

Harley Davidson

Organisation-led Integrated Marketing

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**Centre for
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The Centre for Integrated Marketing has been funded by industry to research best practice and develop intellectual and other tools on behalf of leading marketers and their agencies.

Anyone literate in Marketing is likely to respect the marketing achievement of Harley-Davidson in its marketing transformation from a no-hoper to one of the great brands of the Western world: an achievement that began not with agencies but with employees. \$100 invested in Harley stock in 1986 was worth slightly more than \$7,000 by the end of 1998 and the company continues to succeed. This was achieved by a revolution across the organisation centred everyone on re-invigorating the brand and its promise of value.

Creating value is the name of the game

The Harley Davidson transformation began with a company that was suffering. In the 10 years to 1983, Harley's market share of the 850 CC plus motorcycle category had dropped from 80% to 23%. The company was haemorrhaging cash and profits. Staff were demoralised. The culture and environment was toxic.

The first phase of the transformation involved rationalisation and tough command and control management. This was phase 1 management. It was not enough however to create success: for this positivity and commitment was required. The company had to move out of financial regulation and power governance into shared marketing commitment towards vision and value based on a collective appreciation of the Harley identity. This is phase 2 management, and the core of integrated marketing.

Harley's problems began it was the company was sub optimised internally, with many hostile management/union relationships, and failed to match the market in customer value. The Japanese did not create the problem: they exposed the problem.

Many companies share this problem. They may have succeeded in avoiding the extreme problems that Harley had, often by effective phase 1 management. The challenge of is to move into phase 2.

Phase 2 Integrated Marketing depends first on uniting everyone around a collective vision of value that connects to the identity and purpose of the organisation/brand. This depends on a profound and shared understanding of customers and an organisation that can deliver value seamlessly throughout all customer experiences across the relationship. This also means connecting and matching spiritual with practical qualities: vision, purpose, values with information, processes, and systems.

Research by the Centre for Integrated Marketing identified that amongst major UK brands, less than 40% of UK companies can say that customers are *really* happy (scoring 6 or 7 out of 7¹). Similarly, less than 55% say their customers really trust the brand. Given the significance of these two factors in developing customer loyalty, share of wallet and consequently market share, these are not comfortable statistics.

The research shows that they derive from more deeply rooted problems, indeed, given the following statistics, it is surprising and perhaps optimistic to believe that customers are even this positive:

- Only 30% of companies believe that customers feel that all their brand experiences come from one identity. This means that in the majority of companies, customers experience a fragmented or divided organisation or brand.
- Employees lack a similar shared commitment. Only 55% of large companies claim that future vision is consistent with core truths of the brand – that means a only little over half are committed to something sustainable and potentially inspiring for all, a key contributor to success.
- Given the challenge of ensuring that employees then buy into this vision, it is perhaps not surprising that only 30% of companies believe that everyone nurtures what the brand means to committed customers.
- And, given the challenge of converting employee commitment into organisational effectiveness, it is also not surprising that alignment of business processes to the brand value position is only strongly

achieved in about 19% of UK firms, while less than 10% can say with conviction that there are no silos!

These were precisely the kinds of challenges that Harley-Davidson had to face.

Integration and business success depends on the marketing ethos pervading the business and on a successful culture and practice of evaluation and more importantly learning. However, UK companies share in the problems similar to those that Harley-Davidson had:

- Only 38% of companies believe that company culture supports the values expressed in the brand
 - Just 36% of companies believe that the culture encourages people to release their creative potential
 - Only 20% of companies believe that practices ensure shared learning across the organisation
 - Evaluation is managed as a learning discipline in only 19% of large UK firms.
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- Only 40% of companies believe that customer management in their companies focuses on customers over their lifetime
 - Treating customers in ways appropriate to them is strongly achieved by less than 40%
 - Only 31% of companies believe that the brand recognises individual customers wherever they interact or do business, even when it is appropriate
 - Not surprising, since only 35% believe there is a profound shared knowledge of key customer groups, and...
 - Only 31% are good at realising high value propositions, and...
 - Quality information about customers for all who need it is provided in less than 10% of companies.

