Explication of the need for developing Marketing Function of Professional Service Organizations

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Abstract
This paper examines and shows why developing the marketing function (MF) as a management tool in Professional Service Organizations (PSO) is critical for the survival and growth of such organizations. It adopts the descriptive study design and employs the Contingency Theory Paradigm and a review of extant literature on construction marketing with focus on PSO, as a method to identify, summarize and synthesize to show the need for developing the marketing function of PSO operating in the built environment, especially the Quantity Surveying Consulting Firms (QSCF) in Ghana. The paper shows that a means to cope in a changing business environment which is key for survival and growth of a firm requires development of the marketing function of the firm which will enhance the needed adaptability to the changing environment. Effectiveness of that depends on the appropriate matching of contingency factors with internal organizational designs that can allow appropriate responses to the environment, and that make marketing indispensable. The paper opens a new direction of construction marketing research which focuses on the benefits of marketing in managing a construction business.

Keywords: Contingency Theory, marketing, Professional Service Organizations (PSO), Quantity Surveying.

1. Introduction
Having been referred to as “an investment for creating a competitive edge – an empowerment for competitive advantage” (Arditi et al., 2008), marketing has been recognized as one of the more important functions for helping the consulting firms to meet the unprecedented challenges faced by them (Kotler and Conner, 1977). Marketing has become the fundamental component for the growth and survival of the consulting firms by enhancing their knowledge to ensure continuing relevance and to enable them move quickly into new areas of service as opportunities arise. Kotler and Conner (1977) noted that a successful competition of a firm that leads to survival on the market requires the achievement of three major objectives i.e. ‘a sufficient demand, a sustained growth and profitable volume’. This, according to Jaafar et al., (2008) justifies the important role of marketing practices in the management of consulting business. In the same vein Drucker (1993) emphasized the importance of marketing for an enterprise with the argument that:

“Because the purpose of a business is to create a customer, the business enterprise has two and only two basic functions: marketing and innovation. Marketing and innovation produce results, all the rest are costs. Marketing is the only distinguishing, unique function of the business”.

This assertion indicates that marketing is imperative for the firm that wants to achieve market differentiation. (Arditi et al., 2008) and that is also indispensable for the growth and survival of the firm.

Despite this knowledge, it appears the PSO have not yet grasped the need to develop their marketing function as noted by many construction marketing researchers (Moore, 1984; Morgan and Morgan, 1990; Morgan and Morgan, 1991; Pheng, 1991; Peck, 1994; Rwelamila and Bowen, 1995). Moore (1984) noted that marketing management has not yet been applied to any greater extent in the construction industry. Morgan and Morgan (1990) also stated that marketing is less developed in the professional industry and often performed in most firms in an ad hoc basis. According to Morgan and Morgan (1991), marketing within the professional sector is considered at worst as an alien concept, and at best as a new development that is viewed with skepticism. Similarly, Pheng (1991) observed that marketing has attracted only little attention among professionals. Peck (1994) further indicated that some consulting firms are still struggling to understand and implement effective marketing programmes. The findings of these marketing studies indicate that marketing has been reluctantly adopted and implemented as a management tool by the professional service firms of which quantity surveying firms are no exception.

Marketing is a mature subject as various dimensions of it have been researched over several decades in many industries such as manufacturing, production, distribution, services etc. However, Barwise and Meehan (1999)
noted that “Marketing came into the vocabulary of PSFs (Professional Service Firms) along with the relaxation of regulations preventing advertising and unsolicited direct contact with non-clients”. According to Morgan and Piercy (1990) this relaxation of regulations in the US came about following the historic Bates vs. State Bar of Arizona Supreme Court ruling in 1977. These indications suggest that marketing within the professional service firms’ environment is a new phenomenon. That also explains the paucity of reported research and helpful general literature on the subject of marketing in the PSO particularly in the built environment consulting industry.

Marketing is not only regarded as a new phenomenon but is also viewed with skepticism (Morgan and Morgan, 1990). This is seen in the light of the way the industry has explored the opportunities that have come over the years. The 1977 Arizona Supreme Court ruling came along with some benefits to the professional organization. Morgan and Piercy, (1990) stated that in the US, the ruling effectively de-regulated the professional body’s right to prevent their members from using a wide range of marketing communications and promotional tools. Cohen (2006) added that “in the UK, the Institute of Chartered Accountants of England and Wales and the Law Society issued revised guidelines in 1984, which effectively relaxed the regulatory restrictions upon many forms of marketing communication for their members”. Similarly, other professional organizations followed suit such as the Ghana Institution of Surveyors (GhIS) which has also removed the ban on marketing and advertising from its regulations. Despite all these developments as far as marketing within PSO is concerned, most of the little research work that exist, points to a rather low acceptance as well as low utilization of marketing within the professional firms.

