



# Interpreting the successful transformation of Shell's advertising activity 1997-2002

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## Abstract

**Purpose** – Between 1997 and 2002, Shell changed the way it organised its advertising activity, switching from a local approach to a global organisation. The transition was significant, given the group's long history of decentralisation. It was also very successful. This paper explores how this transition was made by applying the theoretical lenses of the resource-based view (RBV) and dynamic capability view (DCV).

**Design/methodology/approach** – Qualitative data were collected in 2002 from key executives in Shell and J.W. Thompson from which observations were made about Shell's transition and the change process. These observations are then explored further by applying the theoretical lens of the RBV and its natural extension, the DCV, testing what could be learned from the practical application of these theories.

**Findings** – A dynamic capability is identified as a significant reason for Shell's success. A second important factor was that Shell did not attempt to copy an organisation with an apparent superior capability. The paper concludes that firms generally should search for internal asymmetries on which to build resources.

**Originality/value** – The RBV and DCV are not new as approaches to strategic thinking, but they do remain mainly of interest to the academic community at the theoretical level. There is little empirical work that makes the concepts easily accessible to practitioners through example and translation into "everyday" experience. This paper makes a contribution in this area.

**Keywords** Resource management, Change management, Competitive advantage

**Paper type** Case study

## Introduction

Between 1997 and 2002, the oil products[1] business of the global oil group, Shell, changed the way its advertising activity was managed, switching from a local approach to a global organisation. The trigger for change was an increasingly competitive environment within downstream sectors of the oil industry in many countries where Shell had a presence. The focus in Shell was on lowering structural cost generally across the organisation. A favoured option to achieving this was to centralise and simplify the business, reaping economies of scale where feasible.

When the global brand and communication (GB&C) team started on this transition, many restraining forces were obvious, especially those derived from the group's history of strongly-held values of decentralisation, resulting in significant local managerial power and freedom to act. Despite this, the transition was successful. By 2002, Shell's GB&C team judged progress as significant against their internally-set criteria of: lowered advertising production costs, higher quality advertisements, superior local customer impact when measured against locally-produced communications and, greater transparency and efficiency in the relationship with the global advertising agency (J Walter Thompson (JWT)). Also, by 2002, Shell was



acknowledged by JWT as leading the field for best practice processes of managing a global account.

This paper draws on data collected from interviews with key executives in Shell and JWT during 2002. It focuses on observations made about the extent of the transition and the change process. After describing these observations, the paper goes on to interpret Shell's success through the theoretical lens of the resource-based (RBV) and dynamic capability (DCV) views of the firm. The RBV and DCV are not new as approaches to strategic thinking, but they do remain mainly of interest to the academic community at the theoretical level. There is little empirical work that makes the concepts easily accessible to practitioners through example and translation into "everyday" experience.

### **Methodology**

The research was qualitative and started in November 2001. Interviews were conducted during December 2001 and January 2002 with senior executives in Shell and at JWT. At Shell, the VP global brands and communications (in-post since 1997, recruited from outside Shell) and the global advertising manager (in post since 1999 with a history of working in Shell) were interviewed. Both supplied supporting information, including market research data and internal communication material.

Seven interviews were made with JWT executives. The worldwide director in charge of the Shell account had had periods of involvement with the group since the 1960s and was responsible for the Shell account throughout the period of this study. Two JWT teams were involved, including an account director and account planner. All four executives were interviewed, plus the two creative directors who were responsible for the creative idea and who continued to work on the account throughout.

Interviews were unstructured, allowing each respondent to tell their own story, with the intent of not allowing bias into the data. Interviewees were asked to describe the journey they had taken toward managing a global account over the five years. All the conversations were recorded and transcribed.

Data from interviews, internal communication material and secondary sources were accessed with the aim of understanding both the extent of the change at Shell and the reasons for its success. From this research key observations were drawn and are presented below.

