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An evaluation of typologies of marketplace strategic actions

The structure of Australian top management perceptions

Anthony Pecotich and Felicity J. Purdie
Department of Information Management and Marketing, University of Western Australia, Crawley, Australia
John Hattie
School of Education, University of Auckland, Auckland, New Zealand

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Abstract *An evaluation of executive perceptions of strategic typologies is presented in the Australian context. Specifically, four strategic typologies (growth versus retrenchment, the product/market matrix, the grand strategy alternatives, and Porter's generic strategies) were compared using confirmatory factor analysis on a set of data obtained from top mangers in Australia. The results tend to support Porter's formulation of cost leadership, differentiation and focus.*

Introduction

Issues associated with corporate strategic action have been addressed from three general academic perspectives. In marketing, the traditional marketing-management paradigm has dominated the discipline (e.g. Aaker, 2001; Cravens, 1999; Kotler, 1994; Wind and Robertson, 1983) while within business policy and strategic management the concern has tended to be much more with strategy/performance at the top-management corporate and/or industry level (e.g. Glueck and Jauch, 1984; Miles *et al.*, 1974; Miller, 1988). The third view on business strategy emerged from industrial economics where the general position is that a firms performance depends on the characteristics of the industry environment in which it competes – the structure, conduct and performance paradigm (Bain, 1968; Caves, 1980; Mason, 1939; Porter, 1980; Scherer, 1980). While research in these three areas proceeded largely independently, a common classificatory and theory building element was brought indirectly to the attention of marketing and management scholars by Porter (1980, 1981, 1985, 1990, 1991).

Porter (1981, p. 611) working within the industrial organization paradigm developed a formal model for assessing the competitive structure of an industry and described a basis for a classification of corporate generic strategic actions. This model provided a new perspective on the earlier strategic typology work in marketing and management (e.g. Ansoff, 1965; Day, 1984).

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Despite the differences in research traditions, for example, in the unit of analysis (industrial economists emphasise the industry while marketing and management focus is more at the firm level), the industrial organizational perspective was rapidly adopted within both marketing (e.g. Aaker, 2001; Cravens, 1999; Jain, 1999) and strategic management (e.g. Campbell-Hunt, 2000; Glueck and Jauch, 1984; Thompson and Strickland, 1995). In the main this was because this paradigm provided a systematic model for the assessment of the structure of the competition within an industry – a fundamental necessity for strategy formulation in both marketing and management – and a new classification basis for generic corporate-level strategies – the "content" side of strategic management which had dominated empirical research in marketing and business policy with its emphasis on "identifying sets of strategies" necessary for firms to achieve economic success (Aaker, 2001; Day, 1984; Kotha and Vadlami, 1995; Kotler, 1994; Mintzberg, 1988). Surprisingly this acceptance of Porter's (1980) framework and the earlier classificatory work has proceeded largely without empirical evaluation or comparison. It is the purpose of this study to add impetus to research at the top management/marketing strategy level by providing empirical evidence concerning the content of strategic action in Australia, so contributing to knowledge development in the substantive area, as well as to the growing stream of such research in the specific Australian context (e.g. Ellis and Pecotich, 2001; Joseph *et al.*, 2001; Laczniak *et al.*, 1989, 1994; Lysonski and Pecotich, 1992; Pecotich *et al.*, 1992, 1999). More specifically the purpose of this research is: first, to enumerate and operationalise a subset of generic strategic typologies that exist in the literature; and second, to use these operationalizations as a basis for generating a set of items that can be constructed to empirically asses which strategies are pursued in practice and, thus, indirectly evaluate the fit of existing strategic typologies in the Australian top management context.

Conceptual background and theoretical conjectures

Although in marketing management the central concern has been with the development of the marketing mix, and in the management/policy area with higher level issues associated with the corporate mission, competitive advantage and "grand strategies", the central figure in each is the manager or decision maker. Whether the processes emphasised are synoptic or incremental (Frederickson and Mitchell, 1984; Lysonski and Pecotich, 1992), and/or the viewpoint on strategy is situation-specific, universal or contingency, it is the manager, who on the basis of perceptions orchestrates the alignment of environmental opportunities and threats, internal strengths and weaknesses, and strategic action (Aaker, 2001; Cravens, 1999; Hambrick and Lei, 1985; Jain, 1999; Kotha and Vadlami, 1995). A strong case can, therefore, be made that organizational strategic actions are more likely to be consistent with top management perceptions than with objective criteria (Miles *et al.*, 1974).

