelley and Lazer. They write:

The marketing management concept, with its emphasis on integration implies a systems approach to the management of marketing effort. Marketing management includes the recognition of the interrelation and interconnection between marketing and other business elements. It adopts a systems approach as the basis for the solution of marketing problems; it is concerned with integrated and coordinated use of marketing resources to achieve predetermined and realistic objectives in an effective manner.15

Under this systems approach, managements will have to include the consideration of social implications in their practices. According to


14Kotler, Marketing Management, 2nd ed., see also, Lazer's, "Marketing's Changing Social Relationships."

Bell, "a revised view of the Marketing Concept is one approach to meet this challenge."\(^{16}\)

Finally, in the words of Patrick J. Robinson,

The conclusion which necessarily follows from these considerations is that for marketing to remain a relevant and significant discipline in the future, we must develop and implement marketing perspectives which integrate profitability requirements and ecological or environmental constraints. Just as the problems of physical distribution became overshadowed by the requirements for customer orientation two decades ago, so the problems of market segmentation and buyer behavior are becoming overshadowed by the requirements for an integration of the requirements of our system of production and marketing with the constraints of our social and cultural environment.\(^{17}\)

**Future perspectives on the role of business.**--The social systems concept is summarized by E. J. Kelley who says,

More businesses are redefining their goals, moving beyond the Marketing Concept to a view of the firm as an integrated technological and marketing system focusing on the profitable satisfaction of consumption needs.\(^{18}\)

The reasons for this expanded orientation are that a variety of social forces are stimulating a long-term commitment to protection of the physical and social environment. In Kelley's view,

Firms could be subject to appraisals of their environmental performance and their contributions to social change. Such an environmental audit of corporate performance may become a common practice by the late 1970s.\(^{19}\)

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\(^{19}\)E. J. Kelley, "Marketing's Changing Social/Environmental Role," p. 2.
Pushing these ideas even further, Kotler has conceptualized three levels of marketing consciousness. They are:

Consciousness One: Marketing is essentially a business subject.

Consciousness Two: Marketing is appropriate for all organizations that have customers.

Consciousness Three: Marketing is a relevant subject for all organizations in their relations with all their publics, not only customers.20

The consciousness three level, he feels, extends thought to the point that marketing can be viewed as pertaining to

...how transactions are created, stimulated, facilitated, and valued.21

This generic concept of marketing is considered to provide the fundamental linkage between the various society-serving institutions. At this level, the ecosystem becomes society at large and the managerial interpretation of the task is oriented toward the stimulation of mutually satisfying transactions.22 There is little question that much intellectual progress is needed before this orientation can be realized. Yet, with the melding of institutional frameworks and the blurring of traditional boundaries, there is even less question that this orientation will eventually pervade all socially responsive organizations.


21 Kotler, Ibid., p. 48.

22 Kotler, Ibid., pp. 46-54.
Summary

In spite of the apparent advances in marketing thought, many businesses have not adopted even the Marketing Concept to any significant degree. Still, some are relatively insensitive to the wants of consumers and thus give a low evaluation to the marketing task. They may have a production or sales orientation. They may still take their cues from the behavior of competitors. A recent study of senior marketing executives, presidents, and marketing academicians revealed that "...relatively few companies are able - for whatever reasons - to implement the concept and make it operational on a day-to-day basis."

Because of the significant advances that have been made in the managerial interpretation of the business task, consideration of the current state of affairs is in order. This study is dedicated to obtaining insights into the ecosystemic orientation of leading marketing executives. Hypotheses have been posed which focus on the bearing these viewpoints may have on the role of marketing in the firm.


APPENDIX B

THE STUDY QUESTIONNAIRE
1. **Objectives of Company Objectives**

Many companies pursue several objectives some of greater importance to the firm than others. Over time, the relative importance of these objectives may change. Listed below are several basic objectives frequently cited by companies. Space is provided for you to add any others you may use. Please allocate 100 points among those objectives according to your estimate of: (1) the relative importance of the item to your firm during the 1960's and, (2) the relative importance of the item to your firm expected during the 1970's (See Column 2). (Assign the largest number of points to the most important item and so on.) (3) Explain the major reasons for significant differences in the relative importance of each objective element between the 1960's and the 1970's (See Column 3).

<table>
<thead>
<tr>
<th>Elements of Company Objectives</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Competitive Strength Objectives. Includes considerations about growth in sales, growth in market shares and growth in earnings per share.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Profitability Objectives. Includes considerations about return on equity, return on total capital and return on sales.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Flexibility Objectives. Includes considerations about maximum percentage of sales or profits derived from a single market segment and maximum marketing effort to be expended on low growth markets.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Responsibility Objectives. Includes considerations about non-profit goals, philanthropic activities, employee and community welfare programs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Objectives. (Please specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| TOTAL | 100 pts | 100 pts | 100 pts |
2. **Influence of Senior Executives on Company Strategy Formulation**

Certain organizational units of a firm may be more influential than others in shaping the strategies that are devised to achieve company objectives. Also, the influence structure may change over time. Listed below are four major classifications of senior executives, with a brief description of each group. Please allocate 100 points among these classifications according to your estimates of: (1) the relative influence of executives in that classification on the formulation of company strategy during the 1960’s (see Column 1) and, (2) relative influence of the unit on strategy developed during the 1970’s (see Column 2). Assign the largest number of points to the most influential unit and so on. (2) Explain the major reasons for significant differences in the relative influence of each class of executives between the 1960’s and 1970’s (see Column 3).

<table>
<thead>
<tr>
<th>Classification of Senior Executives</th>
<th>Column 1: Influence of Executive Group</th>
<th>Column 2: Influence of Executive Group</th>
<th>Column 3: Reasons for Differences in Influence Ratings between 1960’s and 1970’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Senior Production or Manufacturing Executives</td>
<td>Production Vice President</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Senior Marketing Executive</td>
<td>Group Vice President</td>
<td>Marketing Vice President</td>
<td></td>
</tr>
<tr>
<td>3. Senior Financial Executive</td>
<td>Controller</td>
<td>Financial Vice President</td>
<td></td>
</tr>
<tr>
<td>4. General Management Executives</td>
<td>Chief Executive Officer</td>
<td>President or Office of President</td>
<td></td>
</tr>
</tbody>
</table>

| TOTAL | 100 pts | 100 pts |
3. Importance of Environmental Factors to Company Objectives

Companies operate in dynamic environments. Some elements of a firm's environment may be relatively more important than others in achieving growth and profitability objectives. Furthermore, the relative importance of the elements may change with time. Listed below are ten environmental factors which may be of importance to your company. Please allocate 100 points between the 1960's and 1970's columns for growth and profitability objectives according to your estimate of: (1) the relative importance of the environmental element to growth in the 1960's and 1970's (Column 1), and (2) the relative importance of the environmental element to profitability in the 1960's and 1970's (Column 2). (Note: In this question only your scores should sum to 100 points horizontally for both the growth and profitability issues.)

<table>
<thead>
<tr>
<th>Environmental Element</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth</td>
<td>Profitability</td>
<td>Reasons for Differences Between 1960's and 1970's</td>
</tr>
<tr>
<td></td>
<td>Scores</td>
<td>Scores</td>
<td></td>
</tr>
<tr>
<td>1. Consumerism</td>
<td></td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>2. Air Pollution Controls</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>3. Water Pollution Controls</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>4. Urban Substandard Housing Situation</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>5. Deterioration of Downtown Shopping Districts</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>6. Civil Rights Movement</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>7. Nature and Intensity of Domestic Competition</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>8. Nature and Intensity of Foreign Competition</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>9. Consumer Market Trends</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
<tr>
<td>10. Changes in Your Distribution Channels</td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
</tbody>
</table>
4. FAVORABLENESS OF ENVIRONMENTAL FACTORS TO COMPANY OBJECTIVES

Listed below are the same ten environmental factors as considered in the last question (Q3). Please place an "X" in the "Favorable" (F) or "Unfavorable" (U) column according to your estimate of: (1) the favorableness of the environmental elements in the 1960's and your expectations for the 1970's on growth objectives (Column 1); and (2) the favorableness of the environmental elements in the 1960's and your expectations for the 1970's on profitability objectives (Column 2). (3) Explain any major reasons for changes between the 1960's and 1970's in Column 3. (NOTE: In this question you should have four (4) "X"s for each environmental factor; two for growth and two for profitability effects.)

