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In search of a strategic role for marketing Leading, influencing or supporting?

A global benchmarking
study exploring structure,
leadership and community

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Introduction

The perennial question of how best to organise, deploy and manage marketers in large, complex organisations is a continuing challenge...

In light of an increasing focus on structure and effectiveness, The Chartered Institute of Marketing, the world's largest professional body for marketing, has partnered with leading global management consultancy, technology services and outsourcing company Accenture, to conduct a practitioner-focused, primary research study exploring marketing structure, leadership and community.

Structure to enable strategic impact



Rolls-Royce

The organisation

Rolls-Royce, a world-leading provider of power systems and services for use on land, at sea and in the air, operates in four global markets – civil aerospace, defence aerospace, marine and energy.

Rolls-Royce has a broad customer base comprising 600 airlines, 4,000 corporate and utility aircraft and helicopter operators, 160 armed forces, more than 2,000 marine customers including 70 navies, and energy customers in 120 countries. Rolls-Royce is a technology leader, employing 38,000 people in offices, manufacturing and service facilities in 50 countries.

Annual sales total £9 billion, of which 53% are services revenues. The firm and announced order book for 2009 is £55 billion, of which aftermarket services represent 38%, providing visibility of future levels of activity.

Civil aviation – the marketing context

The civil aviation division of Rolls-Royce represents approximately 50% of group revenues, and operates at the far end of the marketing spectrum – a staunchly

business to business (B2B) marketing organisation:

- Small, tightly defined market:
- Two main airframe manufacturers (Airbus, Boeing) together with a few manufacturers of only smaller aircraft
- Two credible competitors of similar scale and capability
- No more than 600 'real' airline customers worldwide
- Heavily relational marketing approach – lengthy sales cycles; product life cycles exceeding 15-20 years
- Low sales volume but high value ('7 figures' plus and an average of one deal a week)
- Long product development timelines and high R&D investments – averaging 6 years from product concept to 'in service', leaving no real margin for error

Civil aviation marketing – pre 2007

Prior to 2007, the 75-strong civil aviation marketing function sat under one leader (Vice President, Marketing), reporting directly

into the 'Customer Business' leadership within the business (Executive Vice President, Customer Business).

In comparative terms, the function was lean, both in terms of head count and marketing spend, and supporting a successful, growing business. However, the pace of growth and the demands of the organisation began to raise concerns:

- The day-to-day requirements (and successes) of the sales operation inevitably focused this lean resource on the short term priorities of supporting the immediate deals and customer relationships
- Sales and marketing integration led to a responsive marketing organisation – but one which saw marketing resource biased towards supporting the sales requirements of today, not tomorrow
- Marketing roles were becoming increasingly specialised in support of key deliverables to the sales operation, setting a narrowing context for recruitment and skills development



“The ‘Strategic’ arm has improved the positioning of Rolls-Royce with its customers and has clearly positioned the organisation as being thought leaders.”

- Ultimately, the ability of the marketing function to explore the longer term trends and opportunities which would shape future business, was heavily restricted

A changing external environment

Recognising this relatively short term outlook, the attention of business leaders moved to the increasingly changing external environment and the threats and opportunities therein:

- Environment, sustainability and corporate responsibility were making clear moves from a position of trends or even fashion statements to long term, strategic priorities for Rolls-Royce and other members of the value chain (aviation fuel providers, airframe manufacturers, airlines, travel retail operations and travellers)
- Business model innovations (such as the low cost carrier model) had made air travel more accessible and fundamentally challenged the accepted status quo of the industry
- Legislative restrictions regarding carrier ownership and flight paths were beginning to relax – seen initially in the formation of airline marketing, capacity and route partnerships (OneWorld and StarAlliance) and more recently in cross-border M&A activity
- Airline consolidation was becoming an increasing likelihood
- Aftermarket services were becoming a significant revenue and growth stream, in some cases representing a greater opportunity than the core product with which Rolls-Royce had built its business

Having invested over £3.5 billion in research and development (R&D) over the last five years and with a continued commitment to investing in R&D, Rolls-Royce leadership sought to understand how it could avoid future 'shocks' and capitalise on new opportunities for growth.

Organising for marketing at two velocities

Robert Nuttall, who at the time was leading the function as Vice President, Marketing, began a review of the function – seeking to address three key catalysts for change:

Catalyst one: growth

The success of the organisation not only began to draw on more resource from the marketing function, it also widens the potential options for the organisation. Of the many investment options available, in which option(s) should the organisation invest? What could a future world look like? What could the best opportunities be?