Strategic action takes place in a social context and while objective conditions and events may influence executive actions, it is perceptions associated with these conditions that are critical. As Mintzberg (1988, p. 22) has stated, "trees that fall in the forest do make noise, in terms of causing vibrations in the atmosphere, but if no one hears it, the noise has no social meaning". The view that executive perception should be the focus of research in marketing, management and industrial organization has been advocated, particularly at the top management, corporate "grand strategy" level (Hambrick and Mason, 1984; Kotha and Vadlami, 1995; Wind and Robertson, 1983).

Classification or enumeration of the strategic alternatives available to executives has been as popular in strategic marketing and management as "drive naming" in psychology. Generally the approach has been normative, that is, scholars, consultants and practitioners have attempted to enumerate a list of strategic alternatives on which management was expected to base their strategic actions (Aaker, 2001; Cravens, 1999; Glueck and Jauch, 1984; Jain, 1999; Mintzberg, 1988). Further, the basis for the category development was often purely conceptual, for example, Chrisman *et al.* (1988) after discussing the nature, objective and attributes of "scientific" classification systems examine the deficiencies of Abell's (1980) and Porter's (1980) systems, and develop a "new" more complex system; similarly Mintzberg (1988) after tracing the historical basis of Porter's (1980) classification develops a "more comprehensive framework". There have been many other attempts to improve or develop typologies from a conceptual basis (e.g. Abell, 1980; Glueck and Jauch, 1984; Hill, 1988; Hofer, 1975; Murray, 1988; Porter, 1980, 1985).

As classification is the beginning of science these developments are to be applauded (Hunt, 1976). Nonetheless, despite pioneering efforts (e.g. Dess and Davis, 1984; Hambrick and Lei, 1985; Herbert and Deresky, 1987; Hitt *et al.*, 1982; Kotha and Vadlami, 1995; Miller, 1988; Pecotich *et al.*, 1985) it is not an exaggeration to deplore the lack of any strong attempt at a development of a taxonomy and/or model comparison on an empirical basis. Hambrick (1984) suggested that there are two general types of classificatory endeavours, those leading to typologies or taxonomies – most classification theorists refer to conceptually derived schemes as typologies and empirically derived schemes as taxonomies (e.g. Sneath and Sokal, 1973). Hambrick (1984) suggests that for a classification to be deemed taxonomic it must be numerically derived. Many of the classifications cited above although based on systematic observation are not numerically derived. Such typologies may provide a useful guide for normative strategic action and important insights into strategic behaviour, but they do not explain such behaviour, nor validate the existence of the postulated classificatory elements. Herbert and Deresky (1987, p. 36) as well as Galbraith and Schendel (1983) emphasize that "an empirical base is necessary to provide a reliable method for understanding and predicting strategic behaviour, and for managing strategically". This need for a systematic, data based search for the structure of executive strategic perceptions becomes particularly apparent when one notes that besides some pioneering work (for a full enumeration, see Campbell-Hunt, 2000; Kotha and Vadlami, 1995) there exists little research that specifically examines the nature of executive perceptions of strategic action. Further, many studies that are concerned with classification and theory testing tend to focus on one particular typology, rather than on a simultaneous model comparison to find the best fit (Campbell-Hunt, 2000).

The focus in this study is on the structure of the strategies at the corporate marketing level. This is not only realistic in the applied strategic decision-making sense but provides a new dimension to the conceptually based typology development literature. Specifically the view of strategic decision making is broad. The term "grand strategy" is used to describe the general strategic thrust or the major planned directions of actions for achieving the long-term (sales and earning) goals for a business (Hitt *et al.*, 1982; Pearce *et al.*, 1987). Herbert and Deresky (1987, p. 135) add a further dimension by suggesting that a generic strategy is "a broad categorization of strategic choice which would apply regardless of industry, organization type or size". It is a perspective on strategy that is consistent with Porter's (1980, 1985) conceptualisation of "generic strategy". The focus at the "grand strategy" level has been advocated by marketing (e.g. Aaker, 2001; Wind and Robertson, 1983) and management scholars (e.g. Glueck and Jauch, 1984; Pearce *et al.*, 1987), and in both cases a critical issue involves the development and evaluation of typologies.

Approaches to strategic classification

After a comprehensive review of the extant literature on generic strategies, Campbell-Hunt (2000, p. 128) declared that "the study of competitive strategy is thus currently stuck in something of a dead-end", a statement that by implication suggests that not much progress has been made since Mintzberg (1988) stated that a more systematic investigation of strategic typologies was warranted. Two major problems have inhibited development towards a validated paradigm of strategic typologies. First, the range of alternative strategies available to the decision maker is overwhelming, there is, therefore, substantial disagreement and there is considerable overlap. Second, theoreticians who generate lists of promising grand strategies often do not specify which strategies go together and which do not. In an attempt to remedy this situation and drawing from Mintzberg's (1988, p. 61) thought provoking conclusion, "Which strategies are pursued where?". It is, therefore necessary to carefully specify the generic strategies to be evaluated. However, prior to enumerating and specifying the typologies to be tested, it is necessary that issues associated with the level of analysis and the classificatory perspective be discussed.

