

A Cultural Historical Decision-Making Theory: The Marketing of the Philips Corp. of Holland, 1965-1980

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In spite of the increased professionalization of marketing, consumers often remain far from satisfied. This raises several questions: Do critics understand marketing? Is marketing theory properly applied? Is traditional marketing theory now deficient? Starting from these three questions, my central concern is decision-making in consumer marketing of major corporations in Holland, and of the Philips Corp. in particular, during the years 1965-1980, a period that contained many critical changes.

The theoretical part of my research builds on the ethics, organization, and marketing literature to develop a cultural historical model of decision-making in marketing. The term "cultural history" was inspired by Darnton [7]. I then used my theoretical model to analyze empirically the decision-making of the Netherlands Consumer Union ("Consumentenbond") from 1953 to the early 1980s. Time-stream case studies were made of decision-making in three major companies headquartered in Holland: Philips, Royal Dutch/Shell, and an anonymous commercial bank [20]. This paper deals only with Philips.

From Ethical Rhetoric to Action

In recent decades social critics in Holland concluded that private business should become more socially responsible. In the 1960s and 70s these consumerist demands generally have worked counterproductively. "Ethics" and "social responsibility" are amorphous concepts and the implied management attitudes are not generally compatible with Dutch business cultures. Managers mostly attach negative associations to them, full of taboos. They believe that the critic is often asking too much; demands are perceived as accusations or as proofs of guilt [3].

To get results from business, a pragmatic management and action-oriented approach seems to hold more promise [9]. Such an approach would include learning to change behavior [10]. It is not social responsibility that matters, but rather marketing's willingness and capacity to respond. Responding to new issues means more uncertainty. Which issues are becoming relevant [3]? What are consumers willing to buy? Do issue-related marketing skills become available? How is marketing's discretion not to respond developing? How is the balance of power shifting as issues mature?

What is the appropriate response [16]? It is not just a matter of when to respond, but rather of how to respond. Decision-making is a sequential process in time, paralleling the maturing of issues. Inspired by Ackerman [1,2] and Ackoff [4], I distinguish four types of long-run responsiveness:

1. non-responsiveness (doing nothing or returning to past behavior),
2. testimonial responsiveness (communicating policy intentions),
3. analytical responsiveness (analyzing issues), and
4. implementation responsiveness (profiting from or creating new opportunities and willingness to implement new responses) [16,17].

A company's marketing may progress from one type of responsiveness to another, or go backwards. Two or more types of responsiveness may apply at the same time and responsiveness may differ per issue. In a dynamic perspective, the central question is how to learn to develop and incorporate new types of longer-run responsiveness.

There is also the question of short-run response processes. Bauer [6] distinguishes three sub-processes: "identification" (what issues do managers see and how), "commitment" (what will they do about it and how), and "implementation." In Bauer's view a response has only been realized when a problem is solved in a lasting way. Initiating and implementing responses can be a matter of different management levels. Operational managers may not be adequately rewarded for implementing new types of risky responses. Managers may even risk their careers for being responsive. The above (long- and short-run) response models, however, are structural frameworks that do not explicate the interactive characteristics of real processes. Values and norms must be incorporated explicitly. And lastly it is not only a matter of what information managers can see, but it is also important what they are willing to see (culture) and what they are forced to see (power and "politics").

Power and Decision Making

To deal with decision-making processes, we must integrate power and culture explicitly. Since the 1960s, there has been a growing awareness of the theoretical importance of power. Traditional theory, however, remained schizophrenic. On the one hand marketing theory rules out power when basing itself upon voluntary exchange transactions. On the other hand it implies power, basing itself upon major corporations mostly, whose behavior is primarily set by power and conflict [19]. Power can also be seen in concepts such as "demand management" [14], strengths and weaknesses, opportunities and threats, technology push and market pull.

Arndt and Grøhaug [5] make power an explicit factor in marketing theory. Arndt stresses the interdependencies between marketing and its environments and the societal controlling mechanisms. Grøhaug was particularly interested in the influence of power upon buying processes. Inspired by Van Doorn and Lammers [11], Kraal [15] used the concept of power as a separate and additional variable in the marketing mix. In my view marketing power depends upon the way in which marketers are willing and

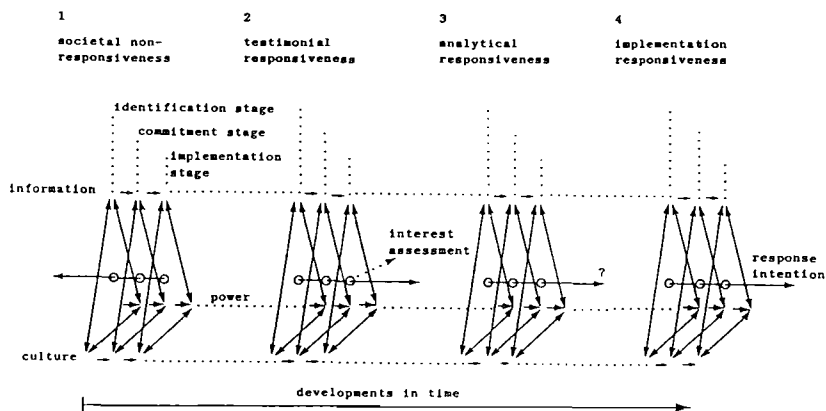
able to use the traditional marketing instruments in changing contexts, which must be made explicit in marketing theory. My cultural interaction framework of decision-making has been designed just to do that.