Catalyst two: environmental concerns and CSR

An increasing focus on corporate social responsibility and the environmental impact of commercial aviation was acknowledged by leaders as a significant and long-term market factor, with the potential to create major threat or opportunity for the organisation. In light of this, how should Rolls-Royce respond and seek to capitalise on future, emerging opportunities?

Catalyst three: focus

From a marketing leadership perspective, the ability to balance the requirements of the 'day-to-day' versus the long term needs of the business was becoming increasingly difficult. How could structure, reporting and capability be leveraged to facilitate a better balance?

Both sides of our marketing function now have a clear understanding of exactly what resource is at it's disposal.

Recognising the continuing theme of two distinct timelines – day-to-day and long term – the function was evaluated against several questions:

1. What skills and competencies do we have today? Where are we strong and where do we need to improve?
2. What is our level of ability to service the needs and requirements of both timelines – day-to-day and long term?
3. Where should conversations be taking place within the business and how do senior management reporting lines influence this?

“The short-term/long-term theme was strong – the business was seeking different support from us on completely different timelines... our skills and people requirements would therefore be different and our internal conversations would be focused in different directions. The logical thing for us to do was create a delineation along these timelines and make sure we have the right people and position within the business to support both timelines well.”

A new model for marketing

A new marketing model was articulated (ref. fig. x), comprising four significant changes:

1. Distinct split between day-to-day and long term activities through the replacement of a single marketing unit with two distinct functions – ‘Civil Engine Marketing’ and ‘Strategic Marketing’
2. New co-leadership roles created – Vice Presidents installed to lead both functions
3. New reporting lines for marketing leaders, aligned to ‘most appropriate’ lines of communication to business leadership
4. New roles, competencies and recruitment approaches for marketers in different timeline contexts

Rolls-Royce plc quick facts

38,000
employees in 50 countries

54,000
gas turbines in service worldwide

£9 billion
billion annual sales (2007)

£55 billion
order book (end 2008)

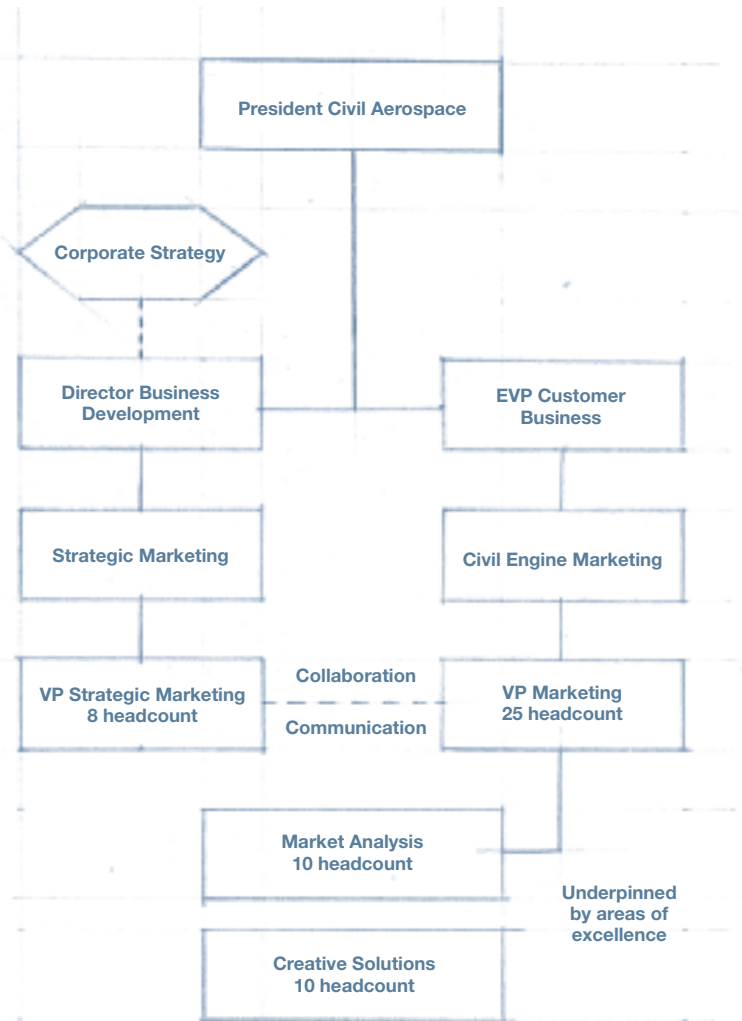


Fig. x: Rolls-Royce’s new marketing model

Civil Engine Marketing – winning today’s business

Main tasks:

- 1-5 year focus
- Managing campaigns
- Customer analysis
- Market and competitor analysis
- Market positioning

Strategic Marketing – preparing to win tomorrow’s business

Main tasks:

- 6-20 year focus
- Trend forecasting, scenario planning, competitive landscape
- Environment issues
- Strategic partnerships and alliances
- Direct working input to corporate strategy team

More than an ‘org chart’

The changes brought about with the creation of two marketing functions aligned to distinct timelines are much deeper than merely a new organisation chart.