Level and unit of analysis

A problem that may be perceived throughout the strategic marketing and management literature involves the explication of the hierarchy of strategy levels and the unit of analysis (Aaker, 2001; Abell, 1980; Cravens, 1999; Doty and Glick, 1994; Klein *et al.*, 1994; Lenski, 1994; Porter, 1980, 1985). To a large extent there appears to exist confusion because the terms "unit of analysis" and "level of analysis" are often treated as synonymous. Unit of analysis is used to refer to the object, event or other entity whose properties are being investigated and that is of fundamental primary interest to the researcher. The level of the analysis refers to hierarchical position of the object, event or other entity within the particular system of research interest. A hierarchy consists of units that may be grouped at different levels (Doty and Glick, 1994; Goldstein, 1995; Klein *et al.*, 1994; Lenski, 1994) for example, individuals may be grouped in organizations and they in turn in industry or national groupings. Research may be conducted within the same level or across levels. It is of critical importance that researchers clearly specify both the unit and the level whether the purpose is conceptual development and or empirical investigation.

Hofer and Schendel (1978) stress that discrimination is important because specific issues are more or less relevant at the different levels. It follows from these arguments that research intending to explore the content of strategy should, from the outset, define which level of strategy formulation is being considered. In this research we focus on strategies at the business of SBU level for three reasons:

(1) the business level has been the focus of much previous research;

(2) competitive strategies for the marketplace are formulated and implemented at this level (Aaker, 2001; Capon *et al.*, 1987; Cravens, 1999; Day, 1984); and

(3) it allows comparison between a dominant or single business company and the SBU of a highly diversified company (Hofer, 1975).

With regard to the unit of analysis essentially there appear two purposes for the classifications, one to classify firms (or executives of firms?) and the other to classify strategies or types of actions available to business. So, for example, the well-known Miles and Snow (1978) classification of defenders, reactors, analysers, and prospectors appears to be a classification of firms, while Porter's (1980) differentiation, focus and cost leadership may be seen as a classification of strategies at least initially for in later statements, for example, in the discussion of the "stuck in the middle" performers it is clear that he is in fact discussing classification of firms. It is unfortunate that there is considerable confusion in the literature and it is often not clear what is being classified, firm or strategy. The normative measurement prescription (Venkatram and Grant, 1996) is that measurement issues should precede theory testing. In this case the validity of the typologies should be established before substantive issues can be resolved.

The four typologies

In the following section, four typologies of business strategies are presented. It is important to state at the outset that our choice of four, although carefully considered, is somewhat arbitrary. The literature is replete with different formulations with strong advocates for their validity (Campbell-Hunt, 2000). Further, many of the formulations have undergone change and adaptation according to the particular context or the conceptual preferences of the researcher. We have chosen the most prominent typological formulations and wherever possible strictly conformed to the original formulations. We, therefore emphasise that this research is not to be seen as a final definitive evaluation but rather as a preliminary, exploratory assessment. While our typological formulations do not purport to be exhaustive, they will serve as a sufficient basis for generating a set of items that represent the strategic actions available to the managers. Such a set of items will then be operationalized in a questionnaire, the responses to which can be used to examine the validity of these specific typologies with a view to finding the typology of best fit. The four specific typologies to be investigated are respectively:

(1) the strategic alternatives of retrenchment versus growth implicit in much of the strategic marketing and management literature (Aaker, 2001; Cravens, 1999; Glueck and Jauch, 1984; Mintzberg, 1988; Pecotich *et al.*, 1985);

(2) the product/market matrix (Ansoff, 1965; Johnson and Jones, 1957; Mintzberg, 1988);

(3) the four grand strategic alternatives of stability, internal growth, external growth and retrenchment derived from the work of Glueck (1976, 1980) and Glueck and Jauch (1984); and

(4) Porter's (1980) three generic competitive strategies.

Although we do not directly state a hypothesis, our purpose is to develop a basis for a "crucial test", of four rival explanations for the generic structure of strategic action. A "crucial test" involves the development of alternative explanations for a phenomenon and juxtaposing these in an empirical context so as to determine which one provides the better fit to real world conditions. This approach is consistent with "multiple working hypotheses" as proposed by Chamberlin (1897) and Armstrong (1979)"strong inference" as suggested by Platt (1964) and the comparative approach as advocated by Sternthal *et al.* (1987), Our general theoretical proposition is however, that executive strategic perceptions will be structured as proposed by the four typologies but that one of these will prove to provide the best fit to the data. The research purpose is somewhat similar to Spearman's pioneering work on general intellectual ability

(Loehlin, 1987, p. 18). As a first step in this process it is necessary that a conceptual basis for the study be developed.