A Dynamic Framework of Decision-making in Marketing

My framework is based upon a limited number of concepts, because I aim at a workable theory, useful to responsive managers:

1. the bargaining relationships and interactions in time of a manager with all relevant other actors, adapting to systems,
2. a manager interacts; his response intentions and responses are determined by mutually dependent cultural, political, and techno-economical (informational) relationships, and
3. all the above in cause-and-effect relationships with the longer run stage(s) of responsiveness in the company.

The following simplification of my framework shows one actor only, leaving out the networks with other actors:



A Case Study of the Philips Corporation in Holland

My study covered the headquarters of the Philips Group of companies in Eindhoven (Holland) and the Phillips Sales Company in Holland during the years from 1965 to the early 1980s. Interviews and informal contacts took place with 25 general managers and managers in marketing. Many

confidential documents also were studied. I was wanted to learn and understand how and why marketing decision-making in Philips had evolved. Doing so, I used my theoretical framework, which was "translated" into research guidelines regarding historical backgrounds of managers, their experiences, professionalism, interests, and innovative record. I also wanted to know their participation roles, intentions, and results; their perceived autonomy, responsibility, organization structures, procedures, and management development policies; and their roles in initiating, designing, formalizing, and implementing innovations. I wanted to gain insight into their perceived strengths and weaknesses, opportunities and threats, and societal developments and their cooperation and resistance. I explicated how they viewed and responded to intentions of their staff, peers, and superiors. I mapped their degree of societal responsibility and their managing of responsiveness and how those had changed over time.

Here I can mention only a few findings. To begin with, the more Philips managers interacted with each other, the more responsive their decisions tended to be. Most interactions were not primarily based on objective information. Most managers were system conformists, and most response behavior did not reveal underlying responsiveness and response intentions. Most response policies were of a selective nature, ranging from unresponsive to highly responsive.

Most Philips managers and their outside critics live in different cultures. Critics feel free to criticize; they are not responsible for marketing practices and results. Critics also can afford to be vague or to exaggerate demands. Marketers normally think in hard currency but also suffer from short-run myopia, enforced by top management that "rather suffers image than sales." Consumerist considerations stemming from the Philips Group are being blocked by Philips Holland's top management from reaching marketing and product managers. Change processes are not being noticed by marketers, who behave reactively. Most short-run responses follow strong pressure by others. The assumed theoretical long(er)-run stages of responsiveness tended to apply, but more to top than to low level managers. In line jobs societal engagement has not developed generally, but some staff managers, expected to play different roles, could afford some of this type of engagement. The higher the level of management, the more societal intelligence prevailed: the awareness that behavior and its effects may be visible, how others want them to behave, and sensitivity regarding dependencies. In the sales company, top managers were informed of the changing views of the Group's CEO, whereas the managers in marketing did not have a clue.

Marketing Behavior and Culture in Philips

Marketing behavior ranges from autonomous to interactive:

characteristics	autonomous marketing manager	interactive marketing manager
interdependencies	low to zero	low to high
focus	segmentation/positioning	relations
initiator	marketing manager	internal/external actors
management tools	planning of marketing mix	flexible coordination of networks
source of information	separate research projects	network relations

These above types of behavior are based upon different cultures, ranging from "me" to "you and me":

I alone analyse professionally and choose one alternative for unilateral exploitation to realise objectives of company and myself	I, co-operating with others create and manipulate and combine alternative interactively to serve everybody concerned to establish stable system of internal/external co-operation
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"Me" oriented managers make intellectualistic analyses and make their own decisions, aimed at turnover, market position, and profit. Creative "you-and-me" managers interact and motivate others.

Power, Culture, and Marketing Behavior

In Philips I found three major types of power: 1) formal power based on bureaucratic rules and hierarchy, 2) techno-professional power based upon know-how, and 3) charismatic power. In each type complementary dimensions of creativity and negotiating skills also applied. These sources of power are related to the ones by Harrison [13], Ourchi [18], and Raven [12]. Contrary to them, each and every Philips situation was one of using power. Power was sometimes the core element of Philips' marketing culture. I opted for a terminology that typifies the underlying interactional processes better and will be easier for managers to recognize.

