Nigel F. Piercy

The Marketing Budgeting Process: Marketing Management Implications

Most examinations of marketing and advertising budgeting concentrate on techniques ranging from arbitrary "rules of thumb" to complex management science models. The author suggests greater insight is obtained through a focus on the *process* of marketing budgeting. The processual variables identified in the article provide a framework for managing marketing budgeting that is much more insightful than the simple prescription of budgeting techniques. This insight arises from the source of such processual variables, as they are grounded in the task environment for marketing budgeting. The goal is to develop a conceptual framework for managing marketing budgeting that goes beyond technique to process and structure. This framework can be extended toward an organizational model of marketing budgeting. The argument is illustrated with the findings of a study of U.K. manufacturing firms.

IT has been suggested that the literature of marketing comprises essentially two types of contribution, prescriptive and descriptive (Piercy 1986a). Prescriptive studies include many attempts to apply models based on marginal economic analysis, management science, and marketing research to the establishment and allocation of marketing budgets. In contrast, descriptive studies examine the budgetary techniques or "rules of thumb" that managers purport to use in establishing marketing budgets.

One significant weakness of both types of studies is the neglect of the *process* of marketing budgeting as both emphasize simply techniques of budget-setting—the administrative systems, organizational structure, information systems, and form of managerial decision making involved in budgeting. The goal of this article is to demonstrate a relationship between the characteristics of marketing budgeting processes and budgetary outcomes and to explore the implications of such a relationship for the management of marketing resources. The concepts of organizational power and politics provide a valuable starting point in this study.

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Process in Budgeting

The general literature of organizational budgeting has given much more explicit attention to the impact of process and structure than has the marketing literature. General approaches have emphasized such processual phenomena as incrementalism (e.g., Joiner and Chapman 1981), simplification in calculation and the emergence of political strategies (e.g., Wildavsky 1979), and the impact of the task environment (Bromiley 1981). The implications of such views for managing budgeting processes are substantial. For example, Bromiley (1981) focuses on the task environment for budgeting (i.e., organizational characteristics and the budgetary process). His model structures the problem faced by the budgetary decision maker by (1) defining the *major difficulty* faced (e.g., the allocation in comparison with total funds available), (2) defining what are *acceptable solutions* to the problem, (3) defining the *starting point for search,* (4) defining *what information is available,* (5) providing

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certain heuristics and priorities to guide search (e.g., the chief executive's directive to make a certain allocation), and (6) *constraining* the decision process (e.g., with deadlines). The first two facets of the task environment define the feasible region within which decision outcomes must lie and the other four facets influence the problem solving that takes place within that feasible region. The major implication is that if budgetary innovation—through technique, process revision, or more sophisticated information systems—amounts to no more than changing the search made within a given task environment, it will be substantially circumscribed in the effect it can have.

In approaching marketing budgeting, this view is of interest for several reasons. It suggests that one underlying limitation of the marketing literature is that it does not even attempt to address the task environment for marketing budgeting. The implication is that improving the management of marketing budgeting necessitates a focus on the *task environment,* rather than simply on budgeting techniques. The role of *information*—and by implication the management of information—in influencing budget decisions is made explicit. The need to study the *processual* aspects of marketing budgeting—administrative systems, organizational structure, information systems, and so on—to provide the context for the heuristics and techniques prescribed in the literature becomes paramount.

Process in Marketing Budgeting

Fragmented examples of budgeting process phenomena are noted in the marketing literature. For example, writers have described such phenomena as the impact of precedent on budgeting (Briscoe 1972; Cravens, Hills, and Woodruff 1980; Kotler 1984) both implicitly and in such budgeting criteria as "affordability," the development of bargaining structures and negotiation systems to determine marketing budgets (Hanmer-Lloyd and Kennedy 1981; Wills and Kennedy 1982), the use of simplification mechanisms to cope with high uncertainty and ambiguity (Lilien et al. 1976), and the distortion of marketing information to influence budget allocations (Cunningham and Clarke 1975; Lowe and Shaw 1968). No attempt has been made, however, to integrate such notions into the modeling and management of marketing budgeting.

A prescriptive view of the marketing budgeting process is exemplified by Guiltinan and Paul (1982), who suggest a four-stage budgeting process. First, a "baseline budget" is established, such as the previous year's budget, and is adjusted to account for such factors as maintaining a percentage of sales norm based on expected sales, maintaining competitive parity, pursuing individual product objectives (e.g., on the basis of portfolio analysis), product profitability considerations, and judgments of productivity. Second, on the basis of marketing objectives, methods are chosen and costed, for example, design and media costs in advertising. Third, experiments and tests may be run to evaluate the proposed program. Fourth, the budget (or the objectives) may be revised on the basis of the costs anticipated, the results of tests, and the impact of other marketing programs being operated by the company.

To this prototypical prescriptive model may be added several empirical insights that offer both parallels and contrasts. First, the ADVISOR study (Lilien and Little 1976) suggested that marketing budgeting (for industrial products) should be seen as a *two*-stage process: (1) the total marketing budget is set (where "marketing" refers primarily to advertising and personal selling), which may be taken as a fraction of sales revenue, and (2) a decision is made on what fraction of that marketing budget is to be allocated to advertising. The researchers uncovered a conceptual framework for that budgeting process where:

> . . . the decision maker has a checklist of product-market factors that are relevant to the budget decision (e.g. stage in life cycle, plant capacity, and number of customers). The values for the factors are known roughly (High versus Low, for example), and each is considered separately, increasing or decreasing the budget score. The result is not a specific budget number, but a relative budget-size, e.g. a "low-budget" in comparison to industry norms.