Typology 1: growth-retrenchment. A very general position suggests that corporations pursue two generic strategies in their principal industries: retrenchment or growth (Pecotich *et al.*, 1985). Retrenchment strategies refer to the reduction or withdrawal of a corporation from a particular strategic position. In contrast growth refers to an increase, expansion or entry of a firm to a particular strategic action or position (Pecotich *et al.*, 1985). Researchers within the portfolio theory framework have consistently placed these two strategic options at the opposite ends of a continuum (Kotler, 1994) and more importantly they implicitly or explicitly constitute a dimension of the more complex models advocated by, for example, Glueck and Jauch (1984), Mintzberg (1988) and Porter (1980, 1985).

Typology 2: the product/market matrix. The second general dimension on which strategies may be classified is the product/market continuum. Johnson and Jones (1957) and Ansoff (1965) have postulated that corporations have two general options for strategic development: they may enter new markets or develop new products. Mintzberg's (1988) elaboration of Ansoff's four component formulation of market penetration, market development, product development and diversification shall be used in this study. Market penetration strategies emanate from a basis of existing products and existing markets. They can be achieved by either straight expansion or through the takeover of existing competitors. Straight expansion is an attempt to "buy" market share. It incorporates such dimensions as increasing the advertising budget, expanding production and/or enlarging the size of purchases. Alternatively, takeover strategies involve acquiring competitors, an action frequently referred to as horizontal acquisition (Thompson and Strickland, 1999).

Market development involves the promotion of existing products in new markets so broadening the scope of a business. Creative market segmentation can isolate new groups of customers. Three particular cases of market development are: product substitution, where new uses for a product are encouraged; the adoption of new channels to reach different customers; and the pursuit of geographic expansion by carrying the existing product offering to new geographical areas.

Product development may involve a simple product extension strategy rather than a more extensive product line proliferation strategy. A product extension strategy amounts to offering new or modified products in the same basic business. Often this means marginal modifications in existing products or variations on the theme of the dominant design. A product line proliferation strategy has as its purpose comprehensive product segmentation or the complete coverage of a given business. Adopting the marketing stance of "something for everybody", this strategy often assumes a dimension of product line fortification; that is, offering a broad product line to pre-empt competitors from making inroads in the territory.

A strategy of diversification amounts to extending the mission of a business into both new markets and new products. Mintzberg (1988, p. 40) defines diversification as "the entry into some business, not in the same chain of operation but nevertheless possibly related to some distinctive competence or asset of the core business itself". Ansoff (1965) recognised two major types of diversification: related or concentric diversification is based on some common competence or asset, while unrelated or conglomerate diversification is based on no specific strength or competence. The problem in distinguishing related from unrelated diversification is that relatedness can reside in the eyes of the beholder. Indeed, as noted by Porter (1987, p. 54) "If you believe the text of the countless corporate annual reports, just about anything is related to just about anything else! But imagined synergy is much more common than real synergy". In the context of the present study, then, how can related diversification be discerned from that which is unrelated? Pearce (1982) provides an interesting answer to this question by postulating that, in the case of unrelated diversification, the principal decision criterion of the acquiring firm is the profitability of the venture.

A problem with this typology is that the total emphasis is on growth. Mintzberg (1988) notes that this is in keeping with the proactive orientation of the positioning school. An enlargement of this product/market matrix could involve the consideration of the downside equivalent of each strategy, resulting in eight, not four, cells. This is a more comprehensive and realistic approach to strategic alternative specification as businesses can conceivably choose to retrench from these positions if they so desire. Contraction from each of these four product/market positions involves a different strategy in each instance. The opposite of an expansion or market penetration strategy is a harvesting strategy or an attempt to "sell" market position by trading increased short-term earnings for a diminished market share. This often amounts to cost cutting whereby a business reduces the level of investment or service given. The inverse of market development is market consolidation. This "counter segmentation" strategy involves reducing the number of segments served. With regard to product development, its opposite concerns product rationalisation strategies. Cannon, cited in Mintzberg (1988) identifies three types of withdrawal strategy:

(1) cancellation of long-term licences, closing down joint ventures and eliminating links with other businesses;

(2) abandonment or liquidation of businesses; and

(3) divestment.