<table>
<thead>
<tr>
<th>Environmental Element</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>U</td>
<td>F</td>
</tr>
<tr>
<td>1. Consumerism</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Air Pollution Controls</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3. Water Pollution Controls</td>
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<td></td>
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<tr>
<td>4. Urban Substandard Housing Situation</td>
<td></td>
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<tr>
<td>5. Deterioration of Downtown Shopping Districts</td>
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<td>6. Civil Rights Movement</td>
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<td>7. Nature and Intensity of Domestic Competition</td>
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<td>8. Nature and Intensity of Foreign Competition</td>
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<tr>
<td>9. Consumer Market Trends</td>
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<tr>
<td>10. Changes in Your Distribution Channels</td>
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</tbody>
</table>
5. IMPORTANCE OF STRATEGY COMPONENTS ON THE ACHIEVEMENT OF COMPANY OBJECTIVES

Companies often employ several strategies to achieve growth and profitability objectives. Listed below are six strategies commonly used. Please allocate 100 points among the strategy components according to your overall: (1) the relative contribution of the components to both your growth and profitability objectives during the 1960's (Column 1); and (2) the expected contribution of the strategy components to growth and profitability objectives during the 1970's (Column 2). (3) please explain the major reasons for differences between the 1960's and 1970's (Column 3).

<table>
<thead>
<tr>
<th>Strategies for Achieving Corporate Objectives</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth</td>
<td>Profitability</td>
<td>Reasons for Differences in Relative Importance 1960's vs. 1970's</td>
</tr>
<tr>
<td>1. Sales, advertising products.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased sales of existing products and line-</td>
<td>1960's</td>
<td>1970's</td>
<td></td>
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<tr>
<td>extending to existing markets.</td>
<td>1960's</td>
<td>1970's</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1960's</td>
<td>1970's</td>
<td></td>
</tr>
<tr>
<td>2. Product modifications.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Modifications of existing products—adoption of new processes for new market segments.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Market growth from entirely new products in present markets of your firm.</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Internal growth from products new to your firm in markets new to your firm.</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5. Acquisitions, New Markets.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth from acquisition of companies in markets new to your firm.</td>
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<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>6. Acquisitions, New Markets.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth from acquisition of companies in markets new to your firm.</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>100 pts</td>
<td>100 pts</td>
<td>100 pts</td>
</tr>
</tbody>
</table>
### 6. Importance of Marketing Mix Factors to Strategy

**Marketing Management Decision Areas.** Listed below are nine areas of activity commonly associated with the firm's marketing function. Some of these areas may be more important to marketing strategy than others, and this importance evaluation may change from one period to another. Please allocate 100 points among the marketing management decision areas below according to your estimate of: (1) the relative importance of the decision area to the success of your overall marketing strategy during the 1960's; and (2) the relative importance to your overall marketing strategy during the 1970's. In the space provided, please explain the reason for changes in the importance ratings for each area between the 1960's and 1970's.

<table>
<thead>
<tr>
<th>Marketing Management Decision Areas</th>
<th>Importance During 1960's</th>
<th>Importance During 1970's</th>
<th>Reasons for Differences in Relative Importance Ratings 1960's vs. 1970's</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New Product Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. New Market Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Pricing Policy Making</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Advertising and Promotion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Sales Management and Personal Selling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Customer Service (Technical Service, Applications Engineering, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Channels of Distribution (Selection of channel members &amp; efforts to develop &amp; control relationships)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Market Research</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Logistics (Transportation Inventory Control, Warehousing)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100 pts</td>
<td>100 pts</td>
<td></td>
</tr>
</tbody>
</table>
7. FINANCIAL PERFORMANCE EXPECTATIONS

PERFORMANCE EXPECTATIONS - 1970's. Considering the number and complexity of the pressures acting on today's corporations, it is likely that financial performance during the 1970's will be different from that of the 1960's. In this regard, you are asked to indicate your expectations for several areas of financial performance over the decade of the 1970's as compared to the experience of the last half of the 1960's (65-69).

Recognizing that you may be involved more directly with group or divisional performance than with total corporate performance, you may prefer to state your expectations for your group or division rather than for the corporation as a whole. Should that be the case, please go directly to the Section I, below, titled, GROUP OR DIVISION PERFORMANCE. If you wish to state your expectations for total corporate performance refer to Section II, CORPORATION PERFORMANCE, on the next page. Or you may prefer to express both corporate and divisional expectations.

I. GROUP OR DIVISION PERFORMANCE. You are asked to state your expectations for 1970's performance of your group or division in two ways. In the space provided please write the name of the division or group under consideration.

1. In Row 1, of the table below, express your 1970 expectations for the indicators listed compared to your recollections of the division or group's performance record of the 1960's. Place an "X" next to the "lower", "save", or "higher" category which most accurately expresses your view for the level of each indicator during the 1970's as compared to the 1960's.

2. In Row 2, if possible, please indicate your 1970's expectations for each indicator in numerical form.

<table>
<thead>
<tr>
<th>Row</th>
<th>Item</th>
<th>PROFITIBILITY %</th>
<th>GROWTH %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Profit Margin on Sales</td>
<td>Profit Contribution to Assets Employed</td>
</tr>
<tr>
<td>1</td>
<td>Expectations for 1970's Compared to 1960's</td>
<td>Lower</td>
<td>Save</td>
</tr>
<tr>
<td>2</td>
<td>Quantitative for 1970's</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### EVALUATION OF IMPORTANCE OF FACTORS ON MARKETING STRATEGY

Listed below are ten environmental and market factors of general interest. In this section, you are asked to indicate your feelings concerning the importance of each issue to the marketing strategy of your firm in the 1960's and the 1970's. Please circle the number which: (1) most accurately indicates the importance of the issue to your marketing strategy; and (2) most accurately indicates the importance of the issue to your firm's 1960's strategy. Also, explain, in the space provided, the reason for the change in the importance ratings for each issue between the 1960's and 1970's.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Marketing in the Firm</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>2. Consumerism</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>3. Air pollution</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>4. Water pollution</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>5. Urban Substandard Housing</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>6. Deterioration of Downtown</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>7. Civil Rights Movement</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>8. Nature and Intensity of Competition</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>9. Changes in Consumer Markets</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>10. Changes in Your Distribution Channels</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX C

INTERVIEW MATERIALS

Introductory Letter
Telephone Introduction and Appointment Format
Sample Appointment Letter
General Interview Format
The Research Questions
Major Interview Probes
Sample Thank You Letter
SAMPLE INTRODUCTORY LETTER

Nearly everyone agrees we are living in an era of unprecedented change. Discussions of air and water pollution occupy much of our attention. Civil rights...consumerism...the urban crisis...these are some of the major social issues of our times.

How will these social issues affect marketing strategy during the decade ahead? Is marketing going to change dramatically? Will the marketing concept become outmoded?

Unfortunately, answers to these questions cannot be found in the mass media. But, if you're like most of your colleagues, you probably wonder how these trends will affect your business during the remainder of the 1970's. This is what we're trying to determine in this study.

I am writing you personally to solicit your cooperation. In the next few days, Mr. Denis F. Healy, who is doing research in this area, will telephone you to schedule an interview to discuss your opinions on these and similar points. The meeting will take approximately an hour and will consist of a discussion of the importance of selected issues to the marketing strategy of your firm. You will also be asked to complete a brief classification questionnaire.

The value of this research is dependent on a high response rate, since only a small number of senior executives like you are being contacted. I recognize that you have tremendous constraints on your time but firmly believe that the time and thought you will invest in helping to make this study meaningful will pay you great dividends.

Thank you in advance for your cooperation.

Sincerely,

W. Arthur Gullman
Chairman and Professor

WAC/jj
TELEPHONE INTRODUCTION AND
APPOINTMENT FORMAT

Personal Introduction

Hello—I am Denis Healy from Ohio State University.

Recall Aid

I am calling regarding a letter you should have received from Dr. Cullman, Chairman of the Faculty of Marketing, at O.S.U. concerning a research project we are conducting on marketing strategy in the 1970s.