Decades after such findings, little empirical research has been done to explain the need for developing marketing function in the built environment consulting organizations. Whatever has been done has been mainly United State (US) based, which has concentrated on the effects of de-regulation, use of advertising and client selection criteria (Cohen, 2006). This has resulted in a dearth of knowledge regarding the impact of marketing in the success of such organizations. This situation has given the impetus for this research. This paper draws on the Contingency Theory to explain the need for developing the marketing function of PSO with emphasis on quantity surveying firms.

2. Quantity Surveying Consultancy (QSC) Firms as Professional Service Organization (PSO)

2.1 Quantity Surveying in Ghana

Any quantity surveyor (QS), who is duly registered by the Ghana Institution of Surveyors (GhIS) and earns his livelihood by engaging in activities so described as the duties and functions of the QS in the GhIS constitution and the Act that established professional bodies, may be described as a Quantity Surveyor in practice. In Ghana, QS in practice can be found mainly in two categories: those self-employed in consultancy businesses in the private sector and those in employment in government institutions or in companies in the private sector.

The Quantity Surveying Consulting Firms (QSCF) comes under one of the divisions of professional bodies that service the construction industry in Ghana. The QSCF are under the Quantity Surveying division of the Ghana Institution of Surveyors (GhIS) incorporated under the Professional Bodies Registration Decree, 1973 (NRCD 143). The QSCF like other businesses/firms are in business to make profit in order to survive the competition in the market that characterizes their business environment. For the QSCF to successfully compete with their competitors and survive, they must achieve three major objectives comprising sufficient demand; a sustained growth; and a profitable volume (Kotler & Conner, 1977; Yisa et al., 1995). Arditi et al. (2008) noted that clients have become more selective in choosing service providers who provide client–centered rather than technical–centered service. The authors indicated that since clients’ desire personalized service, marketing has become a tool for attracting such client.
2.2 Professional Services Criteria and Quantity Surveying Consultancy Firms

Bennion (1969) proposed that, in order to qualify for professional status, six basic attributes had to be satisfied, namely:

1. the requirement of an intellectual body of knowledge;
2. work of an advisory nature;
3. the existence of a private practice;
4. a tradition of service;
5. a suitable code of conduct;
6. and a governing professional institution.

In the view of Gummesson (1978) professional services unlike other services are mainly advisory in nature and delivered by skilled professionals. Based on that Gummesson (1978, developed the following criteria to help distinguish professional services from other services offered on the market:

1. The service should be provided by qualified personnel, advisory, and focus on problem solving.
2. The professionals should have an identity, i.e. known on the market for their specialties and under a specific name such as ‘architect’ or ‘management consultant’.
3. The service should be an assignment given from the buyers to the sellers.
4. The professionals should be independent of suppliers of other services or goods.
Maister (1982) used the term Professional service firm (PSF) to describe companies/organizations involved in consulting businesses. According to Maister (1982) such organizations practice the phrase ‘our assets are our people’ frequently; a PSF tends to sell to its clients the services of a particular individual than the services of the firm. Maister (1982) further argued that professional services usually involved a high degree of interaction with the client.

In the view of Conchar (1998), professional services are:
“Performances of assignments or service agreements which apply some form of expert or tacit knowledge by professionally accredited and affiliated service providers, whose relationship with buyers of the service are of a fiduciary nature. The service provider should have a distinct economic identity, and their professional assignments should serve as the primary source of revenue to that business unit.”

Jaafar et al. (2008) concluded based on the above two definitions that:
“Professional services refer to the independent services offered by qualified personnel who are knowledgeable in their specific area (which should be attached to a distinct economic identity), and these services serve as a primary source of income to the company”.