Second, Wills and Kennedy (1982) reported the results of qualitative research among 17 large U.K. firms. They suggested that, "In the model which operates nowadays, the marketing budget is set at a number of levels, each successive level becoming more specific." Their model of sequential stages involved four steps: (1) total marketing expenditure is agreed upon, with minimal detail on how it is to be spent, (2) after this general agreement, the budget is allocated to product groups, (3) a decision is made on the split between above- and below-the-line expenditure, and (4) detailed consideration is given to the precise mix for each brand. Wills and Kennedy suggested there has been a recent "structural tightening-up" in what they refer to as the "negotiating structure" and they dismissed the significance of the objective and task-budgeting concept, claiming that either the board of directors takes the initiative and passes down budget decisions or (more commonly) "a bottom-up and top-down negotiation process operates."

The most interesting implications of this study are the ones that are made least explicit: (1) in large companies the influence of the marketing department on budget size appears to be declining, (2) organizational structure (e.g., primarily the brand manager structure) influences budget size, (3) the starting point in putting total figures on the budget remains uncertain and obscure, and (4) the budgeting process is prone to social influence attempts and information selectivity and distortion.

Third, in the U.K., Hanmer-Lloyd and Kennedy (1981) reported on related qualitative research into marketing communications budgeting. Their general conclusions were that budgeting is an "organizational process" in which (1) there is increasing emphasis on profitability and cost effectiveness, (2) there is a trend to centralize corporate decisions, (3) participation in marketing budgeting decisions is broadening, because "the inputs of production management and accounting personnel appear to be playing an increasingly important role," (4) trade marketing personnel deal directly with major retailers, and (5) the current inflation of marketing communications costs is causing greater scrutiny of those costs by management. On the basis of this study, Hanmer-Lloyd and Kennedy suggested three basic models of the marketing budgeting process, as represented by Figure 1: (1) *bottom-up budgeting* where the initiative lies with brand management, (2) *bottom-up/top-down budgeting* with greater negotiation between senior management and marketing and product managers, and (3) *top-down/bottom-up budgeting* where the initiative is with senior management personnel and various types of committees.

In this scheme, *bottom-up budgeting* is taken as representative of the approaches of the 1960s and 1970s. Though the researchers claimed that this model still operated in some companies, it was not found in their 1981 study, apparently because of the growing need for a corporate decision-making perspective and the need for continuity in managing brands as product managers continue to move on rapidly to new jobs. Alternatively, *bottom-up/top-down* budgeting involves much greater negotiation and a more limited role for the product manager. The tendency identified by the research was centralization of decision making and involvement of other, nonmarketing functions earlier in the process. The *top-down/bottom-up* model is essentially similar to the last model, but with greater control over the budget at the top management level and a greater trend toward committee-based decisions. In this model, top management receives sales and profit forecasts and calculates a "given" level of expenditure with little room for negotiation, especially when profits are under pressure. Thus, the marketing expenditure is tied closely to sales revenue, liquidity, and profit requirements.

Hanmer-Lloyd and Kennedy noted that in the top-down/bottom-up approach the tendency was for the marketing director to take action to obtain a budget and only then to decide how to use it—suggesting the exact reverse of the task-oriented budgeting model of the prescriptive literature:

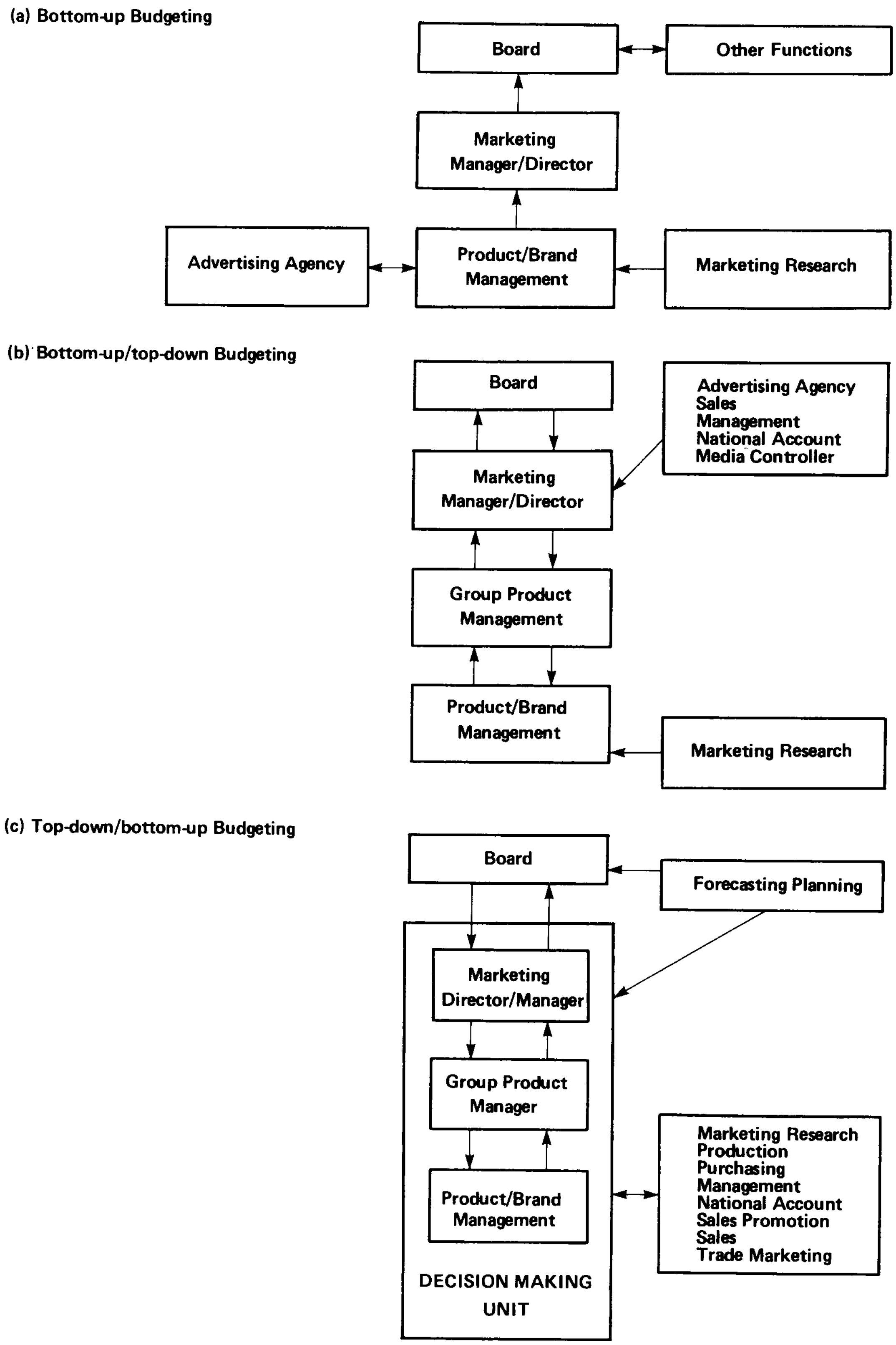
> What it has meant is that budgets are seen initially as sums of money and not always in terms of what is needed to carry out certain tasks. Thus, the key step in the process becomes getting the budget numbers agreed.

