

Advanced Knowledge for Senior Marketers | January 2013

THE KNOWLEDGE

WHY PANACEAS FAIL

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SYNOPSIS

Senior managers are often caught on the horns of a dilemma when new ideas emerge. Do we seize it as the new opportunity that will revolutionise our business or discard it as nothing more than the latest fad? In this article, Professor Brian D Smith discusses how we can make better decisions by understanding why such panaceas fail, when they might work for us and when we should discard them with the use of well-understood and established research in the area of systems theory.

IRRATIONAL OPTIMISM

The Levitt Group is unusual in many respects, not least its disproportionately experienced and qualified membership. Yet even members of this exceptional group are prone to an unhealthy habit that affects managers in general and, I would argue, marketers in particular. I refer to what one of my research respondents called “Initiative-itis”, a condition characterised by the irrational belief that each new interesting idea will, if properly understood and applied, lead to a fantastic leap forward in organisational performance.

I am old enough to remember when direct mail and total quality management were held to be such cure-alls and I’ve lived through so many others that I feel justified in rolling my eyes when the most recent fads, such as social media and closed-looped marketing, are hailed as the latest panacea.

UNDERSTANDING ORGANISATIONS

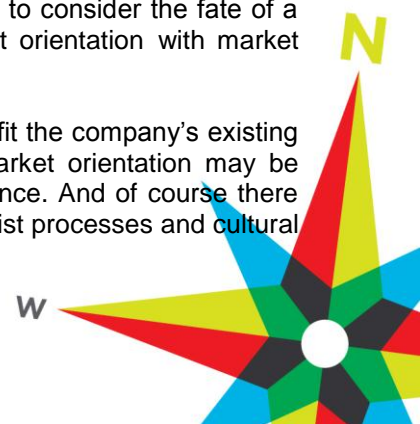
Each potential panacea follows a predictable path. Geeky evangelism is hyped up by self-interested consultants, followed by huge, poorly thought-out expense until, in time, the idea is found to lead to some advantage to some firms in some cases and a costly waste of time for most. The challenge, that only experienced people such as the Levitt Group can rise to, is to understand the chasm between hype and reality and to draw practical, business-like lessons from that understanding.

First, let us consider not only why a concept fails but also why even an excellent one can’t possibly be a panacea in all cases. The answer lies in fundamental academic work in the late 1950s and early 1960s that usually gets bracketed under the label “systems theory”. Put simply, these researchers made clear that organisations are complex systems made up of numerous interacting processes. Further, each organisational process had, to be effective, to interact successfully with both other internal processes and the relevant external environment. For further reading on this, look at the seminal work by Lawrence and Lorsch cited at the end of this paper¹.

According to systems theory, not only do marketing, R&D and finance need to work together but fit with the external market, technological and financial environments in which they are embedded. Now that is, of course, a statement of the obvious but it’s a necessary foundation for the understanding of the practical implications of systems theory. These implications were clarified by organisational sociologists Burrell and Morgan, whose 1979 book, also cited at the end of this paper², is one of the most important you can read if you want to understand your company. They described how the success of any new way of doing things required it to be simultaneously both microcongruent (that is a good fit with the internal environment) and macrocongruent (that is a good fit with the external environment) or, to use their term, bicongruent.

Let’s use those ideas, which academics bracket under the term contingency theory, to consider the fate of a new idea e.g. social media marketing or an older idea, such as replacing product orientation with market orientation. To work, the idea has to be bicongruent, so it has two chances to fail.

Firstly, it may not fit with the internal environment - e.g. using social media may not fit the company’s existing processes that are slow, bureaucratic and demand tight control of the brand. Market orientation may be sabotaged by a pervasive and persistent culture that regards customers as a nuisance. And of course there are as many ways to be micro-incongruent with the internal environment, as there exist processes and cultural barriers.



Secondly, even if a new concept achieves a good internal fit, it still faces the external, macro-congruence barrier. In some contexts, such as financial services, defence or pharmaceutical industries, social media might not fit with the regulatory environment. In others, such as embryonic markets or in small businesses, the lack of market data and research may clash with the idea of market-oriented planning.

The point is that the chance of a new idea or process having the good fortune to be bicongruent is small. This is true even in a stable, simple market and, in the turbulent and complex situation that many firms find themselves in, then it's even more of a challenge. And if your new idea –whatever it is – isn't bicongruent then it won't work. To put it simply, what works is what fits and, like trying on a new pair of shoes at random, your chances of pain are higher than your chances of gain.

DRAWING LESSONS

So contingency, bicongruence and other ideas from systems theory address the first part of our challenge by explaining why new ideas are unlikely to be panaceas when taken straight out of the box. What about our second part of our challenge, to draw some practical lessons from that understanding? Well, predictably the practice is harder than the theory but my research in this area suggests there are things we can do that make a difference. Essentially, these involve anticipating what bicongruence problems the new idea might have and pre-empting them. And since this article is aimed at real-world managers who invariably like lists, you might like to consider these three points:

Firstly, ask where the new idea might be in conflict with the existing internal processes. Remember to think about not only explicit things, such as where the budget for social media might come from, but also implicit cultural issues, such as does the senior management have the habit of spending money on ineffective conferences in exotic, interesting locations?

Secondly, think about how the new idea might be in conflict with existing external processes. Again, think about the explicit and implicit. Lack of market data will obviously hinder marketing planning but customer habits that make it hard to target segments differentially may be even more important.

Finally, prioritise the issues that get in the way of bicongruence and address them selectively. You are unlikely to be able to change an embedded product-oriented culture completely but you may be able to tweak parts of it. You will not be able to ignore regulatory restraints on social media, but you can adapt your activity to fit those constraints.

Alternatively, you may just conclude that achieving bicongruence is just too difficult in your particular situation and so the new idea is great for someone else, but not for you.

IMPLICATIONS FOR MANAGERS

The myth of the panacea is an example of when practical experience and academic research converge. New ideas are only panaceas if they work, but they only work when they fit. And because every firm and every market is different, fit is difficult and rare. Systems theory helps you to use the ideas that work, ignore those that don't and gives you the wisdom to tell the difference.

FURTHER READING

¹ Lawrence PR, Lorsch JW. Differentiation and Integration in Complex Organisations. Administrative Science Quarterly 1967;12(1):1-47.

² Burrell G, Morgan G. Sociological Paradigms and Organizational Analysis. 1st ed. Beverley Hills: CA: Sage; 1979.

ABOUT THE AUTHOR



Professor Brian D Smith is a world-recognised authority on competitive strategy, working at SDA Bocconi in Milan and the Open University Business School in the UK. He is the author of over 250 books, papers and articles in this area and is Chair of the Levitt Group. He also runs Pragmedic, a specialised strategy consultancy in pharma and medical technology markets. He welcomes comments and questions at brian.smith@pragmedic.com.