Thus the full enumeration of the product/market matrix into eight cells encapsulates the prior dimensions of growth and retrenchment.

Typology 3: grand strategic alternatives derived from Glueck and Jauch (1984). Another approach to the development of generic strategic taxonomies is based on the work of Glueck and Jauch (1984). These authors introduce a complex matrix that involves expansion/retrenchment and stability across products/markets and functions. Using this matrix Hitt *et al.* (1982) and Pearce *et al.* (1987) postulate that there exist four grand strategic alternatives: stability; internal growth; external acquisitive growth; and retrenchment. The stability strategy involves the maintenance of the current business definition but a corporation "may alter its strategy by changing the pace of effort within the stable business definition in order to become more efficient or effective" (Glueck and Jauch, 1984, p. 210). Pearce *et al.* (1987) operationalise the stability strategy along four dimensions:

(1) a business continues to serve customers in the same or similar product/market domain;

(2) it has its main strategic decision focus on incremental improvement of functional performance;

(3) it continues to pursue similar objectives; and

(4) the business adjusts the level of improvement approximately the same percentage each year.

The strategy is an alternative to growth or retrenchment in that goals such as profit or growth are not abandoned. Rather, profits can actually be increased, for example, by improving efficiency.

An internal growth strategy involves the pursuit of growth predominantly through internal development independently from other corporations or businesses. Market penetration, market development and product development are emphasised. If diversification is pursued then it is enacted by what is frequently referred to as a "start-up" business (Vancil and Lorange, 1975). Glueck and Jauch (1984) note that there are a number of terms used for "external expansion". These include acquisitions, mergers (one business loses its identity), consolidations (both businesses lose their identity, and a new business arises) and joint ventures. The distinguishing feature of all external growth strategies, though, is that they involve another company or business.

Pearce *et al.* (1987) operationalise a retrenchment strategy along three dimensions: improvement in performance by scaling down the level and/or scope of product/market objectives; cut back in costs; and reduction of the scale of operations through the divestment of some units or divisions. Glueck and Jauch (1984) also suggest that retrenchment also involves a reduction in functions. Conceivably, Glueck and Jauch's internal and external concepts could also be applied to retrenchment strategies. Internal retrenchment is, in fact, labelled as an "operating turnaround" strategy where the emphasis is on reducing costs, increasing revenues, reducing assets, and reorganising products and/or markets to achieve greater efficiency. External retrenchment constitutes a more serious form of strategic turnaround, including such measures as divestiture and liquidation. Glueck and Jauch's (1984) typology introduces the concepts of stability and external versus internal aspects of growth and retrenchment.

Typology 4: Porter's generic strategies. The final hypothesized strategic typology to be tested is based on the formulation proposed by Porter (1980) who identified at the business level three "generic strategies": differentiation, focus and cost leadership. This formulation has had a major impact on strategic research and application, and despite controversy remains virtually unchanged in "most contemporary textbooks" (Campbell-Hunt, 2000, p. 128). The research evidence has been inconclusive (Campbell-Hunt, 2000) and even contrary to the formulation (Kotha and Vadlami, 1995), and there have been persistent calls "for further empirical validation of competing typologies to revitalize research on generic strategies" (Kotha and Vadlami, 1995, p. 75). Porter (1980, p. 37) stated that differentiation involves "the product or service offering of the firm, creating something that is perceived industry wide as being unique". The concern is with the nature of the product and differentiation is a supply driven concept (Mintzberg, 1988). Focus, on the other hand, is a demand-driven concept and the concern is with a particular market, buyer group or segment. The segment is concerned with how markets are defined and disaggregated and the strategic action is driven by the perceptions of the nature of the market. With overall cost leadership the emphasis is on achieving low cost relative to the competitors. Cost leadership requires a strong strategic attention to efficiency of facilities, tight cost and overhead control and minimisation of such costs and expenses as R&D, sales force and advertising. According to Porter each of these strategic alternatives represent a fundamentally different approach to creating and sustaining a competitive advantage. Fundamentally they are three independent strategic thrusts. Executives must choose which one to implement or their corporations will get "stuck in the middle" and perform poorly. While there is some controversy on this issue and it is possible to pursue, for example, focus and differentiation simultaneously (Miller, 1988; Mintzberg, 1988), it is quite plausible to propose that whatever the corporate strategic groupings within the industry the structure of executive perceptions of strategy should conform to Porter's (1980) tripartite formulation.