These researchers believed this last model highlighted two of the basic trends emerging in their study: (1) greater involvement of senior management personnel in initial planning and (2) more links between marketing and other functional departments in the early planning stages. The essence of this model was the role of interfunctional committees, to gain coordination and the dissemination of information, but at the potential cost of (1) vested interests—"the functional areas can be criticized for arguing more for their 'corner' than for the company as a whole," (2) the dominance of production interests and profit data over marketing goals and information, and (3) the time taken to act.

For the purposes of this article, these findings are of note in several respects. First, the role of the marketing department in the process of determining the marketing budget may be limited in some major companies and may be declining over time for a variety of reasons. Second, it follows that influences on marketing budget size come from top management and their advisors and increasingly from nonmarketing functional departments. Third, in this approach, marketing budgeting is seen as a process of negotiation at several levels, suggesting a key role for advocacy, bargaining, and "politicking" at each level. Fourth, by implication, what is described is an internal competition for resources and for the control of resources, which may be identified with conflict. Finally, the control and manipulation of information were found to be central to such budget negotiations.

The studies cited demonstrate secondary empirical evidence that marketing budgeting can be viewed validly as not simply the mechanical application of techniques but as an organizational process characterized by social interaction and negotiation for resources. Hence, the actual use of decision rules and models may be more complex than is commonly suggested by the literature. A reanalysis of marketing budgeting therefore must focus on process and structure (i.e., the task environment) rather than simply budgeting techniques. The starting point is the proposition that the two key elements of the task environment for marketing budgeting are organizational structure and the mode of decision-making process.

FIGURE 1
Processual Models of Marketing Budgeting



Adapted from Hanmer-Lloyd and Kennedy (1981).

An Exploratory Study of the Marketing Budgeting Process

The preceding discussion of diverse processual phenomena suggests that a large number of variables must be incorporated into a full organizational model of the marketing budgeting process—were that model to recognize both the formal configuration of the process and the constraining impact of contextual variables. The study on which the following discussion is based was a broad work on marketing organization. Its general aspects are reported elsewhere (Piercy 1986a) and the relevant technical details are summarized in the Appendix.

The marketing budgeting process hypotheses tested in the survey were:

- marketing budgeting process modes differ between companies,
- different budgeting process modes are associated with the use of different budgeting techniques,
- different budgeting process modes are associated with different patterns of organizational control and influence, and
- different budgeting process modes are associated with different budget outcomes.

TABLE 1
The Marketing Budgeting Process

Budgeting Process Modes	%
Bottom-Up Decision Process (BU) Managers of the subunits in marketing (e.g., product managers, advertising managers, etc.) work out how much money they need to achieve their objectives and these amounts are combined to establish the total marketing budget	7
Bottom-Up/Top-Down Decision Process (BUTD) Managers of the subunits in marketing submit budget requests, which are coordinated by the chief marketing executive and presented to top management, who adjust the total budget size to conform with overall goals and strategies	60
Top-Down/Bottom-Up Decision Process (TDBU) First, the total size of the marketing budget is established by top management, then budget is divided between marketing centers (such as products and markets)	26
None of These are Even Approximately Correct (TD)	7
	(N = 141)

Results

By the budgeting process classification developed previously (Hanmer-Lloyd and Kennedy 1981), the budgetary processes found in the companies were divided as in Table 1. The majority of respondents saw their marketing budgeting process as bottom-up/top-down and about 27% saw it as top-down/bottom-up. Small numbers of respondents saw their companies as operating a bottom-up decision process and others suggested that none of the process modes fit their operations. In fact, the latter group described what amounted to top-down processes whereby budgeting decisions were made essentially by top management with little marketing department participation and the responses were so classified. The process types reported suggested two clusters: bottom-up and bottom-up/top-down (BU + BUTD) and top-down/bottom-up and top-down (TDBU + TD). These clusters were used subsequently to classify the other responses. Though it is apparent that relatively small numbers of companies recognize the extremes of bottom-up and top-down modes of budgeting, some preliminary support is found for the hypothesis that marketing budgeting process modes vary between companies.

Budgeting methods. Table 2 indicates that the top-down budgeting process mode is more often associated with the use of affordability and percentage budget-setting techniques. The bottom-up mode is particularly associated with the objective and task method, and to a limited extent with the more sophisticated approaches of competitive analysis and modeling. Budgeting methods were scored according to "sophistication." The results, shown in Table 3, suggest bottom-up budgeting is associated significantly with the use of more sophisticated techniques.

Control of the budgeting process. Table 4 indicates little difference between bottom-up and top-down budgeting in intervention by top management to adjust budget size, but Table 5 suggests the marketing department has a much greater degree of control with bottom-up budgeting.