### **Observations from the research**

#### *Marketing practice, the oil industry and Shell*

The oil industry is not renowned as being innovative at marketing practice, especially in the area of brand and communications. In 1997, few would have argued for an oil company name to feature on a list of great brands or companies revered for their marketing competence. A 1996 survey of the world's top 100 brands placed the Shell brand at number 64, BP's at number 70 and Exxon failed to appear in the rankings (Kochan, 1996). An internal survey conducted by Ad Age International for Shell in 1995, showed that Shell's advertising spend worldwide was significantly less than other global brands. For example, Shell's global advertising spend was about 15 per cent of McDonalds and approximately 10 per cent of Ford.

Among the directors interviewed at JWT, there was experience of working on accounts for Unilever, Ford, Kellogg's, Rolex, De Beers, as well as in the oil industry:

Exxon and Dea (at the time, a significant national oil company in Germany). Given this experience, interviewees from JWT confirmed the lack of brand and advertising capability within the sector: "It is not a category that has seen the value that is possible from good marketing practice. There is huge scope [for an organisation] to demonstrate the contribution that brand and communication can make to building customer value".

All interviewees described the advertising from the oil sector in 1997 as undifferentiated, essentially portraying similar images of cars in service stations, populated by smiling, happy people refuelling their cars. All concluded from this that the sector had been allowed to fall to commodity status, which was the dominant customer perception, especially in the most advanced economies: Europe, USA, Canada and Australia. Similarly, there was consensus that the sector was behind other categories in reacting to global trends and in particular initiatives to centralise advertising activity. There were examples of pan-European campaigns by all three major oil companies (late 1980s), but none had been sustained or developed more widely.

The executives from JWT experienced a relatively low standard of marketing capability within Shell when compared with their FMCG clients. They talked of their frustrations in finding: "a common language", "believers", "people who are instinctive about the consumer". The executives interviewed from Shell described their internal environment as one which did not recognise the value of advertising or the brand: "Advertising is not paid much attention, it is deemed to be of low importance", a culture which labelled advertising activity as: "fluff" and the people engaged in advertising as "those that spend a lot of money wining and dining, rather than making money".

*Long history of decentralisation, a belief in local autonomy and consensus decision making*

The Royal Dutch/Shell Group was the result of an alliance made in 1907 between the Royal Dutch Petroleum Company and the "Shell" Transport and Trading Company plc, whereby the two companies agreed to merge their interests while keeping their separate identities. A total of 60 per cent of the interest in Shell remains with Royal Dutch and 40 per cent with Shell Transport in the UK. The group has a presence in 140 countries and its oil product's businesses supply consumers through 46,000 retail outlets, making Shell the world's largest retailer, at twice the size of McDonalds. Although oil products is not the largest part of the group's portfolio, it is Shell's public face and is where the brand makes a significant difference.

From the beginning, the two partners in the Shell Group valued their separate identities. The group's decentralised nature and structure was well known and much reported (Green, 1985; Grant and Neupert, 1999). Much of Shell's internal literature focused on the advantage the group believed they gained from the decentralised approach[2]. The decentralised structure, supported by the famous McKinsey matrix (see Grant and Neupert, 1999) was created in 1959 and only dismantled in the mid-1990s. Decentralisation as a philosophy persisted beyond this structural rearrangement.

Many years of local autonomy was reflected in the national companies' power and a lack of central edict. Negotiating, persuading and building consensus were the acceptable ways the centre won local conformance. Executives at the centre were titled

“coordinators” and the headquarter functions in London and The Hague were referred to as “service functions”.

From the narratives in this study, Shell executives described the internal mechanism as a “matrix of checks and balances”, “you have to convince people and get them on your side”, and “you have to have proof”. Among the stories from JWT executives, there were several comments about how long it took to get an idea accepted and implemented at the beginning of the transition: “It took me three months and 80 presentations across Europe to sell the strategy, to get buy-in”. The narratives from both Shell and JWT described the mind-set among local marketing management with phrases: “We know about our own local customers”, and “Our local conditions are different from other countries”. The feeling was particularly strongly held about advertising and communications, where each country could find something unique about their national culture. In France, for example, advertising needed to be “more visual and emotional”, in Germany there had to be a strong focus on “product performance and promise” in the USA it had to be “aggressive and comparative”, and the humour used in the UK was only understood by the British.