Method

Data for this study were collected via a mail survey from senior executives involved in top-level strategic decision making for a variety of businesses. A regionally restricted field sample was selected in order to introduce a measure of control over extraneous, non-industry factors such as regulation, taxation and wage rates (Pearce *et al.*, 1987). The sample was selected from an Australian business directory compiled in association with the Australian Chamber of Commerce. The specific requirements for selection into the sample meant that the executives were expected to be conversant with the overall strategic direction of their business and to have direct input into the strategic decision-making process. Instructions were developed to ensure that the respondents understood the purpose of the study and that they were able to provide answers only in relation to the particular business unit involved. Of 700 questionnaires distributed 255 were returned giving a response rate of 36.43 per cent which was considered satisfactory given previous experience with surveys of a similar nature (Dillman, 2000; Groves, 1989; Kotha and Vadlami, 1995). The sample emanated from a wide variety of industries and thus, industry representation was considered adequate (29 per cent were involved with consumer products, 50 per cent with industrial products, and 21 per cent with services). Furthermore, there was much diversity in the size of the businesses. The mean number of employees was 698 with a standard deviation of 45. The businesses reported average net sales in the vicinity of $111.6 million (range 0 to 2.8 billion) and an average net income of $28.3 million (range from a loss of 80 million to $950 million profit), respectively, in the preceding fiscal year. It was decided that such variety was both necessary and highly desirable in order to be able to generalize the research results across types of industry, business size and corporate performance.

The key informant, or alternatively, self-typing approach was used in this research study. With the key informant approach, data is collected from a senior manager or a group of senior managers on information pertaining to the whole organization (or business unit). It is assumed that such senior managers have the best vantage point for viewing the entire organization and, thus, will provide the most accurate responses. Data on strategy gathered from middle and lower managers have questionable validity because these managers typically do not have access to information about how the total system operates (Kotha and Vadlami, 1995). The job titles given by the respondents in the field study indicated that the sample was in fact made up of senior managers and top decision makers. Specifically, 26 per cent were directors (i.e. president, including managing and executive director), 21 per cent were general managers, 37 per cent were managers of functional or geographic areas, 5 per cent were company executives, 5 per cent were accountants and financial controllers and 6 per cent had other managerial positions (e.g. assistant manager). It can be concluded, therefore, that this was an elite sample consisting of executives who were involved in strategic decisions and had the power to implement their selected options.

Procedure

A list of possible strategic actions to be pursued at the business level was developed based on a literature review of four widely cited strategic typologies. The inductive derivation of the set of strategic actions from the literature represented the first stage in the construction of a measurement instrument for strategic typologies. This information was then used to fulfil the dual objectives of this study:

(1) to determine which strategies, in practice, are pursued together and to therefore provide some empirical support for the existence or non-existence of strategic archetypes as they are delineated in the literature; and

(2) to develop a measurement instrument that can be used to investigate the types and content of strategic actions pursued by a wide variety of businesses.

The second step of the procedure involved the use of experts to purify, clasify and finalize the questionnaire. Chosen for this task were 18 part time MBA students who were involved in strategic decision making in their companies. They were over the age of 35 and employed in a managerial capacity. Their primary task was to complete the questionnaire and critically evaluate its content and classification scheme. On the basis of this evaluation a final instrument consisting of 102 items on which there was substantive agreement for the classification according to the generic strategy of best fit (see appendix for the full enumeration) was developed. In the third stage, the purified measurement instrument was administered to a sample of executives.

The executives were asked to indicate on five point scales (ranging from 1 "no importance" to 5 "very high performance") the extent to which the particular strategic action was "important and central to the operations of your business over the last five years". The procedure used was as follows:

(1) a pre-notification procedure was adopted whereby respondents agreed to participate prior to receiving the questionnaire;

(2) a summary of results was promised to participating companies upon completion of the research study;

(3) anonymity was guaranteed in a cover letter that accompanied the questionnaire; and

(4) follow-up calls were made to those respondents who had not returned a completed questionnaire after an allotted four-week period.