In terms of the influence of other departments over budget size, the finance department is found to be the main source of outside influence. As shown in Table 6, its influence tends to be greater with a top-down budgeting process. The perceived power of the marketing department differs significantly between the budgeting process modes (Table 7). Bottom-up budgeting is associated with high power and growth in that power; top-down budgeting is associated with lower marketing department power and low growth in that

TABLE 2
Advertising Budgeting Methods

Budgeting Method	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	All (%)
Percentage of past sales	3	11	6
Percentage of current sales	4	6	5
Percentage of expected sales	23	23	23
Affordability	25	45	31
Target share of industry expenditure	3	—	2
Objective and task	50	17	39
Agency proposal	4	2	4
Computer model	2	—	1
	(N = 94)	(N = 47)	(N = 141)

[a]See Table 1 for definition of process modes.

TABLE 3
Budgeting Technique Sophistication

Sophistication Level[b]	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Low	20	40	11.4	.00	26
Medium	27	40	(2 d.f.)		31
High	53	20			43
	(N = 89)	(N = 38)			(N = 127)

[a]See Table 1 for definition of process modes.
[b]The reported techniques were scored in the following way.

	Score
Percentage methods, affordability	1
Agency proposal	2
Target share of industry spend	3
Objective and task	4
Modeling	5

TABLE 4
Top Management Intervention in Marketing Budgeting

Adjustment of Marketing Budget[b]	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Increase 25–50%	2	—	6.7	.25	2
Increase 0–25%	2	—	(5 d.f.)		2
No change	45	52			46
Decreased 0–25%	43	26			39
Decreased 25–50%	7	22			10
Decreased 50–70%	1				1
	(N = 84)	(N = 23)			(N = 107)

[a]See Table 1 for definition of process modes.
[b]The amount by which top management normally changes the annual marketing budget measured on a scale.

power. Bottom-up budgeting processes also are perceived as more political (Table 8).

Though the study was exploratory and the measurements relatively crude, some support is found for the hypothesis that budgeting process modes are associated with different patterns of control and influence—at least in terms of the power and politicization of budgeting.

Budget sizes. Tables 9 and 10 show the relationship between budgeting process mode and absolute and relative budget sizes. Bottom-up processes are associated with larger budgets and top-down processes with smaller budgets. This finding supports the contention that different budgeting process modes are associated with different budget outcomes.

Table 11 shows bottom-up budgeting to be asso-

TABLE 5
Marketing Budgeting Process

Marketing Department Participation in Budgeting Process[b]	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
It is a marketing department decision	10	5	10.2 (4 d.f.)	.04	8
Marketing department responsibility in consultation	48	24			41
Prior consultation with others	15	7			13
Joint decision with others	14	19			16
Marketing budget is set by top management	13	45			23
	(N = 93)	(N = 42)			(N = 135)

[a]See Table 1 for definition of process modes.
[b]Five-point scale question with the labels shown.

TABLE 6
Finance Department Influence Over Marketing Budget

Influence of Finance Department Over Marketing Budget[b]	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Very great deal	5	12	10.2	.04	8
Great deal	16	32	(4 d.f.)		21
Quite a bit	24	12			20
Some	34	17			29
None	21	27			22
	(N = 91)	(N = 41)			(N = 132)

[a]See Table 1 for definition of process modes.
[b]Five-point scale question with the labels shown.

ciated with higher profitability and top-down budgeting with lower profitability. Bottom-up processes are common in larger firms whereas in smaller firms top-down processes are more common (Table 12).

These findings suggest the characteristics of the marketing budgeting process modes can be broadly identified as summarized in Figure 2.

Discussion

In the exploratory study, which had primarily a relationship-seeking goal, two reasonably consistent caricatures of the marketing budgeting processes were established. They are associated with the use of different budget-setting techniques and with other corporate characteristics. At the very least the findings suggest some insight into understanding the use of unsophisticated techniques can be gained from the study of the process context in which they are applied and in particular the way in which they are used.

For instance, though one may argue that top-down budgeting and its unsophisticated affordability and percentage of sales budget-setting are associated with lower relative budgets and with lower profitability, at least two explanations are possible. In one scenario it might be argued that unsophisticated, top-down budgeting causes lower marketing expenditures and ultimately depresses profitability. Alternatively, when profitability is low, there may be a tendency to introduce stricter top management and finance department control over budgets (which may also introduce the familiar circularity of logic of cutting marketing expenditure and further depressing volume and profitability).

The exploratory data do not permit any drawing of conclusions on such issues, but what they do suggest and illustrate is that the different budgeting processes and techniques are associated with different sets of power relationships and sources of political influence. Of broader interest are the implications of this style of analysis, which are developed next.

Implications—Developing an Organizational Model of the Marketing Budgeting Process

The results discussed here are limited in several ways, but provide some justification for the suggestion that part of a processual analysis of marketing should address those aspects of the task environment that are represented by the *power* of the parties involved in

TABLE 7
Marketing Department Power

Marketing Department Power	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Rank[b]					
1st	59	24	17.4	.00	48
2nd	25	38	(3 d.f.)		29
3rd	11	13			12
Lower	5	25			11
	(N = 87)	(N = 37)			(N = 124)
Rank Increase in Previous 3 Years[c]					
Low	26	55	8.51	.00	34
Medium	47	35	(2 d.f.)		43
High	27	10			23
	(N = 73)	(N = 29)			(N = 102)

[a]See Table 1 for definition of process modes.
[b]Direct respondent ranking of the power of the marketing department.
[c]Scoring of the difference between current power rank of the marketing department and rank 3 years previously:

Rank 3 Years Ago	Rank Now	Score
1	1	4
1	2	3
1	3	1
1	Below 3	1
2	1	5
2	2	3
2	3	2
2	Below 3	1
3	1	5
3	2	4
3	3	2
3	Below 3	1
Below 3	1	5
Below 3	2	4
Below 3	3	3
Below 3	Below 3	1

TABLE 8
Politicization of Budgeting

Politicization Level[b]	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Low	28	42	5.9	.05	32
Medium	28	10	(2 d.f.)		22
High	44	48			46
	(N = 89)	(N = 41)			(N = 130)