#### *Technocratic and planned culture*

Shell has a long tradition of valuing scientific and technological expertise (Howarth, 1997). People with strong technological knowledge and backgrounds are commonly found as members of the most senior management teams including the committee of managing directors (annual reports). The culture is strongly focused on the big spending and historically highly profitable upstream exploration business where financial, technical, scientific and engineering skills are highly prized. Shell, as a fully integrated oil company and with its origins in exploring-for, producing and transporting (the UK part of the Shell Group retains its original name of Shell Transport and Trading) oil, has its cultural values firmly rooted in these activities (Howarth, 1997; Post *et al.*, 2002).

The experience of the JWT team on the Shell account confirmed this. Narratives held references to Shell people’s comfort with technical specifications and project-management type activities. Several times the label of “chemists” was used to describe Shell people who were involved in the marketing function.

Similarly, Shell is well known for its planning systems and leadership in developing sophisticated strategy planning techniques. The company pioneered the use of scenario planning in the 1970s and remains a leader in the art of constructing global scenarios (Schwartz, 1991; de Gues, 1997). In his review of the strategic planning processes in eight of the leading oil and gas majors conducted in 1996/1997, Grant (2003) found that Shell was the only organisation that based its entire process on multiple scenario analysis. Overall, Grant (2003) found that Shell placed greater emphasis on written strategic plans and formal approval processes compared with BP, Exxon or Texaco, and that the distinctive features of Shell’s planning systems were that they acted as a means of communication and coordination around the many parts of the group.

#### *Success from using hard data*

Before 1997, local Shell companies produced their own advertising and brand communications in support of their products and services. They used local creative and

media agencies to develop local campaigns for locally briefed propositions in support of fuel, lubricant, retail, smart card and other Shell brands. Every Shell company held its own advertising budget and allocated spend against the brands according to local management direction.

The GB&C team started the transition toward a global organisation by commissioning JWT to make a commercial that could be used across many countries in support of one of Shell's brands. From the start, rigorous consumer research was used to support development of the advertising. More commercials were made after this first attempt proved relatively successful and the quality and quantity of the market research done in support of developing successive advertising increased.

The process of developing global advertising evolved into a format of: the creative team at JWT produced three different executions for each brief. All were tested qualitatively as concepts in at least four markets around the world and cover the five zones, East, Latin America, Africa, Europe and North America. From this, one surfaced as the strongest concept, or elements of each gave a strong positive response and this information was used to make the final film. Quantitative research was conducted prior to launch in relevant countries and post-production consumer tests were then made in at least four countries. Consistent methodology and metrics were used for all market research. Commercials were tested with clutter reels against "competitor" ads, i.e. those which were targeted at the same audience as Shell were aiming to reach. Every ad had to reach or exceed the core metric hurdle rates for: impact, recall, relevance, credibility, persuasion, likeability and enjoyability against some of the best commercials in the local market. The process was described in one of the Shell narratives as: "Very research-driven".

The data from this consumer research became the "proof" that was needed to persuade local managers to use central advertising; the proof that their customers had similarities with customers in other cultures; the proof that advertising made somewhere outside their country could be as (usually more) successful with the local audience. It was also the means by which the GB&C team cajoled, persuaded and negotiated with local managers to use the centrally-produced ads, presenting the argument that if, when tested in the country against ads competing for the relevant customer segment attention, the global ad did not perform as well or better, the country team could develop its own advertising.

The importance and extent of this market research was noted by all respondents in this study. Comments included: "We did a lot of research"; "We had hard proof that consumers were looking for similar benefits across markets"; "Once we had the proof that the communication would be effective, then the project got executed"; "Shell used the research very well"; "Local, subjective arguments could be overcome with hard data, and Shell produced a lot of it"; "It is different in Nestle where you can win an argument through the heart, in Shell it has to be won through the head"; "That is something I like about Shell – it is a very rational company – when managers who were dead-set against using global ads saw the research results, they said – OK perhaps we will test it out!"