Do you recall receiving this letter?

Purpose

We are interviewing a number of senior executives concerning their feelings about the potential effect of such issues as water and air pollution, civil rights, and consumerism on their marketing efforts during the remainder of the 1970s.

We are primarily interested in your (his) views on the types of changes you might make in your product or market strategy to adapt. Also we are interested in your feelings about the types of changes you might consider making in such areas as advertising, warehousing, market research and so on.

Close

Would it be convenient for you (him) to discuss these issues with me at (time) on (date) ?

If no:

What about (time) on (date) ?
August 22, 1972

4409 Glenheath Drive
Kettering, Ohio 45440
513-294-3813

Thank you for agreeing to cooperate in our study, "Marketing Strategy in the 1970's." As was discussed, the major purpose of this research is to increase our understanding of the importance of a group of environmental factors on marketing in the 1970's.

There are two phases to the investigation. The first involves the completion of the enclosed questionnaire, which should take about thirty minutes. The questionnaire concerns the relative importance of several environmental factors, elements of marketing strategy and marketing management decision areas. Also, the area of operating performance is explored. In addition to scoring the questions, your comments concerning the reasons for the scores will be particularly helpful. The information obtained in this phase will be used for classification purposes. I hope you will have an opportunity to start on this before our meeting.

The second phase of research consists of a personal interview in which we will explore several aspects of the environmental issues presented in the questionnaire. This should take about an hour. Since the information gathered in the interview will be analyzed in combination with the questionnaire data, it is important that both phases be completed.

All information obtained in this study is treated confidentially. No statements will be made that can be identified with a particular individual or corporation. As a result, we trust that you will be inclined to respond candidly.

I am looking forward to meeting with you on September 7th at 1:30 p.m. for the interview. Also, I could pick up the questionnaire at this time if you have had an opportunity to complete it.

Sincerely,

Denis P. Hailey

[Signature]

Enclosure
PERSONAL INTERVIEW FORMAT

Introductory Statement

This study, sponsored by the (sponsor name or O.S.U.), seeks your ideas and opinions about the effects of a group of environmental factors on (firm name) marketing strategies and tactics for the remainder of the 1970s. We hope to be able to relate your responses to those of other leading executives and to establish some generalizations which will be useful to you for future planning and strategy development activities. Also, the principles derived from this study will make an invaluable contribution to the education of future executives.

We anticipate that the results of the study will be published in leading business or marketing journals probably in a series of articles spaced out over several months.

Your identity and comments will be kept in the strictest confidence. No information will be presented which could be traced to you or your company.

I hope this gives you a clear picture of the nature of the study and its objectives and that you will feel free to respond to my questions in depth.

Do you have any questions about what we are trying to accomplish?

Introductory Question

My experience indicates that it will take about one and one-quarter hours to complete the discussion so let's get started by discussing your views on the role of marketing in your firm.

Do you see marketing becoming more (or less) important to the success of your firm during the remainder of the 1970s?

Environmental Issues Question

In order to conserve time, I would like to consider first the issues that you think will have the greatest effect on your marketing strategies during the remainder of the 1970s. To do this, I would like you to arrange this series of nine
cards so that the item you see as having the greatest effect on your marketing strategy during the 1970s is first and so on down to the item having the least effect on your strategy.

I would also like you to respond as freely as possible to the questions posed on each card, bringing into the discussion anything you think helps to communicate your feelings. Sometimes an example helps to clarify a point.

Let's consider the first issue you selected--

(Refer to "The Research Questions," page 67 and "Major Interview Probes," page 68.)

Concluding Statement

Do you have any other comments about the material we just discussed? Are there any other environmental issues which you feel should be discussed?

Thank you for your cooperation. Your comments today, in combination with the information you supplied on the questionnaire have been most helpful. When this study is completed, I intend to prepare an executive summary of the results. Would you be interested in receiving a copy?
**THE RESEARCH QUESTIONS**

1. Will marketing become more (or less) important to the success of your firm during the remainder of the 1970s?

2. What major changes do you anticipate in consumer markets and what effects will they have on your marketing strategy during the remainder of the 1970s?

3. What major changes will occur in your distribution channel(s) and what effect will they have on your marketing strategy during the remainder of the 1970s?

4. What impact, if any, will the consumerism movement have on your marketing strategy during the remainder of the 1970s?

5. What changes do you anticipate in the nature and intensity of competition and how will they alter your marketing strategy during the remainder of the 1970s?

6. What impact, if any, will public concern over air pollution have on your marketing strategy during the remainder of the 1970s?

7. What impact, if any, will public concern over water pollution have on your marketing strategy during the remainder of the 1970s?

8. How will the civil rights movement influence your marketing strategy during the remainder of the 1970s?

9. What effect, if any, will the physical deterioration of the downtown area have on the marketing strategy of your firm during the remainder of the 1970s?

10. What effect, if any, will substandard urban housing conditions have on the marketing strategy of your firm during the remainder of the 1970s?
MAJOR INTERVIEW PROBES

The Role of Marketing

Marketing in the firm:
What are the elements of the marketing function?
How is the marketing function organized?
How does it relate to:

Physical distribution?
Research and development?
Other functional areas?

What is the level of importance of marketing to the firm at this time? In the future?
What are some reasons for the change in importance?

Task Environment Factors

Consumer market changes:
What are the general trends and issues as you see them?
What opportunities or threats are implicit in the factors?
What is the effect (affective/salience) on marketing strategy of each?

Distribution channel changes:
What is the current structure of distribution?
What trends are evident?

Mass merchandising?
Vertical systems?
Regional distribution?
What is the effect on current strategy?

What revised or new strategies are needed?

What are the implicit marketing opportunities or threats embodied in the issue?

**Consumerism movement:**

What are the perceived dimensions or meanings of the issue area?

What are the sources of pressure?

How important (threatening) is the issue?

What has the firm done to date?

What plans exist for adapting?

What has been/will be the effect on elements of the marketing mix?

**Competition changes:**

What changes are anticipated?

How important and threatening are the changes?

What effect will each element of change have on your current marketing position?

What measures are planned to respond to the pressure of change?

**Macro-environmental Factors**

**Air and water pollution:**

What is the current situation and what are the sources of pressure?

What is being done to adapt?

Are there any indirect consumer or competitive effects?

What is the effect on current product offering?
What is the role of the marketing function in dealing with these issues?

What trends seem to exist?

What is the overall evaluation of the importance of each issue?

What opportunities and threats are implicit in the issues?

Civil rights movement:

What is the current situation?

What is the source of pressure?

What effect has it had on the current marketing strategy?

What are the implicit opportunities and threats?

Deterioration of downtown and urban housing areas:

How do you interpret the issues in regard to the marketing function?

What marketing opportunities or threats exist?

What is the effect on marketing strategy?
August 15, 1972

4409 Glenbeath Drive
Kettering, Ohio 45440
513-294-3813

Dear Mr. :

Thank you again for being so generous with your comments and time in serving as a respondent in my study, "Marketing Strategy in the 1970's." Your willingness to discuss the issues in depth and to complete the questionnaire represents a major contribution to the value of this investigation.

Hopefully, both of us can derive some benefit from the study. From your standpoint, I hope to discover some new dimensions in the areas of marketing strategy and the effect environmental forces have on marketing which may be valuable in your planning efforts. To this end, I intend to send you a summary of the results of the study. It should be available early next winter and will contain a brief discussion of the findings in each area. Of course, in keeping with my pledge to you, all published results will preserve the anonymity of respondents and their organizations.

For me, completion of the study has both short and long term benefits. In the short run, it represents the fulfillment of doctoral dissertation research requirements. Over the long term, the insights I have gained will help me to be a more effective teacher and researcher.

I trust that should you wish to comment further or if you have any questions concerning the study, that you will contact me. Also, I hope that you will be willing to clarify a point or two for me should that be necessary.

Sincerely,

Denis F. Healy

IFH/jw
APPENDIX D
THE MARKETING ORIENTATION INDEX
MKTO

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The Marketing Orientation Index (MKTO) has been derived from an examination and classification of the interview responses. The MKTO has been formulated as a result of synthesis of the literature on the marketing concept. Each study of note, whether conceptual or empirical, has been examined for statements about the factors that the author felt should be employed in evaluating a firm's adherence to the concept. These factors were recorded and compared. Next, the redundancies were eliminated. Finally, for each factor, three levels of adherence were deduced and criteria were specified.