Harley in trouble

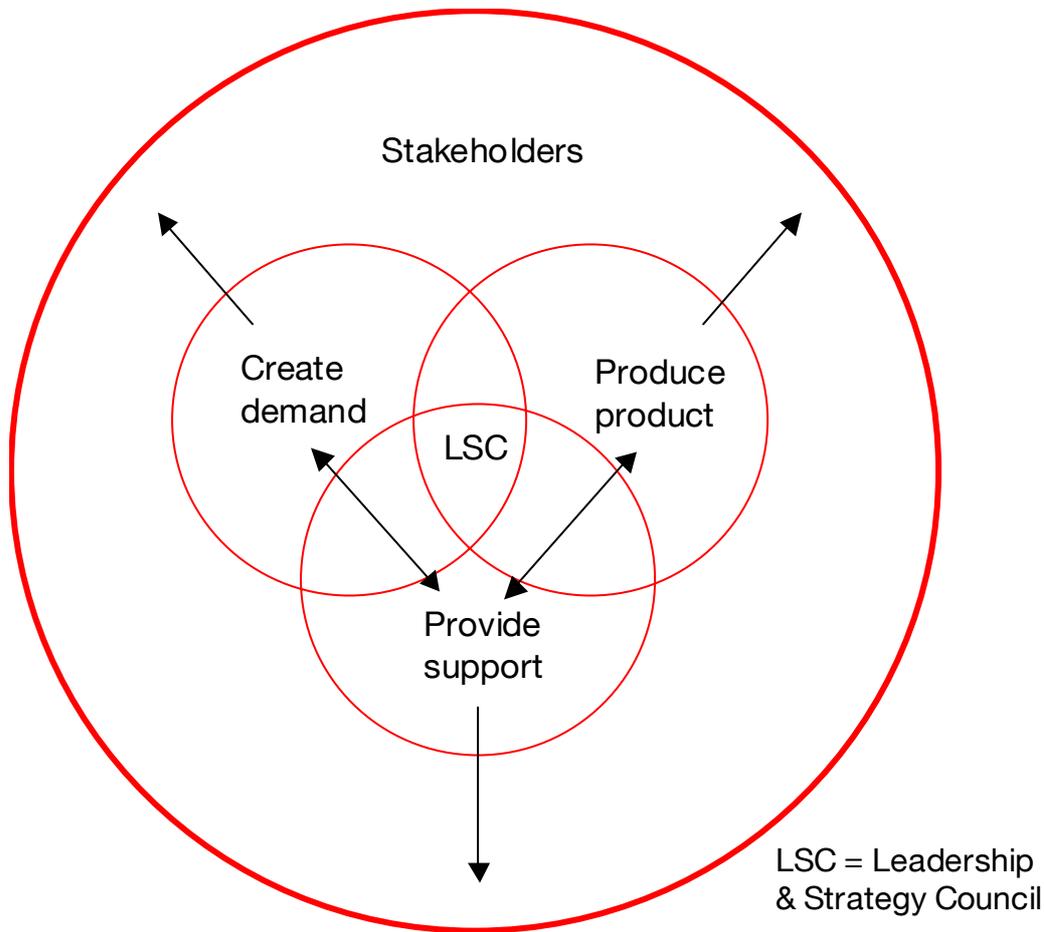
The Harley Davidson transformation

Integrated Marketing amounts to a widening of the responsibility, potential and vision for many marketers and therefore for marketing.

Rich Teerlink, CEO of Harley-Davidson, describes a leadership journey by which just such a transformation took place.² Under his leadership, Harley-Davidson changed from a somewhat toxic, hierarchical, command and control organisation to something new and nimble that is the present-day foundation for its ongoing success as an Integrated Marketing leader. Initially that change did require command and control to get out of the solvency crisis. However, the sustained success that we see today came from a different kind of change.

Involvement, empowerment and alignment was the secret of success. The result is something called the Business Process, an extensive and ongoing programme that involved and involves everyone in the organisation from top to bottom in establishing shared values and vision, shared mission and operating philosophies, and agreed objectives and strategies. According to Teerlink and his partner in the process, consultant Lee Ozley, "Instead of demanding compliance, managers have to earn, and call upon, commitment".

The extensive change process, over several years, that led to this, known as the Joint Vision Process, also led to a radical new organisation. Instead of the conventional hierarchical structure, Harley-Davidson developed what they call a *circle organisation* of three overlapping elements concerned with creating demand, producing products and providing support. A leadership and strategy council at the centre has members nominated from these circles.



Harley-Davidson Circle organisation

Source: Rich Teerlink and Lee Ozley, *More than a motorcycle, the leadership journey at Harley-Davidson, Harvard Business School Press, 2000*

Jeff Bleustein, former president of parts and accessories, describes the uniqueness of the circle organisation:

I've seen nothing like it elsewhere. Sure, there are a lot of companies with self-managing work teams on the factory floor. In fact, that's where a lot of innovation comes in some companies -- as far away from the executive offices as you can get it... But we said, "Hey, if it is a good idea for the factory floor, why isn't a good idea for senior management too?" So we took the concept of self-managing groups and made it work at the executive level. I haven't seen another company that's done that.