Based on the foregoing it can be argued that due to the nature of its work, consulting quantity surveying can be considered to lie within the professional services sphere, in that the service is offered by qualified and skilled professionals and usually takes the form of an advisory nature (Bowen and Rwelamila, 1995). This conforms to professional service criteria set by many authors (Bennion, 1969; Gummesson, 1978; Maister, 1982; Conchar, 1998; Jaafar et al., 2008)

These elements collectively form the basis of the consulting quantity surveying profession in Ghana. The majority of registered quantity surveyors are employed either in professional practices or within construction companies, although a small minority does find employment in property development companies, firms of project managers and financial institutions (Bowen and Rwelamila, 1995).

Regarding education and training, graduates of the Bachelor of Science (BSc.) in Quantity Surveying and Economics from KNUST (Kwame Nkrumah University of Science and Technology) can register with the Quantity Surveying Division of GhIS as professional trainee quantity surveyors. This category of surveyors are required to serve two years as a Quantity Trainee Surveyor under the supervision of a “professional member”, in an organization that is accredited as a quantity surveying firm by GhIS, after which a Test of Professional Competence is undertaken, culminating into a professional member. All the two years of practical training need to be within a professional practice and must be under the direct supervision of a registered quantity surveyor. The vast majority of surveyors are registered, their conduct being regulated by the Act and the Regulations promulgated in terms thereof. Other graduates from the Polytechnics in Ghana offering Building Technology are also registered but not as “professional trainee” but as “technician trainee”. They also have to go through that same process to become technician members. However, technician members can progress to professional members upon obtaining a bachelor's degree.

It is noteworthy that until recently advertising and marketing by professional quantity surveyors was prohibited in terms of the above Regulations. Contravention of this aspect of the Code of Conduct would lead to a disciplinary hearing and sanction by the GhIS Council. In terms of the amended regulations, advertising and marketing are permitted as long as such activities are ‘professional’, not self-laudatory and do not praise one practice above another.

3. The need for marketing as a function in an organization
In recent years, the consulting quantity surveying profession has been forced to deal with many changes. The changes according to RICS (1983) are as a result of changing markets (business environment) in which the quantity surveyor would work. The report placed emphasis on the changing nature of the construction industry as evidenced by the changing nature of contracting and the emphasis upon management skills, a changing profession and a changing society. The report also identified the widening markets and diversification of activities in practice.

These changes according to Yisa et al. (1995) often require:
“an adjustment of roles and relationships within the organization if demand is to be met, but although potential demand may not be as obvious as immediate demand, it may be stimulated. However, it requires skill to convert the potential to real demand. A logical approach is to identify a need (demand),
evaluate the scale of the need and the likelihood of satisfying it at a profit, plan how demand can be satisfied, and implement the plan, i.e. marketing. Marketing is thus identified as a central function crossing all internal and external boundaries” (p. 49)

In that same report Ofori (2012) admits that; “The constraints on the construction industry in Ghana will be exacerbated by several wider trends. Globalisation will be manifested in an inflow of investment into Ghana which will create work opportunities. However, the local construction consultants, contractors and individual practitioners will face greater competition from their foreign counterparts which are likely to have greater experience and resources. Another challenge will be for the local construction industry to exploit the opportunities offered by the Economic Community of West African States, and address its possible negative impact such as an influx into Ghana of firms from the other member countries” to compete for the few jobs available in the country. (Pp. 17)

These assertions coupled with the changes that were highlighted in the RICS report calls for “adaptation to changes” by the QSCF that operates in the construction industry, as a strategy to dealing with the changes in order to survive. However, marketing that could be adopted to deal with the changes experienced is less well developed in the industry as a whole and performed in most firms on an ad hoc basis (Morgan and Morgan, 1990). It is therefore imperative that an in-depth analysis of the issue is done within a relevant theoretical framework to aid understanding of the need for adoption of marketing so as to derive the attention of managers of QSCF towards the adoption and implementation of marketing. Adaption of organizations to changes in an environment is best explained within the contingency theory.

3.1 Marketing Function Development in an organization
Developing the marketing function in an organization entails a strategic arrangement for a structured marketing approach formulated in line with the organizations aims and objectives. This prevents an ad hoc nature with which marketing is approached in construction and thus provide the basis for successful marketing programme. A strategic approach to marketing entails marketing planning, organization of the marketing functions and allocation of resources before execution of the marketing activities. Dickmen et al. (2005) argues that knowledge about the way of carrying out marketing activities in a firm is necessary for assessing the extent to which marketing is implemented in a firm. Existence of marketing department, the number of people working in the department, status of the head of marketing in the organization and the existence of an independent sales department, besides the marketing department are some of the criteria that are used for such assessment. Again, specific marketing activities such as marketing research, marketing planning, advertising, public relations, in-house marketing education and marketing intelligence also add to such criteria of assessment (Dikmen et al., 2005). Yisa et al. (1995) sorted out all the above and added more to those criteria and categorized them into three issues as follows: marketing planning, organization for marketing functions and marketing resources.