One of the JWT executives reflected: "I think the global brand team were very astute with the research, because [Shell's] generic skill is technical and scientific, putting the same rigour into the advertising process helps them understand and accept [the advertising]".

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The formula of producing commercials for global markets, testing them and asking local managers to research with the customer before producing a local advertisement, or against a locally made commercial, was repeated in many markets. Between 1997 and 2002, seven films were produced for global consumption. These were screened in 150 countries (some countries aired several commercials from the portfolio).

The quality of the creative idea behind the commercials was obviously crucial to the success of the advertising in the comparative testing, but it was the process of doing the testing and providing rational reasons to accept centrally-produced film and ideas that finally persuaded local managers to become advocates for using global advertising. A JWT account director said, "I remember in markets like Malaysia. In year one, they were dead-set against even testing the first executions . . . In year two the ad was screened. In year three they were positive after seeing the data and in year four they were demanding more ads from the centre".

#### *Success through planning and control*

The process Shell and JWT created for managing the global account increased in sophistication over time, but despite the amount of consumer testing and the extent of advertising coverage the account was being managed by a very small team both at Shell (two people) and JWT (four people). Comments in the narratives of JWT executives confirmed that this was unique in their experience: "The entire process operates with just six people. We have other clients that have teams twice that size to look after the UK alone"; "It shows the power of a smaller [than we are used to] core team on the agency side and a client who is willing to work unbelievably close together". Also, the VP of the global brand team at Shell said: "We have not created vast groups of people. We are still tiny and it is fascinating how few people can make the process work".

The processes Shell have in place with JWT are highly structured and disciplined. Narrative data from both Shell and JWT confirm this: "I came to the conclusion that to make this work we needed to make clear exactly what was involved. We need to know who is going to do what and exactly what our critical dates are for each country. We need a proper schedule of work in front of us. Also, with JWT we need to have detailed scope of the global projects, who will work on what, what steps are involved, the hours it will take and the estimated costs – everything"; "It makes it easier if roles and responsibilities are laid out clearly"; "Shell keep us on track in terms of the plan, timing and process – they are very good at process and what we do is tightly controlled"; "We coordinate all the work that is done around the world by local offices. Anything done out there is put on the extranet and sent back to us so that we can check the quality of the work, check that it conforms to the creative idea".

At the start of the transition toward producing global advertising, the GB&C team commissioned JWT to produce commercials and offered these as examples of what could be done if local companies chose to cooperate. At the start, the GB&C team wrote the creative brief and took responsibility for every part of the process. During the transition, this changed and responsibility for briefing JWT switched back to lead markets[3]. This was recorded in one of the Shell narratives, "Until the brief is issued we have no control, but from that point, we keep the coordination". Gradually, five stakeholder groups became partners in the process, the individuals in each changing depending on the brand and the customer proposition featured in the advertising. The

strict discipline imposed by the development process was seen as the route to involvement and coordination across the diverse and often widespread interests of the group. This system is very similar in philosophy to that which has existed for many years within Shell’s planning systems and structure. The GB&C team has become the heart of the old “matrix”. Its primary task is not to dictate what the “markets” need but to serve as coordinators and owners of a process that allows different groups across Shell to communicate and work together to better effect.

*A unique and valuable outcome*

The JWT team saw the degree of process control the GB&C team had achieved, to be a unique and very beneficial feature of the new process: “No company I know does the process better than Shell do at the moment. The team is so small and so busy there is no time for unimportant discussions”; “What our other clients are interested in is how Shell streamline the operation . . . ”.

Between 1997 and 2002, Shell estimated the savings they made on advertising production costs alone to be in the region of US\$24 million. The large database of consumer research gathered over the period, showed that the global advertisements consistently exceeded the core metric benchmarks set internally and that the impact of these commercials when measured against other brand communications in many countries, was always the highest or a close second (Figures 1 and 2).