[a]See Table 1 for definition of process modes.
[b]Politicization measured on a 5-point scale from highly political to not political at all was rescored to a 3-point scale.

budgeting and the emergence of *political behavior* to influence outcomes. As suggested elsewhere (Piercy 1986b), advertising budgets can be modeled in the following way.

$$AD = e + aP_6 + bP_5 + cP_3 - 2B_3 \quad (R = .75)$$

where:

AD = advertising sales ratio
P_6 = relative perceived power of marketing development factor
P_5 = political contingencies factor
P_3 = process politicization factor
B_3 = top management intervention in marketing budgeting

The implication of the study findings is that positive predictors of the relative size of the advertising budget are (1) the perceived power of the marketing department in relation to the power of other departments, (2) the presence of contingencies for the emergence

TABLE 9
Budget Sizes

	Budgeting Process Modes[a]				
	BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Advertising Budget (£)[b]					
Low	22	46	6.6	.03	30
Medium	33	30	(2 d.f.)		32
High	45	24			38
	(N = 64)	(N = 33)			(N = 97)
Sales Promotion Budget (£)[b]					
Low	22	46	8.6	.01	30
Medium	32	36	(2 d.f.)		33
High	46	18			36
	(N = 63)	(N = 33)			(N = 96)
Other Marketing Budget (£)[b]					
Low	19	52	15.6	.00	30
Medium	34	39	(2 d.f.)		35
High	47	9			34
	(N = 62)	(N = 31)			(N = 93)
Total Marketing Budget (£)[b]					
Low	15	62	24.9	.00	32
Medium	37	24	(2 d.f.)		32
High	48	14			35
	(N = 65)	(N = 37)			(N = 102)

[a]See Table 1 for definition of process modes.
[b]In each case the sample was divided into three subgroups according to the budget variable value.

TABLE 10
Budget Ratios

	Budgeting Process Modes[a]				
	BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Advertising Budget Ratio[b]					
Low	24	47	4.8	.09	35
Medium	38	28	(2 d.f.)		34
High	38	25			33
	(N = 61)	(N = 32)			(N = 93)
Sales Promotion Budget Ratio[c]					
Low	25	53	17.9	.00	34
Medium	27	43	(2 d.f.)		33
High	48	4			33
	(N = 59)	(N = 30)			(N = 89)
Other Marketing Budget Ratio[d]					
Low	21	54	11.5	.00	31
Medium	31	31	(2 d.f.)		31
High	48	15			38
	(N = 58)	(N = 26)			(N = 84)
Total Marketing Budget Ratio[e]					
Low	15	60	22.2	.00	32
Medium	39	26			34
High	46	14			34
	(N = 61)	(N = 35)			(N = 96)

[a]See Table 1 for definition of process modes.
[b]Sales promotion budget/sales.
[c]Advertising budget/sales.
[d]Other marketing budget/sales.
[e]Total marketing budget/sales (in each case the sample is subdivided by the budget variable scores).

TABLE 11
Profitability

Profitability in Previous Year[b]	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Low	22	54	8.0	.02	33
Medium	40	21	(2 d.f.)		33
High	38	25			33
	(N = 53)	(N = 28)			(N = 81)

[a]See Table 1 for definition of process modes.
[b]Net profit/sales divided into three groups of equal size.

TABLE 12
Company Size

Company Size (Employees)[b]	Budgeting Process Modes[a] BU + BUTD (%)	TD + TDBU (%)	Chi Square	Significance	All (%)
Small	28	42	5.7	.05	33
Medium	30	36	(2 d.f.)		32
Large	42	22			35
	(N = 87)	(N = 45)			(N = 132)

[a]See Table 1 for definitions of process modes.
[b]The sample was divided into three subgroups according to the employee variable value.

of political behavior (primarily uncertainty and resource scarcity), and (3) the degree to which the budgeting process is perceived as politicized. A negative predictor is top management's intervention in the marketing budgeting process.

The Power and Politics of Marketing Budgeting

The initial approach to studying the task environment for marketing decision making—and budgeting in particular—was to adopt a political model of organizational decision making with the results described heretofore. This model was used instead of such alternatives as the rational or bureaucratic models of decision making (Pfeffer 1981) commonly adopted or assumed in the marketing literature (Anderson 1982).

The meaning of the terms "power" and "politics" is subject to extensive debate (Piercy 1986a), but for our purposes the simplifying assumptions are that power can be taken as a structural variable, whereas political behavior involves all those actions, outside the formally sanctioned systems, taken to influence the form and outcome of decision-making processes. Though arbitrary, these simplifying assumptions are compatible with the finding that managers have much less trouble understanding the meaning of power and politics than do academics (Pfeffer and Salancik 1977).