Jafaar et al. (2008) further added launching of new services and selection of marketing staff and training, service selection and development, income forecasting and setting of fee structure. This list of marketing activities has been enlarged to twenty five activities under five main categories by Arditi, et al. (2008). The categories are: product, price, promotion, place and people. This all-embracing list developed by Artiti, et al. (2008) captures every single marketing activity.

These functions are necessary for adaptation of an organization to its environment in order to survive competition in its business environment. The need for adaptation of an organization to its environment is best explained within the contingency theory paradigm.

4. The Contingency Theory
The contingency approach has enabled significant advancement in the study of organizational management. It highlights the importance of situational influences on the management of organizations and questions the rationale of an optimal, single way to manage and organize (Zeithaml, Varadarajan and Zeithmal, 1988). Donaldson (2001) states that “the contingency theory of organizations is a major theoretical lens used to view organizations”. The author further adds that “It yields many insights and has substantial empirical support. The contingency theory is dominant both in theory and in research in management literature (Donaldson, 2001)

The theory was developed in the 1960s and has its roots in the general open systems theory and research, Simon-March-Cyert stream of theory and research, which views organizations as problem facing and problem solving
entities. Zeithaml Varadaragan and Zeithaml (1988), viewed complex organizations as a set of interdependent parts, which constitute together a whole, which in turn is interdependent on its environment.

Morgan (1997) states that,

“...the systems approach builds on the principle that organizations, like organisms, are ‘open’ to their environment and must achieve appropriate relation with that environment if they are to survive”.

Morgan (1997) further states that,

“Survival has been presented as a problem of adaptation, with contingency theory offered as a means of identifying patterns of goods fit and showing how these can be achieved”

Other researchers who subscribe to the ‘natural selection’ view of organizations contend that an imbalance exists in the idea of organizational adaptability to the environment. They argue that too much power and flexibility is attributed to the organization in the process of adapting to the environment and too little to the environment as a force in organizational survival. Morgan (1997) argues that organizations, just “like organisms in nature depend for their survival on their ability to acquire” the resources needed for their survival. This process sets up competition within the organization members with the environment that offers limited level of resources and in events of scarcity of these resources, then only the fittest and most adapted will survive (Cohen, 2006).

Morgan (1997) states that,

“the nature, numbers, and distribution of organizations at any given time depends on resource availability and on competition within and between different species of organizations. The environment is thus a critical factor in determining which organizations succeed and which fail ‘selecting’ the most robust competitors through elimination of weaker ones”.

This suggests that organizations ‘need’ to adapt to changes in the environment as the contingency theory advocates in order to survive in the competitive environment. Also, the argument that the environment ‘select’ the organization which will survive according to the ecology theory indicates the PSO must prepare and make itself ready for selection by the environment.

4.1 The Contingency Theory Paradigm

Donaldson (2001) defines contingency approach as the effect of one variable X on Y depending on some third variable, W. He explains it thus;

“The effect of X on Y when W is low differs from the effect of X on Y when W is high. For example, it might be that when W is low, X has a positive effect on Y whereas when W is high, X has a negative effect on Y. Thus we cannot state what the effect of X on Y is without knowing whether W is low or high, that is the value of the variable W. There is no valid bivariate relationship between X and Y that can be stated. The relationship between X and Y is part of a larger causal system involving the third variable, W, so that the valid generalization takes the form of a trivariate relationship”.

The third variable, W, moderates the relationship between X and Y and it is called moderator. Contingency factors are moderators although not all moderators are contingencies. As an instance, professional culture could be perceived as a moderator within the professional organization, although not a contingency (Cohen 2006). Cohen (2006) noted that the professions, which for centuries have been sheltered against change, are now under increasing and complex environmental pressures and as a consequence are experiencing considerable change and uncertainty. According to Polat and Donmez (2010), the environmental pressures have come about as a result of Globalization, the restructuring of the world economy, changes experienced in project financing and delivery systems, the pervasive utilization of information and communication technologies (ICT). In the same vein, Betts and Ofori (1992) observed that competition in the construction industry has increased considerably in recent years due to influences resulting from changes in technology as well as changes in client desires as a result of variation in taste, aspiration and purchasing power. All of these are moderator factors that are prevalent in every business environment today and the quantity surveying firms are experiencing the same factors that are affecting their efficiency.