Analyses and results

The approach taken in this study is confirmatory because theoretical development has taken place almost without empirical verification of executive perceptions (see, for an enumeration of exceptions, Campbell-Hunt, 2000; Kotha and Vadlami, 1995). Our purpose is to compare four formulations of strategic typologies. The exploratory approach (e.g. exploratory factor analysis) is, therefore, not appropriate as these generic structures have already been formulated, and such approaches do not allow us to statistically compare the extent of the fit of one typology versus another. We therefore used confirmatory factor analysis as implemented in COSAN (Fraser, 1984) one of the many computer programs for structural equation modelling, the most well known one being LISREL (for a full enumeration see, for example, Bollen, 1989; Kline, 1998). The four typologies to be evaluated have been described but a full enumeration of the items is shown in the Appendix. To assess the adequacy of one typology versus another and to evaluate the extent of fit there exist a large number of fit statistics. The most fundamental is the $N-1$ time the minimum value of the loss function, which can be interpreted as a chi-square with degrees of freedom equal to $0.5 \times p \times (p+1)$ where p is the number of parameters free to be estimated. The fundamental problem with these statistics is that the fit can be improved by, nonsensically, reducing the sample size and with large sample sizes we are more likely to reject meaningful theoretical models. As a consequence, there has been a large number of indices invented and there have been various evaluations of these indices (Bollen, 1989; Hayduk, 1996; Kline, 1998). From these we have chosen the "Chi-square/df ratio, root mean square residual (RMS), goodness of fit (GFI), adjusted goodness of fit (AGFI), Akaike information criterion (AIC), and the Tucker-Lewis index". These appear to have theoretical justification, are not seriously influenced by sample size, perform adequately in simulations, and are widely used (Bollen, 1989; Hayduk, 1996; Kline, 1998; Pecotich *et al.*, 1999). The sampling distributions of these indices, however, are not known, and while rules of thumb abound there is no definite to guide as to what constitutes "good fit" (Hayduk, 1996). All these indicators are used in the subsequent analysis, as they serve to not only provide evidence of the adequacy of the various models but they may assist in the process of the development of a meaningful and accurate theory of strategic structure.

To assess the extent of fit of each of the hypothesized typologies a confirmatory factor analysis with correlated latent variables was conducted for each case. Fundamentally this is equivalent to the first step (measurement validation) in the two-step process advocated by Gerbing and Anderson (1988). The results of the analyses are shown in Table I[1]. The first finding of note is that the fit statistics, with the exception of the Tucker-Lewis index, are marginal at best. While this is a finding of consequence it is important to remember that we are seeking meaningful results or a model that best explains this particular set of data. The second point to note is that with the exception of typology 1 the rank order of the indices is not consistent. Nonetheless, we are able to draw some important conclusions. We can conclude that typology 1, the broad growth-retrenchment formulation does not fit comparatively as well as the other models. It is the least well fitting formulation on all indices (ranked 4 on all) and, for example, the AGFI of 0.752 is an indication of poor fit. The evaluation of the other three models is problematical as although the rankings

Table I. A statistical evaluation of the typologies

Fit statistics	Typology 1 Statistic	Typology 1 Rank	Typology 2 Statistic	Typology 2 Rank	Typology 3 Statistic	Typology 3 Rank	Typology 4 Statistic	Typology 4 Rank
Chi- square/df ratio	2.320	4	2.120	3	2.100	2	2.080	1
Root mean square residual	0.075	4	0.074	2	0.074	3	0.069	1
Goodness of fit (GFI)	0.768	4	0.871	1	0.803	3	0.837	2
Adjusted goodness of fit (AGFI)	0.752	4	0.850	1	0.788	3	0.822	2
Akaike information criterion (AIC)	17.100	4	6.130	1	15.100	3	9.980	2
Tucker-Lewis index	0.946	4	0.968	1	0.955	2	0.951	3

Notes: Typology 1: growth-retrenchment; typology 2: the product/market matrix; typology 3: grand strategic alternatives derived from Glueck and Jauch (1984); typology 4: Porter's (1980) generic strategies are different, the indices of fit are fairly close and in some cases difficult to separate. It is therefore necessary to carefully examine the loadings, the modification indices, and the correlations between the latent factors (Pecotich *et al.*, 1999).

On the basis of the fit indices (see Table I) the second classification (the product/market continuum) as advocated by Johnson and Jones (1957), Ansoff (1965) and Mintzberg (1988) appears to have the best fit. However, although there are no large modification indices, and only two factor loadings are not significant and of the required size the correlation matrix of the latent variables is problematical. Eight correlation coefficients are above 0.750 and the range is 0.750 to 0.972. This suggests the existence of higher order factors or possibilities for combining the postulated typologies. It is therefore concluded that the Mintzgberg (1988) formulation of typology 2 is comparatively not appropriate. This finding is contrary to Kotha and Vadlami (1995).

Of the two remaining strategic typologies (typology 3: grand strategic alternatives derived from Glueck and Jauch (1984); and typology 4: Porter's generic strategies) the fit statistics clearly favour Porter's formulation. In both case the correlations between the factors were not large enough (highest for typology 3 being 0.58 and for typology 4 being 0.51) to suggest higher order factors. The modification indices were not of substantive size to suggest significant improvements in fit but three factor loadings in the Porter formulation (typology 3) were not significant indicating that they could be dropped from the model. Our general conclusion is, therefore, that in this set of data the evidence favours typology 4 or Porter's generic strategy formulation. This conclusion is necessarily tentative, however, it provides a promising basis for further investigation.