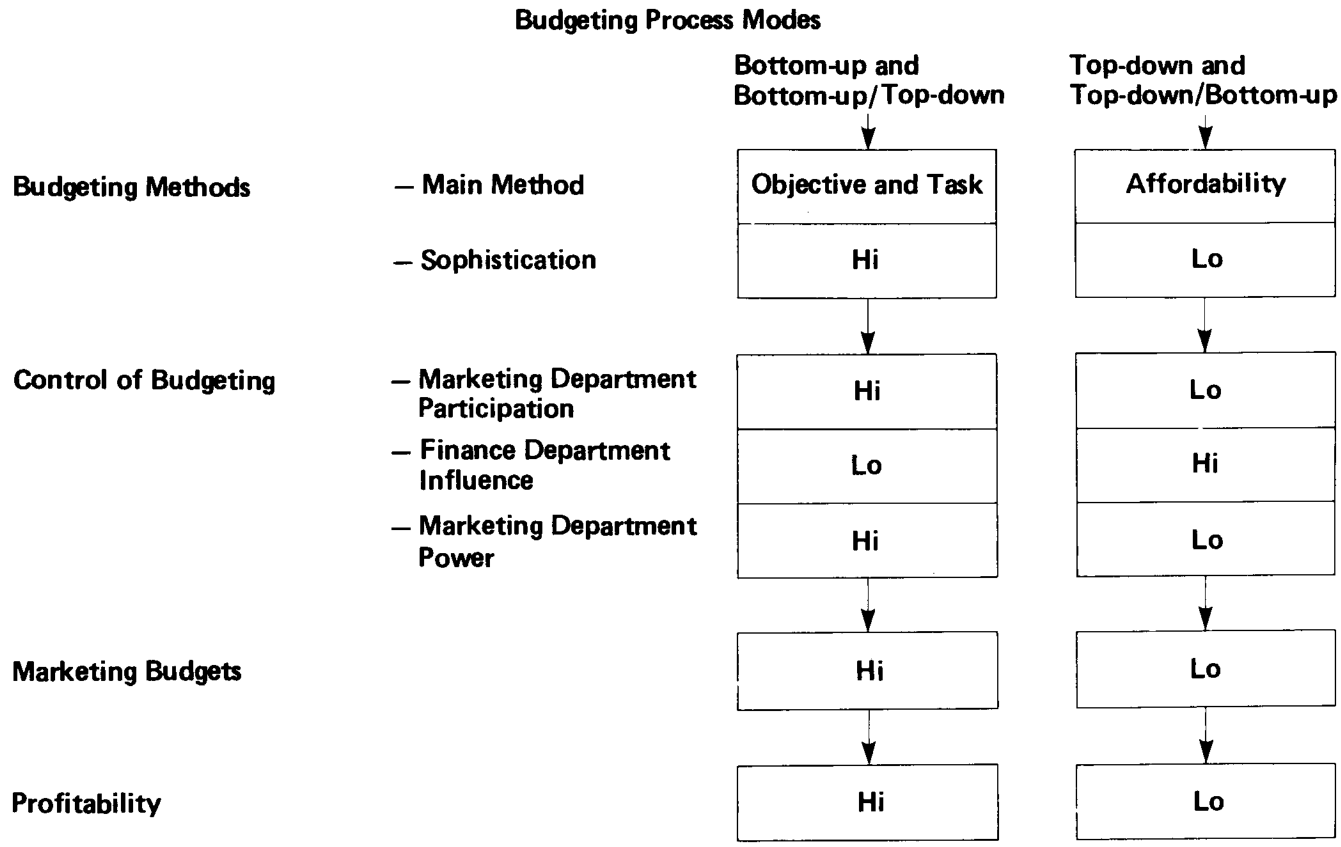
In this sense empirical support is provided (Piercy 1986b) for what managers appear to understand implicitly—that structures and decision-making processes in organizations are frequently, possibly unavoidably, political. However, the manager's reaction to this thesis was encapsulated to the writer in one executive's response: "So what?" This practical management question highlights the significance of a political analysis of marketing budgeting decision making.

It should be noted that the underlying goal of the marketing budgeting study was not criticism but analysis; in particular, the conclusion is not that the use of power and politics in resource allocation is necessarily something to be avoided, but is more akin to Bower's (1970) statement from his study of capital budgeting.

> Top management must recognise the multidimensionality of the resource allocation process. . . . Ignoring the impact of planning and investment, of formal organization, systems of management, information, and reward and punishment is a sure way of generating serious problems. "Politics" is not a pathology, it is a fact of large organization. Top management must manage its influence on "political" processes and then monitor the results of its performance.

The essence of what we are trying to highlight is this need to manage, influence, and control political processes as such.

FIGURE 2
Patterns of Marketing Budgeting



Many marketing managers' response to this view of marketing decision making is likely to be "convinced, but uncomfortable" (Pfeffer 1981), because the concepts of power and politics constitute an affront to the managerial ideology of rationality in decision making that has been imported into marketing theory (Anderson 1982). In particular, there tends to be an implicit underlying assumption that decisions based on power and politics are inferior to those involving more "scientific" or "rational" criteria.

In fact, the general literature provides little support for the hypothesis that the greater the use of power and politics the lower the level of organizational performance (accepting that there are difficulties in arriving at acceptable criteria of organizational performance and in designing adequate control measures for such a test). Indeed, Pfeffer (1981) asserts that political activities actually may be critical to achieving success, in that they allow the able and creative to get their own way, and that "organizational politicking" facilitates organizational change and adaptation to environmental turbulence. He also rejects the argument that the amount of time spent in political negotiation and bargaining is necessarily greater than that which would be directed to "rational" information gathering and evaluation. Pfeffer does not accept the condemnatory case that power and politics produce outcomes that are suboptimal for the organization because: "To argue that power and politics produces decisions which are sub-optimal is to assume that there is knowledge about the organization and its operations which in all likelihood does not exist, for if it did, there would be much less use of power and politics."

Similarly, other analysts argue that the process of creating organizational slack through political behavior is a facilitator of strategic behavior (Bourgeois 1981), a way of allowing experimentation with new strategies (Hambrick and Snow 1977), and a method of providing funds for innovation (Cyert and March 1963). One can go farther and suggest that organizational politics, in fact, provides an efficient and desirable means of achieving organizational tasks, and specifically that (1) politics can generate the type of discussion in which policy alternatives are identified, compared, and evaluated, leading to new insights and behavior, (2) politics can be routinized into an efficient form of control that channels potentially disruptive differences of opinion into activity beneficial to the organization, and (3) political systems developed in this way provide leadership succession and promote adaptation in organizational culture (Huff 1984). In studying marketing strategy and the deviations between the dictates of prescriptive theories and actual behavior, one researcher suggests: ". . . the managers' decision rules may lead to better decisions than do prescriptive models. The deviations, then, may be 'smart' deviations" (Burke 1984). In this sense, power and political influence may, in various ways, exert a positive influence on performance.