The MKTO is defined as a respondent's mean score over the seven factors that resulted from the synthesis outlined above. In the pages that follow, each factor is listed and the three levels of adherence are specified. Also shown are the MKTO scores for each respondent.

The Sources of Information of the MKTO Factor Elements

The following sources were examined for information to support the construction of the Marketing Orientation Index, MKTO:


MARKETING ORIENTATION INDEX

Factor 1

ORIENTATION TO ENVIRONMENT

Criteria:
A. Concerned about rights of consumers, other claimants on firms resources and outputs and social impact.

B. Concerned about consumer. Demonstrated concern for satisfying consumer wants without showing much regard for other aspects like social welfare, consumerism, etc.

C. Concerned about internal matter of production, etc., with little concern for consumer markets.

D. Concerned about activities of competitors, suppliers without expressing concern over consumers.

Scoring:

High = 3 : Criterion A
Med = 2 : Criterion B
Low = 1 : Criterion C, D
N/R = 0

Factor 2

SYSTEMS ORIENTATION

Criteria:
A. Channel viewed as part of firms marketing system.

B. Evidence of integration of internal activities
   Corporate planning involvement
   R & D involvement
   Physical Distribution System involvement
   Other committee memberships

C. Evidence of shared role in corporate or divisional objectives setting.

Scoring:

High = 3 : 3 yes
Med = 2 : (2 yes - 1 no
Low = 1 : (3 no
N/R = 0 : (2 no - 1 N/R
       (2 no - 1 yes
       (3 N/R
Factor 3

CHARACTERIZATION OF RESPONSE ORIENTATION

Criteria:
A. Looking for opportunities to achieve goals. Sees change in opportunistic sense.
B. Recognizes need to adapt but has no direction or inclination to action as yet (waiting for leader to emerge).
C. Will change when the threat becomes large enough - for now will wait - recognizes changing environment.
D. Content with existing course - recognizes changing environment.
E. Unaware of opportunities and threats - fails to recognize changing environment or its impact.

Scoring:
High = 3 : Criteria A and some B
Med = 2 : Criteria B and some D
Low = 1 : Criteria D and E
N/R = 0 Insufficient information available to characterize

Factor 4

HIERARCHICAL POSITION OF MARKETING

Criteria:
A. General Management or customer oriented Stages
   VP Marketing or Group VP
   Product/Managers with profit responsibility
   Sales Engineers
   Customer Service Managers
   Product Development Orientation
B. Marketing VP Stage
   Staff services only
   Sales Manager elevated to title
   Responsible for M/R, planning and operations
   VP sales in title of Exec.
C. Marketing Specialist or Selling Stage
   Specialists in M/R
   Reporting to various non marketing functions
   Sales Manager or sales oriented executive as leader
   Range of top executive less than VP

Scoring:
High = 3 : Meets Criterion A
Med = 2 : Meets Criterion B
Low = 1 : Meets Criterion C
N/R = 0 Meets none of above or there were insufficient comments to infer
MARKETING FUNCTIONS PERFORMED

Criteria:
A. Complete Responsibility for all functions* #’s 1-7 to 10
B. Responsibility for functions 1 - 4 or 5
C. Responsibility for functions 1 - 2 or 3
D. Responsibility for functions 1 - 3 and 6 - 10
E. Responsibility for functions 2 from each class (A-D)
F. Only 3 or 4 functions mentioned or strongly implied and only showed limit.

Scoring:
High = 3 : Criteria A, D, or E
Med = 2 : Criteria B or E
Low = 1 : Criterion C
N/R = 0 : Criterion F

*Functions:
1. Advertising 6. Product Dev./Planning
2. M/R 7. Logistical Concerns
3. Sales and Customer Relations 8. Credit
5. Channel Relations 10. Community Relations

MIS - M/R ORIENTATION

Criteria:
A. Broad Scope of Activities
   Consumer research Concept research
   Economic research MIS in operation or in dev.
   Panel studies
B. Narrow Scope - Ongoing Operation
   Concentrate on analysis of historical data
   No research on consumer behavior
   Sales analysis only
   Ad hoc approach
C. No Activity
   No formal function
   Function being developed (staff or one or two)
   No organizational commitment

Scoring:
High = 3 : Meets Criterion A
Med = 2 : Meets Criterion B
Low = 1 : Meets Criterion C
N/R = 0 : Meets none of the above or there were insufficient comments to infer category
Factor 7

PERCEPTION OF IMPORTANCE OF ROLE OF MARKETING

Criteria:

A. High - marketing provides guidance to entire firm
   - viewed as a top management task
   - equal or superior to other areas in providing
     leadership - interpretation of firm's task

B. Moderate - marketing viewed as another function whose
   contribution is equal or slightly less than other key functional areas.

C. Low - marketing is viewed as selling or advertising with
   low sensitivity to other elements or tasks. View as being
   subordinate to other major functional areas.

Scoring:

High = 3 : A
Med = 2 : B
Low = 1 : C
N/R = 0 : Impossible to evaluate based on information given
**TABLE 43**  
Distribution of MKTO Scores

<table>
<thead>
<tr>
<th>Respondent Code</th>
<th>MKTO Score</th>
<th>Respondent Code</th>
<th>MKTO Score</th>
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</thead>
<tbody>
<tr>
<td>0101</td>
<td>2.84</td>
<td>0922</td>
<td>2.67</td>
</tr>
<tr>
<td>0102</td>
<td>2.80</td>
<td>0923</td>
<td>2.43</td>
</tr>
<tr>
<td>0103</td>
<td>2.84</td>
<td>1024</td>
<td>2.00</td>
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<tr>
<td>0204</td>
<td>3.00</td>
<td>1025</td>
<td>3.00</td>
</tr>
<tr>
<td>0205</td>
<td>3.00</td>
<td>1026</td>
<td>2.61</td>
</tr>
<tr>
<td>0306</td>
<td>2.50</td>
<td>1127</td>
<td>2.72</td>
</tr>
<tr>
<td>0307</td>
<td>2.86</td>
<td>1228</td>
<td>2.40</td>
</tr>
<tr>
<td>0408</td>
<td>2.34</td>
<td>1229</td>
<td>2.60</td>
</tr>
<tr>
<td>0509</td>
<td>2.67</td>
<td>1230</td>
<td>2.84</td>
</tr>
<tr>
<td>0910</td>
<td>2.34</td>
<td>1231</td>
<td>2.30</td>
</tr>
<tr>
<td>0612</td>
<td>3.00</td>
<td>1231</td>
<td>2.30</td>
</tr>
<tr>
<td>0713</td>
<td>2.67</td>
<td>1323</td>
<td>3.00</td>
</tr>
<tr>
<td>0714</td>
<td>1.75</td>
<td>1333</td>
<td>-</td>
</tr>
<tr>
<td>0715</td>
<td>1.50</td>
<td>1334</td>
<td>2.84</td>
</tr>
<tr>
<td>0716</td>
<td>1.50</td>
<td>1435</td>
<td>2.58</td>
</tr>
<tr>
<td>0817</td>
<td>2.15</td>
<td>1436</td>
<td>2.72</td>
</tr>
<tr>
<td>0818</td>
<td>2.50</td>
<td>1037</td>
<td>2.84</td>
</tr>
<tr>
<td>0819</td>
<td>2.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0820</td>
<td>1.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0921</td>
<td>3.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX E

CHARACTERISTICS OF STUDY RESPONDENTS

Financial Characteristics of Industry Segments

Profile of Study Respondents
Financial Performance of Industry Segments

As stated in Chapter III, the respondents were drawn from a range of industry segments. The segments were chosen because of the variety of environments they face and the range of financial performance characteristics they span. The characteristics are as reported by Forbes in its January 1, 1972, "Who's Where Within the Industry Groups," section. This information is presented in Table 44.