The transition Shell made was from a low point in terms of marketing capability, within a sector that lagged behind other companies in producing global communications, to a position of leadership in both. JWT executives acknowledged this in their narratives: “What they were doing five years ago and are doing today – the difference is night and day”; “We have started to use the Shell model with other clients as an example of how to run a global account”. This was achieved against a

	Benchmarks	1 Fuels ad avg score	2 lubes ad avg score	3 Fuels ad avg score	4 Fuels ad avg score	5 Fuels ad avg score
Impact	55-65	57	57	64	59	55-65
Product branding recall	50-60	54	66	72	50	50-60
Overall communication	3.5	4	3.7	3.9	4.1	3.5
Communication message	3.5	3.9	3.7	3.5	4.1	3.5
Relevance	3.5	3.5	3.4	3.3	3.6	3.5
Persuasion	3.5	3.8	3.8	3.7	3.7	3.5
Likeability	3.5	3.9	3.6	3.7	3.6	5.0-5.5
Enjoyable	5.0-5.5	5.5	5	5.3	5.4	5.0-5.5
	4.0			4.2	4.4	4.0

**Researched in**

Argentina	Argentina	Australia	UK	Guatemala
Australia	Australia	Germany	Germany	Dom Republic
Brazil	Hong Kong	Argentina	Australia	Puerto Rico
France	Malaysia	Malaysia	Malaysia	Hungary
Poland	South Africa	Poland		
Thailand	UK	Hong Kong		
Japan				

**Figure 1.**  
Core metric, benchmarks  
and advertising research

Lubricants 1	Fuels 2	Fuels 3	Fuels 4	Fuels 5	Fuels 6	Fuels 7	Lubricants 8
1	2	2	2	1	2	1	1
2	1	1	1	1	2	1	1
1	1	1	2	1	1	2	1
2	1	1	2	1	1	1	2
1	2	2			1		
1	1				1		
Argentina Australia Brazil France Poland Thailand	Argentina Australia Hong Kong Malaysia South Africa UK	Australia Germany Argentina Malaysia Poland	UK Germany Australia Malaysia	Guatemala Dom Republic Hungary Puerto Rico	Australia Canada Germany Poland South Africa UK	Malaysia Hong Kong Hungary Poland	China Malaysia Thailand Italy

Shell 1st or 2nd in Benchmark test v 5 companies e.g. Exxon, Castrol, Gillette, Ford, Goodyear

Figure 2.  
Advertising impact

traditional structure and philosophy of decentralisation that had been largely unchanged for nearly 40 years. Instrumental in the transition was the use of hard data, rational arguments and detailed planning – capabilities that Shell is renowned for and are also congruent with the organisation's value system.

### The theoretical lens

In this section, the RBV and DCV are outlined and then used to interpret the observations made above about Shell's transition, aiming to uncover additional insights about why this change was successful and to generalise the data, i.e. what does the theory infer about the transferability of Shell's experiences to other organisations and transition contexts?

### What is the RBV?

The RBV focuses managerial attention on the internal capabilities and assets of the firm as the means of gaining competitive advantage. Its grounding tenet is that all organisations are different and it is out of this heterogeneity that firms build competitive advantage. This paper uses the term "asymmetries" to describe these inherent differences (Miller, 2003). By definition, they have to be rare, inimitable and non-substitutable since without these qualities they would cease to confer lasting difference on the organisation (Barney, 1991).

When asymmetries also meet the criteria of delivering superior performance to the organisation, by securing competitive advantage, they become "valuable" and are defined as "resources". These four criteria that Barney (1991) originally described: valuable, rare, inimitable and non-substitutable are often referred to as the VRIN tests.

Some of the literature goes further, adding more terms to describe the internal complexity of organisations. Examples are found in Miller (2003) where capabilities, core capabilities, capability configuration are put into distinct categories. This paper,

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however, uses the term resources, to mean any bundle of capabilities, assets, routines, processes, cultural values and philosophies that meet the VRIN criteria.

The rarity and valuable criteria are assessed at a point in time and are audited by making comparisons with competitors, whereas, the difficult-to-copy and non-substitutable criteria, address sustainability. If resources are easily imitated by rivals, competitive advantage can be readily competed away. Resources are more difficult to imitate if they are “protected” (by patents for example) or are very complex, intangible or are created with specialist knowledge that can only be accumulated over long periods of time. Because they are likely to have evolved and contain elements of tacitness and causal ambiguity (Lippman and Rumelt, 1982), the organisation itself might find it difficult to “know” its own resources and understand how these have been built. In this respect, a deep understanding of the history and culture of the organisation is essential.