In the view of Donaldson (2001), the essence of the contingency paradigm with respect to the organization:

“Is that organizational effectiveness (is achieved through) fitting the characteristics of the organization, (such as) its structure, to contingencies that reflect the situation of the organization”.

This, according to Cohen (2006) includes such factors as the environment, organizational size or organizational strategy. The focus for the use of the contingency theory is organizational effectiveness because it has been concerned to explain the success or failure of an organization. Donaldson explains the coverage of
organizational effectiveness to include efficiency, profitability, and employee satisfaction or innovation rate. He add; “organizational effectiveness can be defined as the ability of the organization to attain goals set by itself…or by its ability to function well as a system… or by its ability to satisfy stakeholders”. This, in the view of Cohen (2006), can be likened to the ability of the firm to attain its goals based on the adoption and implementation of marketing within the professional firm.

Zeithml, Veradarajan and Zeithaml (1988) further elaborate on effectiveness as organizational adaptation and survival. They state that, “Effectiveness depends on the appropriate matching of contingency factors with internal organizational designs that can allow appropriate responses to the environment.”

This implies that the professional organization when faced with contingency pressure of competition, can measure its effectiveness against an organization response involving the creation of superior service to clients to offer the firm the competitive advantage. Zeithml, Veradarajan and Deithaml (1988) identified three types of variables within the contingency theory model which were named as contingency variables, response variables and performance variables. By inference, within the professional context, the contingency can be assumed to be the competitive pressures, technological, globalization or regulatory pressures. And the response variables would be the structure of the marketing function and activities whilst the performance variable could be the levels of growth rate or levels of confidence in ensuring continuous work. This would reflect the fit between the marketing structures and activities and the external contingency pressures. It is through this approach that the theoretical and practical contribution of the theory can be achieved.

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<tr>
<th>Contingency Variable</th>
<th>Response Variables</th>
<th>Performance Variables</th>
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<tr>
<td>Competitive pressures, technological, globalization or regulatory pressures</td>
<td>Structure of the marketing function and activities</td>
<td>Levels of growth rate or levels of confidence in ensuring continuous work, Profitability</td>
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<tr>
<td>I.e. Planning, Organization, resources and activities</td>
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Figure 2. Relationship between the three variables within the Contingency Theory Model

5. Conclusions and Research Implications

The Quantity Surveying Profession (QSP) faces threat to its traditional roles and functions as a result of the changing client needs in the construction industry, advances in technology, the needs of the country as a developing economy, globalization, the rapid changes in project procurement and implementation processes and the pervasive utilization of information and communication technology (ICT) (Jaafar et al., 2008; Matzdorf et al., 1997). These factors present themselves as contingency factors that threaten the survival of QSC firms in Ghana. The threat is further exacerbated by globalization and the opportunities offered by the Economic Community of West African States.

Organizational effectiveness can be achieved through fitting the characteristics of the organization, such as its structure, to contingencies that reflect the situation of the organization, as the contingency theory advocates. Competitiveness of the QSP through increasing the relevance and the level of awareness of the profession’s services in the built environment and increasing the range of business opportunities are response variables that can ensure continued growth and survival of the organization, which are also conceptualized as performance variables.

Marketing has been identified as key in order for the QSP to survive and be profitable (Nkado, 1999). The adoption of marketing has been identified as the solution to the challenges facing the professional service firms.
(Kotler and Conner, 1977; Friedman, 1984; Arditi et al., 2008; Peters and Waterman, 1982). Marketing therefore provides the means to respond to the contingencies so as to improve the firm’s performance. This enables the firm to adapt to the environment so as to survive in a changing business environment.

The need therefore exist for scientific research that will focus on the benefits of developing marketing function of the firms to provide the empirical basis to derive management attention towards adopting and development of marketing functions. Such research works will achieve much impact if they are case studies of typical firms with similar needs, nature and characteristics, for other firms to follow. Empirical studies that will yield models/frameworks to guide the marketing of consultancy businesses will be of immense benefit to QSC firms in Ghana.

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