The participating firms were chosen because of their financial performance as well. The principal decision criterion was that the firms exhibited financial performance for the 1967-1971 period that spanned the ranges for the segments. That is within each industry segment, firms were chosen which were above and below the performance norms for the segment. In some cases this was not possible because of the other constraints of geography or willingness to participate.

Because of a commitment made to the participants to preserve their anonymity, details of their firms' performance cannot be disclosed. Instead, a summary of financial and non-financial characteristics of participants and their firms is presented in Table 45.
<table>
<thead>
<tr>
<th>Industry Segment</th>
<th>Ind. Code</th>
<th>Profitability 5-Year Return On</th>
<th>Growth 5-Year Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Equity Percent</td>
<td>Total Capital Percent</td>
</tr>
<tr>
<td>Consumer Goods: Personal</td>
<td>01</td>
<td>18.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Metals: Nonferrous</td>
<td>02</td>
<td>13.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Leisure and Education</td>
<td>06</td>
<td>13.7</td>
<td>10.0</td>
</tr>
<tr>
<td>Consumer Goods: Household</td>
<td>03</td>
<td>13.3</td>
<td>10.3</td>
</tr>
<tr>
<td>Consumer Goods: Food and Drink</td>
<td>05</td>
<td>12.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Electronics</td>
<td>04</td>
<td>12.4</td>
<td>10.0</td>
</tr>
<tr>
<td>Information Processing</td>
<td>11</td>
<td>12.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Energy</td>
<td>07</td>
<td>11.9</td>
<td>9.6</td>
</tr>
<tr>
<td>Industrial Equipment</td>
<td>08</td>
<td>11.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Automotive</td>
<td>12</td>
<td>10.0</td>
<td>8.3</td>
</tr>
<tr>
<td>Building Materials</td>
<td>13</td>
<td>10.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Forest Products &amp; Packaging</td>
<td>10</td>
<td>9.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Chemicals</td>
<td>09</td>
<td>9.3</td>
<td>7.4</td>
</tr>
<tr>
<td>Metals</td>
<td>14</td>
<td>6.0</td>
<td>5.1</td>
</tr>
</tbody>
</table>

### TABLE 45

**PROFILE OF STUDY RESPONDENTS**

<table>
<thead>
<tr>
<th>Industry Classification</th>
<th>Number of Companies</th>
<th>Percent of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>11</td>
<td>31</td>
</tr>
<tr>
<td>Industrial Goods</td>
<td>24</td>
<td>69</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales Volume, 1971</th>
<th>Number of Companies</th>
<th>Percent of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $200 Million</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>$200-299</td>
<td>7</td>
<td>20.0</td>
</tr>
<tr>
<td>$300-399</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td>$400-499</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>$500-999</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td>$1000-1499</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td>Over $1500</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td><strong>$39.0 Billion</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th>Number of Companies</th>
<th>Percent of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $200 Million</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>$200-299</td>
<td>8</td>
<td>22.9</td>
</tr>
<tr>
<td>$300-399</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>$400-499</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>$500-999</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td>$1000-1499</td>
<td>5</td>
<td>14.4</td>
</tr>
<tr>
<td>$1500-1999</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Over $2000</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$27.68 Billion</strong></td>
<td></td>
</tr>
<tr>
<td>Distribution of Titles of Respondents</td>
<td>Number of Respondents</td>
<td>Percent of Respondents</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-----------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Group Vice President</td>
<td>3</td>
<td>6.4</td>
</tr>
<tr>
<td>Vice President - Marketing</td>
<td>14</td>
<td>29.8</td>
</tr>
<tr>
<td>Vice President - Sales</td>
<td>3</td>
<td>6.4</td>
</tr>
<tr>
<td>Vice President - Other</td>
<td>5</td>
<td>10.6</td>
</tr>
<tr>
<td>Director or Manager - Marketing</td>
<td>6</td>
<td>12.8</td>
</tr>
<tr>
<td>Manager - Planning</td>
<td>2</td>
<td>4.3</td>
</tr>
<tr>
<td>Manager - Marketing Services or Research</td>
<td>5</td>
<td>10.6</td>
</tr>
<tr>
<td>Manager - Advertising</td>
<td>1</td>
<td>2.1</td>
</tr>
<tr>
<td>Manager - Other</td>
<td>5</td>
<td>10.6</td>
</tr>
<tr>
<td>Assistant to Vice President</td>
<td>2</td>
<td>4.3</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2.1</td>
</tr>
<tr>
<td>Total Contacts</td>
<td>47</td>
<td>100</td>
</tr>
</tbody>
</table>
TABLE 45.-continued

<table>
<thead>
<tr>
<th>Net Income, 1971</th>
<th>Number of Companies</th>
<th>Percent of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-15 Million Loss</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>$0-4</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>$5-9</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>$10-19</td>
<td>5</td>
<td>14.4</td>
</tr>
<tr>
<td>$20-29</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td>$30-49</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>$50-99</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td>$100-199</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Over $200</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Total Net Income</strong></td>
<td><strong>$1.79 Billion</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Return on Equity, 1971</th>
<th>Number of Companies</th>
<th>Percent of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>0.0-3.9</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>4.0-4.9</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>5.0-5.9</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>6.0-8.9</td>
<td>6</td>
<td>17.2</td>
</tr>
<tr>
<td>9.0-10.9</td>
<td>7</td>
<td>20.0</td>
</tr>
<tr>
<td>11.0-14.9</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>15.0-19.9</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>Over 20</td>
<td>1</td>
<td>2.9</td>
</tr>
</tbody>
</table>
The Relationship Between Performance Attitudes and Strategy Orientation

Table 46 demonstrates that respondents in firms with below average growth in the 1967-1971 period are likely to perceive little need for strategy change in the 1970s. Table 47 indicates that respondents in low growth firms are likely to express more favorable attitudes about the favorableness of the future than their counterparts in higher growth firms. Finally, Table 48 suggests that a relationship similar to that of Table 47 may exist for the profitability dimension. That is, respondents in firms which experienced above average profitability levels during the 1967-71 period are likely to be more pessimistic about the potential of the future than their counterparts in less profitable firms.

An interesting sidelight is that there is a direct and strong correlation between the profitability and growth performance of the organizations in the present study. This finding is contrary to that suggested by others and is inconsistent with the relationship found between the importance of profitability and growth objectives to the respondents. Importance of profitability and growth objectives as scored in Questionnaire Item 1, shows a tendency toward negative correlation. This relationship is shown in Table 49.
TABLE 46


<table>
<thead>
<tr>
<th>Growth Classification</th>
<th>Low</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Low</td>
<td>10</td>
<td>67</td>
<td>5</td>
<td>33</td>
<td>15</td>
</tr>
<tr>
<td>STGY-Q</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>6</td>
<td>43</td>
<td>8</td>
<td>57</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>55</td>
<td>13</td>
<td>45</td>
<td>29</td>
</tr>
</tbody>
</table>
## TABLE 47


<table>
<thead>
<tr>
<th>Growth Classification</th>
<th>Low</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number %</td>
<td>Number %</td>
<td>Number %</td>
</tr>
<tr>
<td>Unfavorable</td>
<td>7 37</td>
<td>12 63</td>
<td>19 100</td>
</tr>
<tr>
<td>ATT-IV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favorable</td>
<td>11 85</td>
<td>2 15</td>
<td>13 100</td>
</tr>
<tr>
<td>Total</td>
<td>18 56</td>
<td>14 44</td>
<td>32 100</td>
</tr>
</tbody>
</table>
TABLE 48


<table>
<thead>
<tr>
<th>Profitability Classification</th>
<th>Low</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Unfavorable</td>
<td>3</td>
<td>38</td>
<td>5</td>
</tr>
<tr>
<td>Favorable</td>
<td>13</td>
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<td>Total</td>
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TABLE 49
A SUMMARY OF THE RELATIONSHIP BETWEEN PROFITABILITY AND GROWTH CLASSIFICATIONS FOR THE STUDY CONSTITUENCY (1967-1971)

<table>
<thead>
<tr>
<th>Growth Classification</th>
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<th>Low</th>
<th>High</th>
<th>Total</th>
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<td>%</td>
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APPENDIX F

REPORT OF COMMENTS FROM THE INTERVIEW

AND QUESTIONNAIRE PHASES
REPORT OF COMMENTS FROM THE INTERVIEW AND QUESTIONNAIRE PHASES

Introduction

A variety of comments of interest have been gleaned from the interview and questionnaire responses. This appendix is devoted to a summarization of these comments which contain the most interesting and complete statements. No attempt has been made to classify them because of the relatively small numbers and the variety of responses. Instead, the comments are divided into those obtained from the interviews and those obtained from the questionnaires.