Substitutability infers that a resource can be replaced by another that delivers the same outcome. The key issue here is to have a good understanding of how the resource is achieving competitive advantage, i.e. what it is that is valuable. Only by understanding this, will finding a suitable substitute become viable.

What organisations share in common are most likely to be tangible assets. Off-the-shelf software packages would fall into this category, although if these were used in a unique way in an organisation, this combination of an asset and an unusual capability would become an asymmetry. Miller (2003) argues that organisations are likely to have many asymmetries – many ways that one organisation does something slightly different from another, whereas resources will be rarer, suggesting that many asymmetries are not used in ways that extract value for the organisation. The logical outcome of this is that there may be asymmetries that are burdensome, wasted and might be viewed in certain contexts as liabilities.

Advertising activity supports a firm’s delivery of differentiated products and services to its markets. It creates brands that can grow revenues by increasing sales of products and services or builds a favourable reputation for the firm that might increase shareholder value. In this respect, advertising activity has the potential to be a resource to the firm. It also has the potential to become redundant if it fails to deliver equivalent value as competing brands. This was noted as long ago as 1961 by Telser: “Consumers tend to forget brands and continuous advertising is needed to maintain a given rate of sales. Thus, advertising expenditures can be viewed as a capital good that depreciates over time and needs maintenance and repair” (Telser, 1961, p. 197).

Miller (2003) observed that asymmetries, even ones that appeared valueless in one context, could become resources when combined with other asymmetries, directed to achieve different objectives, or matched with new market opportunities. For example, talent that existed within teams where it was not being exploited, was a valueless asymmetry until matched with projects that could utilise that potential. Similarly, relationships or assets that were under-exploited in one context, could become valuable when channelled to new market opportunities. Combining asymmetries, reassigning them into new configurations, aligning them to new objectives, suggests that organisational interventions are required to create new resources. Earlier work by Teece *et al.* (1997) and Eisenhardt and Martin (2000) described similar change processes as “dynamic capabilities”.

## DCV

Essentially, the RBV takes a static view, auditing organisational resources at any one time and assessing the future likelihood that these will be sustained. The dynamic capability perspective extends the RBV, focusing attention on how resources are changed or renewed to sustain competitive advantage in the face of competition or a changing environment (Teece *et al.*, 1997).

Dynamic capabilities are processes and routines adopted by organisations to bring about change. They are the systems used to alter the resources the firm has by deploying, adapting, configuring them in new ways to achieve specific ends. Hence Teece *et al.* (1997) define dynamic capabilities as the firm's processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change. Dynamic capabilities thus are the organisational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die.

Eisenhardt and Martin (2000) started from this definition, and developed it further by arguing that these processes were familiar to organisations as the means used, repeatedly, to support change, i.e. form new alliances, develop new products or take strategic decisions. In this respect, firms may share the same dynamic capabilities (many firms have well rehearsed routines geared to innovation, for example). However, each will be idiosyncratic in terms of how these processes have developed within their own organisational context since these will be caused by the path followed and, the assets available to the organisation to use, in their evolution.

Despite these idiosyncrasies, the outcomes might be equally as effective, i.e. the process firm A has developed, while different from that of firm B, could match the performance of that of firm B. Eisenhardt and Martin (2000) conclude that it is not the dynamic capabilities themselves that create long-term competitive advantage, but the resource configurations they shape.

Therefore, dynamic capabilities help organisations remain flexible and responsive to changing environments. They are built from within the organisation and are characterised by the assets specific to the organisation and the path chosen to development. They are not bought. Organisations with dynamic capabilities are able to influence, to some extent, the environment in which they compete by raising the game of best practice or creating new competitive advantage. If organisations do not have dynamic capabilities, or means to identify and reconfigure asymmetries, over time resources that confer competitive advantage will be hard to find as they are “down-graded” (by imitation, substitution or losing relevance in a changing market) to assets and activities which cease to have value.