In the budgeting context, Wildavsky (1979) concluded that the political system of budgeting actually worked reasonably well as a mechanism for coping with uncertainty and complexity. He noted: "The overriding concern of the literature on budgeting with normative theory and reform has tended to obscure the fact that we know very little about the budgetary process . . . the present budgetary process, though far from perfect, performs much better than has been thought, and is in many ways superior to the proposed alternatives." Certainly, if we accept the proposition that resource scarcity in an organization leads to conflict (Pfeffer 1981), we also must accept that conflict may produce both negative and positive effects, the positive effects being such benefits as building subunit cohesiveness and sense of purpose, clarifying objectives, and bringing about greater analysis of cause and effect (Mason and Mitroff 1981; Notz, Starke, and Atwell 1983). The implication is that the essence of the management problem is to minimize the negative effects while attempting to take advantage of the positive effects of conflict in budgeting—that is, to adopt the role of "manager as arbitrator" (Notz, Starke, and Atwell 1983).

Such arguments suggest that the appropriate managerial response should be to recognize the opportunities to manage political systems *as* political systems, rather than obscure the issues with ineffective controls that simply drive politics underground. For example, Pfeffer (1981) and George (1972) argue for a "multiple advocacy system" to manage conflict.

> Instead of utilizing centralized management practices to discourage or neutralize internal disagreements over policy, an executive can use a multiple advocacy model to harness diversity of views and interests in the interest of rational policy making. Diversity is also given scope in "bureaucratic politics" and "partisan mutual adjustment" but in contrast to these unregulated pluralistic systems, multiple advocacy requires management to create the basis for structured, balanced debate among policy advocates drawn from different parts of the organization (Pfeffer 1981).

This model of management recognizes the creative aspects of conflict and the attraction of a process of submitting "legal" argument to a "magistrate figure" for decision. A parallel is the situation created by the matrix organization in marketing (Corey and Star 1971; Piercy 1986a), with its implicit conflict between managers of resources and managers of programs.

More broadly, power and politics have been argued to act as just the type of internal capital market that organizational theorists have associated with the multidivisional form as a mechanism to cope with uncertainty and diversity (Chandler 1962; Williamson 1975), in the sense that organizations could be viewed as quasimarkets in which power is the medium of exchange (Pfeffer and Salancik 1977). Less extreme is the view that at the very least power and politics should be recognized as a normal part of corporate behavior, to be actively managed as corporate variables for the control of outcomes. Mintzberg (1985), for example, argues that we should conceive of a "portfolio" of controlling forces, which should be mixed according to different strategies and changing circumstances.

If we posit the existence of management choice, we can suggest several approaches to managing marketing processes to influence outcomes, which may be taken as representing points at various stages on a continuum.

First, if management rejects the notion of politics as a suitable determinant of outcomes, attempts can be made to centralize power and to reduce the scope for political action insofar as that is possible (Pfeffer 1981).

> It has been suggested of budgeting systems, for example, that not only must the system provide procedures for the rational, economic analysis of budget proposals, but it must also provide procedures for the resolution of intergroup conflict over scarce resources that will inevitably arise (Pondy 1984).

The dangers in merely driving political behavior out of sight should be noted, but advances in technique and the availability of new information technology suggest a considerable potential for more effective centralized control over marketing resources (Piercy 1984).

Second, there is some value in noting and comprehending the political nature of the organizational environment for marketing decision making—whether one's aim is to eradicate the influence of power and politics or to adapt to their influence. Much precedent supports the view that the management of strategic change is more likely to be effective if it incorporates planning to cope with the impact on the power structure and the emergence of political behavior (Pfeffer 1981; Piercy 1986a,b).

Third, perhaps management should recognize the emergence of political decision making as a valid response to contingencies of goal and technology uncertainty and should attempt to manage marketing resource allocation *as* a political process. For example, Huff (1984) suggests politics in organizations can be routinized into an efficient form of "governance or control." Her proposal is that:

> . . . repeated decisions, especially routinized cycles of planning and budgeting decisions, provide a useful focus for political activity. These decisions simultaneously limit options for dissent and provide well specified possibilities for future dissent.

The argument is that a well-established cycle of decision making highlights a limited set of outcomes as recurring benefits, thus reducing the escalation of demands and the growth of animosity between winners and losers. Huff concludes:

> Conflict is most likely to be positive if those who oppose current activity are able, under controlled circumstances, to develop their complaints into a well articulated program for action which can be compared to the organization's current strategy. . . . Conflict is most likely to be positive if it takes place in a stabilized political system which discourages "do or die" attempts to change the organization in favor of waiting for well specified opportunities for influence. . . . In the long run the political system can help adapt to the ambiguity and change which faces all organizations, by keeping a variety of potentially useful perspectives alive.

Such an approach to managing the power and politics of marketing may involve the application of the matrix concept and making explicit the "multiple advocacy" paradigm considered before.

There are some precedents for such an approach to marketing management. For instance, Anderson's (1982) contribution to a "marketing theory of the firm" follows the well-known Mason and Mitroff (1981) logic, arguing that:

> Strategic conflicts will arise as functional areas . . . vie for the financial resources necessary to occupy their optimal long-term positions. Corporate management as the final arbitrator may occasionally favor one area over another. . . . Indeed, it is possible that marketing considerations may not have a significant impact on strategic plans unless marketers adopt a strong advocacy position within the firm.

Such a view is compatible with Quinn's (1981) model of strategy formulation as a combination of formal/analytical and power/behavioral approaches. In this model, strategies are not created by the formal planning system, which provides merely a framework, but emerge incrementally over relatively long time periods—time periods during which management negotiates and bargains to obtain the support and commitment of coalitions within the firm. Anderson's (1982) derived view of the marketing role in the firm is that:

> . . . marketing must negotiate with top management and the other functional areas to implement its strategies. The coalition perspective suggests that marketing must take an active role in promoting its strategic options by demonstrating the survival value of a consumer orientation to the other internal coalitions.

This argument leads back to the preceding point—to act effectively as "a strong advocate for the marketing concept" requires an understanding of the distribution of power and political strength in the organization. We could argue that an implicit understanding of the power structure is a characteristic of "good" management, which we have sought to incorporate more explicitly into the marketing paradigm.