The responses are listed in sequence of the industry class codes used to classify respondents. As a result, the initial comments on each issue are from respondents in firms of high profitability and the succeeding remarks are from respondents in decreasingly profitable firms. Comments are listed first for the environmental issues. Then, written responses from each of the questionnaire items are presented. The comments obtained for Questionnaire Items 3, 4 and 8 have been combined since they address basically the same issues.

Changes in Consumer Markets

Interview Responses

Consumer Goods: Household.--Hail of a fix for oil companies. The situation puts you in the nuclear business pretty fast.

Consumer Goods: Food and Drug.--All kinds of changes can be accommodated over a ten year period.

Industrial Equipment.--We go into the marketplace with special products--but it bothers me because we don't identify potentials early enough.

Chemicals.--There will be changes especially since TV advertising has been the only way that companies have stayed alive.
Changes in Consumer Markets (continued)

Forest Products and Packaging.--How shrewd you are in sizing up the market determines your success.

Information Processing.--There have been marked subtle changes in our society. Population density is increasing. The public is much more aware today.

Automotive.--The consumer is the final arbiter. A lot of people in the industry who don't recognize this.

Building Materials.--Today, however, opportunities are on us very fast. We have to be able to move faster to sense market changes.

Questionnaire Responses


Metals: Nonferrous.--Integrating closer to consumer.

Energy.--Greater belief in marketing concept.

Industrial Equipment.--Concentration will continue to grow.

Industrial Equipment.--Intensification of consumer marketing effort.

Chemicals.--May favorably affect us in 1970s due to opening new markets for non-polluting products.

Chemicals.--Enlightened self interest and growing cognizance of additional costs of doing business. Also, entry by oil companies and higher investments in the 1960s. Attracted by high ROIs.

Automotive.--Corporate change in attitude and aggressiveness.

Automotive.--Product line becoming more consumer oriented.
Interview Responses

Consumer Goods: Personal.--The consumerism movement has gained in importance since the 1960s. It will eventually cause product modifications which will cost more. Increased costs will get passed on to the consumer. In this sense, consumerism is bad. If the marketing system were giving good products (there would be) no need for consumerism...

Success is dictated by having the consumer on our marketing mind.

Consumer Goods: Personal.--As selfish marketing people, we want to present the most attractive item to consumers.

Consumer Goods: Household.--Marketing people must be aware of the increased sophistication, education and impact of communications. Very few operate in the dark. It's hard to 'bamboozle' people today.

Energy.--This is a reality. It's going to be with us. We must be in tune with the public's expectations. It's foolhardy to flaunt the standards.

Industrial Equipment.--Consumerism has changed our direction...has caused us to speed up safety programs.

Forest Products and Packaging.--Today, litter is a problem on the minds of people, whether it is or not. People today perceive it as a major problem, therefore, it is.

Forest Products and Packaging.--We have learned that if something is not totally true in the environmental area, we shouldn't say it.

Forest Products and Packaging.--People want more product information. This means more print used. This trend can do nothing but help us.

Information Processing.--You're in a society today which is one hell of a lot smarter than twenty years ago.

Automotive.--The consumer today is more receptive and conscious of being taken.

Automotive.--I believe that some of these standards are good and necessary, but other aren't.

Building Materials.--We have been advocate of safety. ...Avoid absolutes in advertising.

Other.--In the 1960s, the orientation was to tell the consumer what was good for him rather than listening to what he wanted.... The issue of consumerism is becoming very important. The consumer has more clout and is articulate. Our concern is growing. ...A natural part of our process is to think this way. ...It is to our own best interests to sense and meet consumer needs.... Some of the things that government wants us to do are not to the best interests of consumers.
Consumerism (continued)

Questionnaire Responses

Consumer Goods: Personal.--Major concern is continuously offering the consumers high quality products if we are to maintain our position.

Consumer Goods: Personal.--Additional expenses involved in research, time, packaging, etc., resulting from the movement.

Consumer Goods: Personal.--It has become an element in the decision process today much more than I can envision back in the 1960s.

Metals: Nonferrous.--Providing new markets for us, while not impacting us yet adversely. We have anticipated most of adverse problems. Done "homework" to stay ahead.

Consumer Goods: Household.--Increasing demands for record keeping. Test data end complaint adjustment will add substantial cost to consumer products.

Energy.--Increased emphasis on "good neighbor" type outlet and high quality products.

Industrial Equipment.--Increased general public awareness.

Chemicals.--Enlightened self interest. Responsive to (the) movement.

Building Materials.--Will increase cost of doing business.

Building Materials.--Greater social awareness, government regulation.
Changes in Channels of Distribution

Interview Responses

Energy.--People buy from an image. If we put a self-service island in we will only muddy the image of branded product.

Energy.--Marketing represents control of the distribution system.

Industrial Equipment.--We will go to the market anyway we please.

Automotive.--We are trying to find new ways of getting to consumers.

Automotive.--The better the coverage of a market, the greater the share of market.

Building Materials.--It is second nature for us to work all the way through the channel.

Other.--We use every means we can to sell glass.

Questionnaire Responses

Metals: Nonferrous.--Trying to differentiate product, control more of distribution and service dollar.

Consumer Goods: Household.--Expect consolidation of customer buying in key areas to accelerate growth but reduce profit margins.


Energy.--In 1960s important because of acquisition of corporations which had marketing facilities that went along with the deal. In 70s customer attitudes have changed and will change further towards acceptance of private brands and convenience or price incentives.

Energy.--Greater emphasis on profitability.

Industrial Equipment.--Greater effort toward investment management and direct selling via contract.

Industrial Equipment.--Intensification of consumer marketing effort --approach to mass merchandiser.

Chemicals.--Responsive to changes in markets and increased competition. Constant effort to identify and penetrate specialty markets. Distribution is the key to profitable markets.

Automotive.--Trends toward mass merchandising.
Interview Responses

Consumer Goods: Personal.--We must give something extra all the time. We must maintain our identity. This is the most important thing.

Consumer Goods: Personal.--The growth in population and our franchise with consumers in existing products caused us to walk away from active new product programs during the 1960s.

Electronics.--The real ability to compete is derived from things which increases productivity and maintain the technological lead. Because of the impact of foreign competition in the 1960s our industries have died and it may be too late to recoup.

Consumer Goods: Food and Drug.--Competition will always be severe here.

Energy.--Speaking as a salesman, this is the pre-eminent concern.

Energy.--Competition will become increasingly keen. We hope that some norms can be established to keep prices stable. The efficient and low cost operator must be permitted to operate on this basis.

Forest Product and Packaging.--In the 1960s, could get by sloppily. There is less room for that today in the plant, sales force, and management.

Information Processing.--As consumers get more educated and society becomes more sophisticated, an increased demand will be placed on all businesses.

Metals: Steel.--The biggest change over the 1960s is that there is a world steel market today. We have to develop ways of competing in world markets through facilities and service offerings which outweigh the prices.

Other.--We must make the product exciting. We have got to get new, different design and provide informative packaging.

Questionnaire Responses

Consumer Goods: Personal.--Domestic competition has become increasingly strong requiring more expenditures of marketing funds on our part.

Consumer Goods: Personal.--Increased competitive activity in established markets of entry.

Consumer Goods: Household.--More government involvement in imports and their effect on jobs and profits.
Energy.--Significant success of private brands.

Industrial Equipment.--Improved profitability via segmentation and concentration on distribution.

Forest Products and Packaging.--Competition fewer in number, but more sophisticated.
Interview Responses

Consumer Goods: Personal.--It's a hell of a problem.

Consumer Goods: Personal.--We will shift our market coverage to areas where the business is.

Metals: Nonferrous.--We will stay away from this if possible.

Leisure and Education.--For the next ten years, this and the growth of the suburbs are the most critical factors in our business.