Philips' responsiveness was primarily determined by the cultural consciousness of its managers: 1) how much are they aware of the role they are supposed to play; 2) how much are they aware that an open mind is a must; 3) how much are they aware of growing convergency (or lack thereof) between actors; and 4) how much are they interested to get to know top management's changing strategic vision.

For years the notion of "the proud engineer" has been a dominant Philips culture that dates back to the technical Gerard Philips who founded Philips & Co. in 1891. In the mid-1890s his brother and salesman Anton joined the company, bringing a dominant sales culture. Until the early 1980s most Philips companies had a "two captains on the ship" culture, which often hampered decisiveness. From the mid-1970s, top management of the Philips Group began to show signs of societal engagement. A few years later the top management of Philips Holland followed suit by developing selective responsiveness, with the accent on the testimonial variant. It did so in order to make the company into a "cocoon," enabling marketers inside of the "cocoon" to continue doing business as usual. In the mid-1970s one counter-culture came into being: "Consumer Affairs" of the Philips Group, which tried to incite analytical and implementation responsiveness in marketing. Once again "cocooning" blocked their untraditional information from reaching marketing and product managers.

In line with Deal and Kennedy [8] I found that marketing culture influenced response directions and the degree of goal realization. I found that the relative strength of a culture influenced response intensities and operational efficiencies. (I call a culture strong when most or all of its managers have many values and norms in common, when they largely agree on them, and when they all know that they do.) Most Philips managers were not aware of the relationships between culture and behavior, which put major policy changes at risk.

Culture determines the willingness to act, to cooperate with others, to confront others, or to negotiate and manipulate. Indirectly culture influences communication, it makes an organization forward or backward looking (and full of self-justifying managers). Managers in Philips Holland shared traditional company values and norms, perceived most things alike, and had similar traditional response intentions.

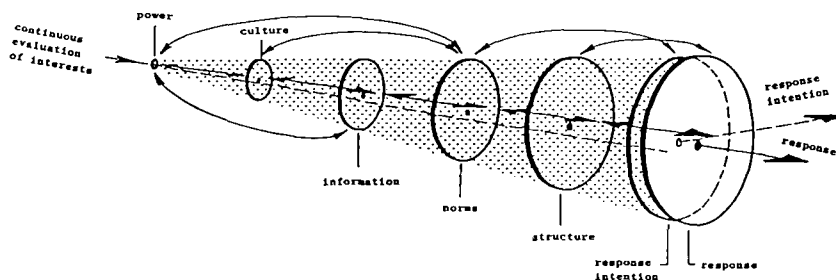
Philips' norms determined how managers were supposed to do their jobs. First, problems were perceived as problems, not as opportunities or challenges. Second, marketers in Philips Holland were only aware of the traditional norms set by its top management, whose newer norms regarding social and societal intelligence did not get through. Third, there were procedural norms, e.g., about the degree of formalized planning and implementation, the institutionalized propensity to respond, the degree of acceptance of procedures, and of creating informal ways around top-down versus bottom-up and short-run versus long-run biases.

Telescopic Concept

In addition to (or replacing) societal consciousness and engagement, I came across a thing I call societal intelligence (an active open mind) in Philips. Another thing that was observed, I call the telescopic concept: the interactive inputs of actors into response processes also largely depends upon the type of position taken in these processes: positions from and directions in which actors observe the ongoing processes, which greatly influences the

realities that actors construct. It would serve decision-making processes if managers were more aware of this telescopic phenomenon.

The following simplification shows the telescopic position of an outside actor--looking from the right to the left--who only sees diminishing parts of decision-making processes and results:



Concluding Cultural Highlights of Philips

A few more cultural dimensions may be added. First, although operating globally, the Philips Group still had strong Dutch characteristics: all of its top managers were Dutch nationals, although some of them had much experience managing Philips companies overseas. In Philips Holland, Dutch characteristics were more pronounced still, as international job rotation was quite exceptional there. Although Philips time and again was said to operate by consensus, in fact power was the crucial cornerstone, both internally as well as externally. However much power was a taboo, "social massaging" was a flourishing professional pastime.

It was not before the appointment of Wisse Dekker as the new CEO of the Philips Group in 1981/82 that a new and more optimistic "elan" broke through. Dekker charismatically advocated and initiated a pragmatic and more direct and open approach. He tried to turn the problem-focused corporation into a challenge-oriented one, looking for and creating opportunities, believing in itself, and doing business in a well-considered way and at a much greater pace than before. But established cultures of diversified global corporations are hard to change. Two CEO's later in 1990, "hurricane Gilbert" Jan Timmer, began his surgical exercise in order to make Philips tougher and healthy again. Timmer simultaneously started to manage mass mobilization of the total corporation, making plans and communicating intentions, but also no-nonsensically managing the response implementations.

This has left the company believing in itself and doing business in a well-considered way and at a much greater pace than before.

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