## Interpreting Shell's successful transformation

Through the lens of the RBV, Shell's advertising activity in 1997 lacked distinctive characteristics. Similar to direct competitors in the oil industry, the output from its advertising function was undifferentiated and unremarkable. In Shell, brand communications were under valued and suffered from a lack of investment relative to global brands outside the industry. No information about relative costs over competitors was readily available. In common with close competitors, communication assets were distributed to local operating companies, and many of these were described in the data recorded for this case study as without distinction. In 1997, therefore, Shell's

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stock of assets in advertising and communications was widely dispersed and generally at a very low level compared with global brands outside of the oil industry. Little investment or attention to marketing capabilities and the brand as an asset, had allowed both to become relatively obsolete.

Given this analysis of Shell's capability at the beginning of the transition, it was clear that there were few capabilities or internal strengths on which to start building new competitive advantage. The asymmetry which started to emerge during 1997, was the GB&C team, which was responsible for managing the Ferrari sponsorship for the oil products business. This team was no more than a handful of people and had limited responsibility given that power for brand and communication activities were located in national companies. However, a new VP joined this team early in 1997 from outside of Shell, arriving with significant brand and communication experience gained from working in recognised marketing companies outside of the oil industry. His presence started to influence the activities of the team.

### **Exploiting asymmetry**

The new VP brought a distinctive capability into the organisation. He believed in the power of communication activity and had gained from his past experience an understanding of what could be valuable to Shell in the current context of increasingly competitive local markets. He said, "I was responsible for something in the 1980s . . . I saw the power of integrated communications and the cost efficiencies that could be gained. Integrated communications was a solution to the structural cost problem we were trying to solve at Shell. It could also provide consistency of communication. We (Shell) needed a branding idea – visual territory that we could occupy. To do this, one advertising agency was essential".

The VP was instrumental in making this happen. At the beginning of 1998, JWT became Shell's sole creative agency and the GB&C team were made responsible for producing all the TV commercials for oil products businesses worldwide. This reduced the power of local brand teams, significantly aiding the transition, and enhanced further the asymmetry of the GB&C team. In this way, assets were re-aligned and new relationships formed – essentially as a means to solving the problem of lowering structural cost.

Before these changes were made, the role of the central brand team was to manage Shell's sponsorship relationship with Ferrari. The budget that came with this role was a very important asset at the start of transition to global advertising. This money provided the means to start producing something tangible. In his narrative, the VP said, "What I knew from working elsewhere was that I had to do something tangible. In a head-office position, if you only make strategy and policy statements (there are many of these around already) – it will not be valued, nothing will happen".

Hence, the GB&C team used this budget to start producing high quality commercials. These were then used as "proof" that centrally produced advertising could be relevant across cultures. The other important aspect of producing these commercials, was the opportunity they provided for the central brand team to raise their skill levels and build new capabilities. Because all the work was concentrated in this small team, which remained largely intact throughout the five-year period, learning was accelerated and protected. As a result this capability was developed quickly and valuable talent was retained where it could be very effective.

### **The dynamic capability**

Whilst very important to delivering a successful transition, changing the creative agency and re-allocating budgets did not create positive energy for change in local marketing teams. After many years of a strong decentralised practice and philosophy, local resistance to central control was strong. The narratives from this research reveal the frustration of those driving the change: "We spent months trying to get markets to take the ideas we had. A total of 80 per cent of them said no".

The dynamic capability used to overcome this resistance was Shell's rational planning process, a well-known and practiced routine in the organisation. The combination of researching, proving, using hard data with rigour and consistency, was from the heart of Shell's technocratic culture. It was familiar to local, central, junior and senior management. The approach made sense and transformed advertising activity from something vague and unaccountable – fluff – into a scientific methodology. While the new VP did introduce some ideas from his own background about how to solve problems in the Shell context, this dynamic capability of proving through rational argument with data was clearly one that Shell held in its own stock. The in-coming VP to the brand communication team said, "I knew that I could not apply anything I learnt from Nestle directly into Shell. I can't deny my past, but what is important to this organisation is very different. You can not take a P&G formula and force it into Shell. There has to be a model that will work for Shell. This is the reason why many marketing people who join from outside leave, because they can not influence the organisation to take their intact recipes".