Energy.--Most members of the industry would be pleased if they were thrown out. It costs too much to keep a station open in areas like Baltimore, Philadelphia, and D.C. There are employment problems, dealers are being robbed and retraining costs are high. We should sell off properties now because the day will come when we can't sell products there.

Energy.--If a market comes to us we will actively follow up on it.

Building Materials.--We will go to where the market is but will not actively pursue restoration or try to buy up the urban businesses. If the market moves to the suburbs, we'll follow.

Questionnaire Responses

Consumer Goods: Personal.--Changes resulting in types of outlets handling brands, i.e., shopping centers in the suburbs, etc.

Consumer Goods: Personal.--Only as it affects sales coverage.

Metals: Nonferrous.--No longer interested in urban development per se.

Energy.--Greater emphasis on return which cannot be found in downtown location.

Building Materials.--New market opportunities.
Interview Responses

Consumer Goods: Household.--The inner city is becoming more vital... As housing booms, so do we.

Energy.--We found we couldn't compete in the urban areas. It costs too much to open and maintain a core city station.

Energy.--Urban areas don't lend themselves to low cost marketing. Thus, we are moving stations to the suburbs.

Industrial Equipment.--The housing industry is strong and growing with wood still the dominant material.

Forest Products and Packaging.--We feel that the better the standard of living enjoyed, the greater the use of packaging.

Information Processing.--I object to the entire welfare situation. I agree with Nixon on making people work.

Building Materials.--The big problem in America is a shortage of energy. The energy crisis may open opportunities for us as the cost of heating increases rapidly. Insulation reduces the amount of wasted energy. We see a great marketing opportunity for reinstallation.

Building Materials.--Business won't act unless a profit incentive is given.

Questionnaire Responses

Metals: Nonferrous.--We are increasing our involvement in property development which includes a new subsidiary which builds low cost government housing.

Building Materials.--New market opportunities.

Building Materials.--Expanded market potential.
Air Pollution

Interview Responses

Energy.--No matter what you do, we are on a collision course. Things are moving at a faster pace today. What do you do?

Energy.--Too much emotionalism concerned with this issue. The 1957 specifications are impractical and counterproductive.

Industrial Equipment.--We'll do what we have to get by.

Forest Products and Packaging.--It's less and less difficult to put a price tag on the air and water pollution problem. If we face closing down due to costs of cleaning up old plants, it can really limit us.

Forest Products and Packaging.--We know we pollute...if government forced a no effluent policy, we would have to shut down.

Forest Products and Packaging.--The real question is how will it effect our customers. They have a very serious problem.

Automotive.--We are heavily involved in the development of air pollution control products. It's almost mandatory to become involved to protect or adjust existing business.

Automotive.--Detroit is spending a bundle on emission control and the Wankel engine...and this is rare for them.

Automotive.--This is a cut and dried matter. No matter how lofty our sights, we are hide bound to legislation.

Building Materials.--The costs of improvements will be recovered through the price mechanism. Also, since the product is profitable enough, the changes will not have a major traumatic effect.

Building Materials.--We have all kinds of production problems in this area. Air and water pollution controls have forced us to close smaller plants and to open larger centralized ones.

Metals: Steel.--As a corporation, this and water pollution have hit from all sides. But, there has been no direct effect on the marketing operations.

Questionnaire Responses

Metals: Nonferrous.--Have always been very conscious of problem in air pollution in our operations; are now trying to market some of our technology.

Energy.--Automotive anti pollution devices increase product demand while new and pending legislation increase petroleum costs.
Air Pollution (continued)

Chemicals.--In our plants and in those of our customers, has assumed increasing importance. Problems for us but opportunities in customer area.

Chemicals.--Favorable due to new product opportunities. Possibly unfavorable due to higher manufacturing costs.

Chemicals.--Enlightened self interest and growing cognizance of additional cost of doing business.

Forest Products and Packaging.--More capital will be needed here.

Information Processing.--Greater concern for controlling wastes also means higher costs.
Interview Responses

Energy. -- The problem of spillage of petroleum products is great. If a line breaks, it is a Federal case in the true sense of the word.

Energy. -- We must work out the problems.

Chemicals. -- This has been of fairly high concern to us for twenty years. In the last three to four years we have reacted to the government pressures and have installed what is needed... We completely support the government.

Forest Products and Packaging. -- At the present, neither the company nor our industry has taken a position. Nothing is yet definable.

Questionnaire Responses

Consumer Goods: Household. -- We are making substantial investments in control of water pollution from production processes. Expect minor impact on growth.

Chemicals. -- Problem to move plants - may reduce profits due to higher manufacturing costs.
Interview Responses

Consumer Goods: Personal.--We've always addressed ourselves with blacks. This will have no specific influence on marketing.

Consumer Goods: Food and Drug.--There is no question that as a company we have and will give more marketing attention to the minority groups. This may not pay off, but we have to show a certain number of black products.

Energy.--We certainly work hard at training and recruiting minority groups especially in service stations. I think we as a company are trying to be very attuned to the attitudes of youth. I think we will see women take a more active role in all areas of the company.

Industrial Equipment.--When they burn things down, that's good for us.

Industrial Equipment.--Unless we get more efficient black workers, we probably will pull out of areas where high black employment levels exist. We don't have the patience to stay.

Chemicals.--This is an area of governmental concern, not corporate concern.

Forest Products and Packaging.--We are social pioneers.

Information Processing.--I get incensed. They break into the stores. They are irresponsible. From a company standpoint, we have been a leader in this area.

Automotive.--Someday, I imagine, we may even have women salesmen.

Automotive.--A basic premise is that we are a people oriented company.

Building Materials.--If equal opportunity is the concept, then we're for it. We're doing our part in this regard and intend to continue. If, however, they are going to burn down the cities, we don't want to fight. We'll move to the suburbs.

Questionnaire Responses

Consumer Goods: Household.--Will not inhibit growth, will spend added recruitment and selection money to acquire competent minority employees. Will add cost for recruitment and training; hiring will hurt efficiency.

Energy.--Greater significance to buying power of black market.
Industrial Equipment.--Proper and necessary increase in short-term costs of selection and training. Sales and marketing workers are needed but hard to find.

Chemicals.--Only effect is in emphasis in 1970s on EEO. May provide previously untapped human resource opportunity.

Chemicals.--Company has always been active in this area.

Building Materials.--Has opened new markets.
Questionnaire Item 1
Composition of Company Objectives

Competitive Strength Objectives

Metals: Nonferrous.--Company historically volume growth oriented with little integration of profit planning. Marketing dominated direction without good data or understanding of profit implications of volume strategy. Market share now very important as means to controlled profit goals.

Industrial Equipment.--Changing environment provides opportunity to achieve growth in earnings market share through segmentation of served market needs.

Chemicals.--This company started out as a one man company. As we are moving more and more toward a public company, we must show (1) growth and (2) acceptable return on investment.

Forest Products and Packaging.--Some sacrifice in market share due to desire for higher return.

Profitability Objectives

Metals: Nonferrous.--Company defined specific profit and return objectives, developed formal planning to integrate marketing, manufacturing, etc. Performance in 1960s not adequate to meet profit objectives.

Industrial Equipment.--We are likely to be narrow in our view in the expectation that this will indeed improve our overall profitability.

Chemicals.--1960s objectives were unrealistically high.

Stability Objectives

Metals: Nonferrous.--Company in cyclical industry, plagued by boom-bust problems. Effect on profit in 1960s recognized—presently diversifying into less cyclical lines.
Electronics.--Stability of earnings trends are important and will continue to be important to image as a growth company.

Industrial Equipment.--Can't stand still during an anticipated period of change. Segmentation will provide stability at a higher level of performance.

Flexibility Objectives

Industrial Equipment.--Fits segmentation strategy.

Chemicals.--1970 seeks to more realistically identify true business units for concentration or not.

Social Responsibility Objectives

Metals: Nonferrous.--Company has always had relatively great social consciousness. Obviously, broader awareness in industry in general has intensified this still further.

Consumer Goods: Household.--Still operate business as a profit oriented organization. Social concerns are secondary.

Electronics.--As required by government regulations; and a recognition that our increasing size requires community participation.

Industrial Equipment--Necessary to satisfy market expectations and the right things to do.