Indeed, it may be desirable in some situations to go as far as writers like Hayes (1984), who argues that the most effective managers are, in fact, the "politically competent" who manifest "a set of skills to do with influencing others and the exercise of power." The implication drawn by Hayes is that it is possible advantageously to introduce structural and procedural changes that have the effect of rendering decision making *more* rather than less susceptible to the use of power and political influence.

If the intention of marketing management is to influence the outcomes of political processes in marketing, such as budgeting, the implication of what is outlined here is that the most effective way of doing so is not simply to operate on the use of decision-making techniques or even formal authority systems (except insofar as they influence power and politics) but to reallocate sources of power. This effort may take various forms: reallocating boundary-spanning functions and the strategic influence they bring (Jemison 1984); redesigning structures—for example, modifying the institutionalization of rules and procedures by power holders (Wilson et al. 1983); modifying information flows—for instance, by the use of new information technology (Piercy 1984); and influencing social interaction patterns to change the power balance, the opportunities for political behavior, and hence outcomes (Strauss 1963). In other words, effective control of the political process of corporate marketing involves acting on structure (power) and on information and process (politics) to reshape the factors that determine outcomes (resources).

This conclusion has been noted elsewhere. Deshpande (1982) states:

> . . . the influence of organizational structure on marketing has seldom been studied systematically. . . . One set of these relationships deals with managers *within* an organization. Unless the structure of work relationships in a firm has been designed to optimize managerial effectiveness, the company-customer transactions will suffer and, in turn, negatively impact on the firm's long-term profitability.

In a broadly similar way, John and Martin (1984), in studying marketing planning, have argued that marketing structure is a crucial determinant of organizational outcomes, though they restrict their analysis to formal aspects of structure.

The Task Environment for Marketing Budgeting

Though the preceding proposals amount to a radical reexamination of the management of marketing budgeting, they focus only on the power (structure) and politics (information and process) of budgeting. If power and politics are taken as simply "sensitizing concepts" (Bacharach and Lawler 1980), there is some value in broadening our view of the variables to be included in an organizational model of marketing budgeting.

In essence the central implication of this work is that a range of organizational variables provide management with mechanisms for planning and control that are much more potent than changing budgeting techniques or methods of calculation. The organizational variables that can be manipulated to shape and control the marketing budgeting process include:

- the formal *organization structure*, particularly the allocation of the critical contingencies such as sales forecasting, and the use of structure to create or remove budget centers (e.g., product and market managers), as well as the formal allocation of marketing budgeting responsibility;
- the control of flows of *information* and the allocation of "ownership" of particularly critical pieces of information;
- the *membership of the decision-making unit* responsible for marketing budgets, including the variation in management level and functional specializations and the strategic placement of political "fixers";
- the fostering or avoidance of *social interaction* between different members of parts of the organization as part of the negotiation and bargaining involved in setting budgets;
- the *rewards and sanction* system associated with different budget outcomes; and
- the focusing of *organizational culture* in terms of the myths and stereotypes surrounding budgeting and the management style and philosophy associated with the budgeting process (e.g., cut back vs. expand).

These variables provide an agenda for management attention in pursuit of control over the marketing budget and a basis for determining the research themes necessary to develop an organizational model of marketing budgeting.

Appendix
Technical Details of Survey

The empirical data reported are drawn from a broader survey of marketing organization and budgeting that was carried out in the period April–September 1984. The sampling units were chief marketing executives in medium-sized (100 to 1000 employees) manufacturing firms in the U.K. A sample of 600 was drawn from a published directory by a systematic random selection method.

The data were collected by postal questionnaire after pilot interviews. The total response rate was 56%. The results cited are drawn from the 140 respondents who completed the section of the questionnaire pertaining to their budgeting practices.

Further details of the empirical study, including the research instrument, and its more general findings are reported in a general monograph (Piercy 1986a). The analyses described here are not reported elsewhere. Queries about them should be addressed to the author, who would welcome discussion and the development of comparative, replicative, and extended studies of this topic with other researchers.

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Evaluating and Improving Argument-Centered Works in Marketing

Marketers have yet to adopt a standard repertoire of techniques with which they can critically evaluate argument-centered works. Certain analytical techniques of the logician are proposed for evaluating such works. The authors provide an example to illustrate the use and value of these techniques.

IMAGINE a world in which marketers are relegated to presenting and debating empirically derived conclusions without the aid of statistics or probability theory. In such a world, all scholarly discussions would be no more than mere exchanges of opinion or interpretations of data in accord with the latest theoretical fads. The end product of such discussions could hardly be called a science.

To some extent, marketers are in such a situation today with respect to a certain category of marketing works. For lack of a better term, we designate the works in this category "argument-centered" works. An argument-centered work is any work in which the conclusion (consisting of one or more theses), stated predominantly in a natural or nonformal language, seems to be drawn on the basis of evidence presented in the work. The earmark of such a work is that it contains nothing resembling a rigorous proof, yet the conclusion apparently "stands to reason" or "is intuitively obvious" given the premises.

A danger is inherent in all such works: the seeming "obviousness" of their conclusions can lull even the most careful scholar into accepting them as plausible. Unfortunately, the subjective impression of obviousness does not guarantee objective validity. "Obvious" conclusions, if subjected to rigorous examination, can prove to be either false or self-contradictory. Therefore, without a generally accepted, suitable method of evaluating arguments, all debates about the conclusions of argument-centered works are in danger of regressing into "mere exchanges of opinion or interpretations of data in accord with the latest theoretical fads."

If argument-centered works are important for marketing (as we subsequently show), marketers should be able to (1) critically evaluate them and (2) salvage as much as possible from works that contain errors of reasoning. However, the technical means necessary to evaluate argument-centered works are not currently within the repertoire of most marketing scholars. Fortunately, modern developments within logic and philosophical analysis have made available certain tools suitable for *evaluating* and *improving* such marketing works.

We propose that the marketing community accept and frequently use well-established logical and philo-

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