The solution to Integrated Marketing is not to blindly copy the Harley-Davidson solution. I am certain that that would not work, because this organisation grew organically out of the process. However we have seen other radical structures both within the marketing department and the organisation at large. I am certain that to achieve best practice in Integrated Marketing there is a need for the organisation structure to grow out of and reflect the organising idea of value and purpose that animates the brand organisation, rather than be driven by traditional considerations of power and status.

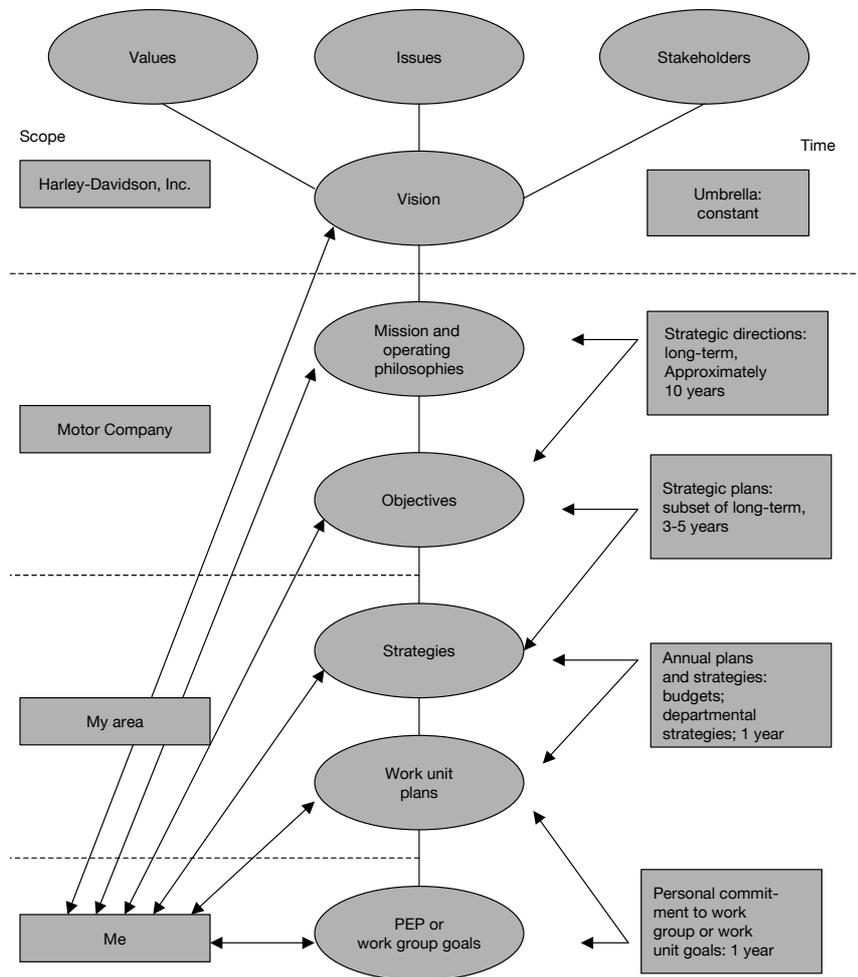
Ron Hutchinson, currently vice president for parts, accessories and customer service, gives a perspective on this change and its effect that relates to Integrated Marketing:

This was a vision of the way people needed to be engaged in an organization, and developed a structure -- the Business Process - - that allows for theoretical alignment of an individual's job with the long-term direction of the company. No other organisation that I'm aware of has built a whole process and structure around that.

In the final analysis, I'd say the customer service department, where you spent eight hours a day taking phone calls from unhappy campers, is a true test of whether the Business Process works or not. I'm convinced that we wouldn't have the reputation that we have today in the marketplace if we didn't have front-line people excited by charismatic, visionary leadership, who can see exactly how their little piece of the organization fits into the long-term strategy and direction of the company.

The research into UK companies cited above also found that 57% of companies believe that quality is understood to be what is good for the customer, employee *and* company, with another 30% making progress in this direction. Harley demonstrates that without a real

commitment to this principle it is impossible to achieve sustainable success.



Integrated Marketing is an holistic discipline that inspires coherent and creative organisation, culture and customer experience alignment around fundamental truths of the brand to deliver value to customers, employees and the organisation.

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For further information and case studies, visit the Centre website on www.integratedmarketing.org.uk

¹ We defend the importance and commercial value of scoring 6 or 7 out of 7 because anything less at best barely lifts you out of the poor. The same

measure is used in the other statistics. The figures derive from a study of UK companies by Jenkinson and Sain, *How Integrated Is UK PLC?*, published by the Centre for Integrated Marketing.

² Rich Teerlink and Lee Ozley, *More than a motorcycle, the leadership journey at Harley-Davidson*, Harvard Business School Press, 2000