Chemicals.--1970 management much more sensitive in these areas and would place more emphasis here even without current social pressures.

Forest Products and Packaging.--Emergence of ecology and government involvement in social responsibility area.

Forest Products and Packaging.--Social pressures becoming more important and time consuming - even threatening. Capital expenditures for pollution control getting very large.
Questionnaire Item 2

Influence of Senior Executives on Company Strategy Formulation

Senior Production or Manufacturing Executives

Chemicals.--More stress on good, efficient manufacturing results, product quality, etc., and improved financial control.

Forest Products and Packaging.--Formerly main thrust was to produce move, i.e., increase production. Coming need is for better quality and lower costs.

Forest Products and Packaging.--Shift from production to customer service and sales orientation.

Senior Marketing Executives

Consumer Goods: Personal.--Since competition has become more aggressive in the 1970s and various legal restraints are in effect, re: claims, size in the market, etc., marketing has had to assume a greater role.

Consumer Goods: Personal.--Change in management philosophy due to retirement of president and CEO. Restructure and reorientation from a manufacturing/financially oriented consumer products company to a 'marketing oriented' company.

Consumer Goods: Household.--Company becoming more marketing oriented as output of facilities harder to sell in face of increased competition.

Electronics.--Some increase in roles of group VP's as company grows but policy heavily concentrated in Office of President.

Energy.--Profit squeeze due to increased crude costs and less than adequate retail prices. This results in greater reliance on down stream operations.

Industrial Equipment.--The marketing function is the lead group in recommending strategy to general management.

Chemicals.--1970 shows strong marketing influence but in balance with other functions.
Senior Financial Executives

Consumer Goods: Personal.--In our division, with the share we enjoy, it is difficult to increase share and hence profits. Financial executives, therefore, have become key in recognizing other avenues to increase profit.

Energy.--Greater corporate concern with the areas of profitability and diversification.

General Management Executives

Consumer Goods: Personal.--The business today requires various backgrounds and experience to run profitability and to maximize share position.

Metals: Nonferrous.--Company was heavily dominated in 1960s by chief executive, who was influenced by marketing and sales concerns. In early 1970s a new level of management began to exert much more influence. These are the offer level, but more evenly balanced between marketing and production. Emphasis on financial performance has increased effectiveness of financial management in guiding strategy.

Electronics.--President and two executive VP's will increasingly dominate decision making in 70s.

Energy.--Greater corporate emphasis on decentralization.

Industrial Equipment.--Basic strategy is fundamental responsibility of general management.

Chemicals.--1970 shows return to pre-1967 general manager concept and at manageable business unit levels.

Forest Products and Packaging.--Very influential. Centralized control for efficient functioning.
Questionnaire Item 5

Importance of Strategy Components on the Achievement of Company Objectives

Sales, Existing Products

Consumer Goods: Personal.--The company was going through several new product improvements in the 60s. The level of product performance today in the market is most difficult to improve upon.

Industrial Equipment.--Established products might be profitable experienced slow growth. Products developed in 1960s will contribute heavily to 1970 profits.


Chemicals.--Increased awareness that merely expanding existing businesses is not enough. Instead, objective for existing products is to provide a stable base for economics and cash to be reinvested in growth areas of existing businesses.

Building Materials.--The cost of maintaining market share due to growth of present business is so great that first emphasis must be placed on maintaining or strengthening our position, therefore, we expect funds for R and D and new marketing development to be curtailed. New products - new markets will be approached by acquisition.

Product Modifications

Consumer Goods: Personal.--Rather than innovation, the 1970s can be expected to witness, with some exception, variations to existing products.

Consumer Goods: Food and Drug.--Extensions of basic business.

Industrial Equipment.--Considerable modification of existing profitable products to maintain market share.

Chemicals.--Constant upgrading of products is a competitive necessity. At best, however, one only holds ground this way.
New Products, Present Markets

Consumer Goods: Personal.--There is basically no change in the need for new products to achieve sales and profit goals. The impetus is still there with more concern on the profitability of the venture.

Chemicals.--In light of decreasing margins of existing areas, a willingness to take greater development risks in markets which we have expertise in.

Chemicals.--Industry needs changing more than in the 1960s - more new products.

New Products, New Markets

Consumer Goods: Personal.--Because the level or degree of product performance is quite high in existing products/existing markets today, there is a need for a shift to the new venture areas.

Consumer Goods: Personal.--Corporate reorientation to seek new sources of sales and profit.

Chemicals.--Concentration on more efficient use of existing resources while we have some competitive advantage or knowledge.

Information Processing.--Always looking for new products, problem is in engineering.

Acquisitions, Present Markets

Consumer Goods: Personal.--Difficult due to government and availability.

Metals: Nonferrous.--Past antitrust problems suggest acquisition per se will not add much, except as start of new business or to fill holes.

Consumer Goods: Food and Drug.--Cannot acquire in present major lines.

Chemicals.--Antitrust legislation - otherwise this area would have greater importance in the present decade.

Forest Products and Packaging.--Need to fill out total organization to effectively use investment made in 1960s.
Acquisitions, New Markets

Consumer Goods: Personal.--The future of the company in the long-term will demand more aggressiveness in the study of new markets as the share levels in the 1970s reaches optimum in current markets.


Metals: Nonferrous.--Coupled with new product/new markets, as way to add sales force - technology and products in new market areas.

Chemicals.--Emphasis on more efficient and profitable use of people and financial resources for existing businesses.

Chemicals.--Interesting for both profitability and long range growth.
Questionnaire Item 6
Importance of Marketing Mix Factors to Strategy

New Product Development

Energy.--Greater acceptance of marketing concept.

Industrial Equipment.--Price and service have been our standbys. They will continue to be - but with slightly more in new product development, i.e., new to us, not necessarily new to the market.

Chemicals.--Expanding markets - need for new products to meet demands and enhance profits.

New Market Development

Metals: **Nonferrous**.--Less emphasis in penetration by aluminum, more on expanding further vertically in markets such as building products.

Industrial Equipment.--Will expand consumer market in 1970s.

Chemicals.--To identify new and most profitable areas. Go after (those) which you have a natural raw materials or supply position in.

Pricing Policy Making

Chemicals.--Increasingly more important due to competitive nature of the business.

Advertising and Promotion

Chemicals.--Greater need to identify with new corporate name.

Chemicals.--In commodity areas which is prevalent today - less advertising needed. Only in profitable, new products is advertising used today. Also cost being held to a minimum. Advertising can be nebulous.
Information Processing.--Need to reach the market requires greater emphasis and expenditures.

Sales Management and Personal Selling

Metals: Nonferrous.--More sales management emphasis, less personal selling.

Industrial Equipment.--Strong, direct sales team of more importance prior to product and market development.

Forest Products and Packaging.--Have to become more professional and manage the market better.

Customer Service

No comments.

Channels of Distribution

Metals: Nonferrous.--As further fabricated products grow and expand, need more distribution channels and control.

Consumer Goods: Household.--Will have to be sensitive to changes in distribution channels or lose sales.

Chemicals.--Greater need to cover more markets in old businesses without great selling expense increase.

Chemicals.--Using jobbers more today to handle small (LTL) sales as well as sales in areas where company distribution (sales) not established.

Market Research

Chemicals.--Emphasis off new ventures.

Chemicals.--Used today to identify new markets for old products as well as for new products. Assist to sales.

Forest Products and Packaging.--Markets will be changing greatly.
Logistics

Metals: Nonferrous. -- Perhaps inventory control and warehousing will become more important.

Consumer Goods: Household. -- More emphasis on how to improve service and control costs.

Chemicals. -- Freight and distribution cost increases force more attention.

Forest Products and Packaging. -- High freight costs, competitors offering warehousing.

Building Materials. -- Greater importance of total distribution costs to value of product.
APPENDIX G

DATA CLASSIFICATION PROTOCOL AND SUMMARY
OF DATA DISTRIBUTION INFORMATION
# TABLE 50

**DATA CLASSIFICATION PROTOCOL AND SUMMARY OF DATA DISTRIBUTION INFORMATION**

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\(^1\)Average scores

\(^2\)Refer to Chapter III for explanation of meaning of information categories
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