“By clearly allocating our marketing resource to the distinct needs of the business, we also changed our approach to people and capabilities. Within the more tactical marketing function, we’re more focused on bringing through

and developing people with great analytical capabilities and strong technical marketing skills. In the strategic function, however, our view on capability has changed – we’re looking for people with a more conceptual mindset, the ability to ‘see the wood for the trees’ and an understanding of how the industry works. It has also changed our view on recruitment and career management – we’re driving a faster churn rate, albeit via internal moves, within the strategic marketing function. This ensures we keep bringing fresh eyes to the picture, whereas the average tenure in the tactical unit is probably twice as long, as we prefer marketers to see multi-year campaigns and customer bids through to completion.”

Reflections and learnings

The links between market requirements and R&D investments are better understood, and leaders reassured, through extensive strategic analysis, forecasting and market knowledge development

“In 2008 we spent £800 million on R&D. With six year product development timetables and investments of this level, we simply cannot afford to get it wrong.

Linking the value contribution from strategic marketing to the security of hundreds of millions of pounds makes a strong case for business leaders to support a sustained commitment to this function.”

Stronger grasp on the future for the market and the position and opportunities for Rolls-Royce within it

“Our measure of success is simple: no surprises. We’re actively looking, and have the resource to do so, at long-term issues like China, economic climate, environmental developments, new fuel possibilities. Having the resource to identify and fully explore all possible eventualities enables us to help protect the organisation from major external ‘shocks’ in the future – as well as helping to inform our R&D and strategic investments in those areas which will yield greatest long-term return and increased shareholder value. And what’s more, it’s gone a long way to securing real understanding of, and commitment to, the true potential of ‘marketing’, on both timelines, with our business leaders.”

key contributor



Robert Nuttall FCIM
Vice President,
Strategic Marketing
Civil Aviation
Rolls-Royce plc

Brand and reputation amongst clients and partners has evolved – the organisation is now seen as much more innovative, leading and forward thinking

“We didn’t expect it, but our work has had a very positive impact on our positioning and reputation with customers. Airframers, airlines and supply chain partners now see us in a different light – often coming to us for insight on the future of the industry. This has an obvious benefit to our current client relationships as well.”

Future market perspectives develop stronger competitive advantage

“The development of internal ‘know-how’ and the associated proprietary intellectual capital is a real and potentially valuable source of competitive advantage – if we develop a view of renewable fuels and see a significant, and viable, business opportunity within it – why would we want this to land in the lap of our competitors? This proprietary knowledge not only builds our intellectual asset base – by learning how to ‘do it’, we become adaptive and responsive to future requests for answers. It absolutely deserves to sit within the organisation.”

Better use of marketing resource and better support to the different needs of our internal customers

“Both sides of our marketing function now have a clear understanding of exactly what resource is at our disposal – rather than worrying about an imbalance to either timeline.”

Integrated delineation?

An important observation, is that the ‘split’ in the function is balanced by strong communication and working approaches both by marketing leaders and marketing teams, to ensure a ‘silo’ mentality is avoided.

“Both sides sit close to one another and we talk on a daily basis – whilst the structure has changed, the working relationships have been reinforced to support this. The last thing we need is two teams operating in complete isolation, or even conflict – we’re still dealing with the same customers and markets, it’s just the context which is different.”

Conclusions and recommendations

“This started out as a necessary change to allow us to focus on the future, to respond to the strategic imperative. It has ended with significant benefits that we never foresaw. The ‘Tactical’ arm of marketing is focused on winning the business we need to move the company forward – and with this extra focus improvements have been seen across the entire range of activities. The ‘Strategic’ arm has improved the positioning of Rolls-Royce with its customers in ways we never thought and has clearly demonstrated us as being thought leaders. But crucially, although we now have two marketing arms, they are firmly attached to one corporate body and often work hand in hand to deliver the corporate goals.”