Over time the process adopted by the GB&C team became increasingly disciplined and prescribed, but also inclusive of a wide range of stakeholder groups. Responsibility for briefing and initial creative work was given back to the local markets. The GB&C team have the power to "approve", but in talking about the role they now play, a key word is coordination and providing a service. These words have also been linked with the central offices at Shell for much of its history.

The dynamic capability literature stresses that such processes cannot be copied from elsewhere or bought on the open market. A significant contribution to the success of the centralisation of Shell's advertising activity was that no copying was attempted. This is recorded in the Shell narratives. "We have developed the process ourselves. We did not invent it in an afternoon, but we started on a journey and slowly developed the processes, the whole thing. JWT have been very enthusiastic partners, but we did not copy any other account". In other words, Shell used an existing, very well rehearsed dynamic capability to great effect in this transition.

### **The new resource**

Over the transition period, the dynamic capability of testing, proving, planning, coordinating became deeply embedded into the bundle of relationships, knowledge and assets that is the new resource. Hence, the "dynamic" element ceased and the "planning" aspects became the "operational" capability of the new resource (Helfat and Peteraf, 2003). The advertising produced from this resource has been shown to meet the valuable and rare tests and, whilst it is obvious that other organisations might be able to achieve the same outcomes by substitution, imitation can not be a rival's route to successful transition. This is because testing, proving, planning, has meaning for Shell but is unlikely to have meaning for other firms. Because organisations are

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heterogeneous and have different asymmetries, developed from different histories, meaning will not translate from one to another. Hence, employing a model predicated on rational planning in a different organisation, will not provide the positive energy for change that it did in Shell.

Similarly, other organisations will not be able to match Shell's ability to coordinate its resources in this way. Learning to do so, might distract from the change effort by diverting time and resources to matching a capability Shell has learnt to do over many years. Part of the rarity of the Shell model is the small size of the team running the account – many other organisations would like to know how to copy this. But, there is likely to be a large content of “tacitness” and causal ambiguity in Shell's processes that makes such a small core team viable. Other stakeholders in Shell's process, for example, do not need to learn how to operate within this process, the routine is familiar and well known. It is very unlikely that competitors could copy this effectively or efficiently.

### Conclusion

From a low stock of assets in brand and communication activity and relatively little capability in organising globally, Shell transformed this part of their oil products' business successfully. Viewed through the lens of RBV and DCV, it is suggested that a significant reason explaining this success was the deployment of a dynamic capability from the heart of its technocratic culture. The story suggests that an organisational asymmetry – rational planning – became the dynamic capability that enabled change, which subsequently became the operational capability embedded within a new set of assets, which in turn, became a resource of some significance.

The importance of not trying to copy is emphasised by RBV theory and is supported by what was observed from Shell's transition. Instead it is proposed that success is more likely if internal asymmetries are found from which new resources can be created. By applying the theory, it can also be argued that other organisations will not be able to copy the model Shell and JWT have created. While other global account models might be able to deliver the same competitive advantage in terms of lower cost and/or superior customer value, this will need to be achieved by substitution rather than imitation.

### Notes

1. Oil products include: fuels businesses especially retailing petrol and diesel; lubricants businesses selling engine oils and industrial machine oils plus, associated services such as forecourt services and convenience shops.
2. For example, in the Royal Dutch Centenary publication (1990) the chairman of the committee of managing directors explained that the special feature of the Royal Dutch/Shell Group is in fact above all the “unity in diversity”. From the outset of the group companies have had a great degree of autonomy, united since 1907 under the Shell flag. Wherever the group is active, there is a strong desire to be recognised as a “national company”, a part of that specific society and with local staff in nearly all positions. Cultural and social barriers have been broken down in favour of a multiracial and multinational collaboration.
3. Local companies which share common customer value propositions for specific brands and act as sponsors for producing a supporting TV commercial.

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