Further analyses – predictive validity

The above findings although tentative suggest that it may be appropriate to proceed to asses the measurement properties of Porter's three generic strategies and the extent of predictive validity of the theory. The descriptive statistics and the measurement properties of Porter's generic strategies are shown in Table II. The scale means are close to the mid point of the scale (cost – leadership = 2.9, differentiation = 3.0 and focus = 2.7) but the scale ranges (all greater then 1.3 to 4.3 on a five point scale) suggest that for this Australian sample there is

Table II. Descriptive statistics and the measurement properties of Porter's (1980) generic strategies

Genric strategy	Mean	SD	Minimum	Maximum	Final number of items	Coeficient alpha
Cost-leadership	2.9	0.61	1.3	4.3	20	0.82
Differentiation	3.0	0.57	1.0	4.2	31	0.77
Focus	2.7	0.74	1.0	4.4	8	0.72

sufficient variability in the pursued strategies. An examination of the plots, and the kurtosis and skewness statistics supported this contention, and revealed no serious deviation from normality. An examination of the measurement properties indicated that the scale met reliability criteria – all coefficient alphas were above 0.7 as suggested by Nunnally and Bernstein (1994).

Of critical relevance for the development of a basis for predictive validity is Porter's (1980, 1985) assertion that firms may be grouped according to their respective strategic postures. There are two vitally important elements of Porter's initial formulation that form a basis for a preliminary assessment of predictive validity: the assertion that corporations will pursue the three generic strategies to a differential extent and that those corporations that do not pursue a single strategic thrust "will be stuck in the middle" and perform poorly (Porter, 1980, 1985). At a very broad level, a strong foundation for prediction emanates from the common practice in strategic management and marketing to partition the environment according to the consumer, industry or service sectors (e.g. Aaker, 2001; Kotler, 1994; Kotler *et al.*, 1998; Nayyar, 1993; Pecotich *et al.*, 1992, 1999; Webster, 1979). The consumer market is characterised by a large number of buyers and it is a tenet of modern marketing that to serve such a market adequately is impossible, and that in a well developed nation such as Australia one must focus on a niche to be successful. In the industrial sector the number of buyers is smaller while the level of the complexity of the buying process and the extent of the interdependence is greater (Webster, 1979). It is therefore predicted that the cost leadership strategy should be of greater importance to corporations in this sector. The intangibility and the simultaneity with which services are produced and consumed complicates the choice decision for buyers (Nayyar, 1993, p. 29), and decreases their power in relation to the sellers. The service consumer finds quality evaluation difficult, not only because of the complexity of the service, but also because of the information asymmetry where the service provider possesses unique expertise which is not easily understood by the buyer (e.g. medical services). The fact that services are consumed as they are delivered and the difficulty of quality evaluation means that they are neither reversible nor returnable (Nayyar, 1993). This leads to the most important postulated difference between the service sector and the others – the differentiation strategy is expected to be the most important. To summarize our general predictive hypothesis is that in the well-developed Australian context there should exist significant differences between the application of generic strategies with focus being most important in the consumer sector, cost leadership in the industrial sector and the differentiation strategy in the service sector.

To test this hypothesis multivariate analysis of variance was carried out followed by univariate ANOVA to clarify the nature of the relationships (Neter *et al.*, 1990). The overall omnibus multivariate test indicated the existence of significant differences between the means of the three types of businesses

(Multivariate $F = 2.22$, df $= 6, 502$; $p < 0.05$). However, there was only one significant univariate main effect (see Table III). There existed a significant difference in the importance of the usage of the differentiation strategy ($F_{(2,252)} = 4.28, p < 0.05$). The consumer and service sectors were perceived to have the highest usage of the differentiation strategy when compared to the industrial sector. These results although not as expected do provide an indication that the instrument may provide a promising basis for substantive application. The conclusion is that Australian executive perceptions of generic strategise may be organized and appear to correspond to Porter's original framework, and that different groupings of the strategic action exist.

To evaluate Porter's proposition that corporations that do not implement a unique generic strategy but follow a combination of strategies are liable to get "stuck in the middle" data transformation was necessary. To develop an index of the extent to which corporate strategy is "stuck in the middle" Euclidean distance was computed between a firm's orientation on each of the generic strategies and the maximum possible score on that strategy[2]. The minimum distance for each strategic vector is therefore an indication of how close each firm is to pursuing a single strategic thrust. If Porter's proposition is correct we would expect a negative relationship between this minimum distance and corporate performance. Corporate performance was measured using a three-item subjective performance index adapted from Pearce *et al.* (1987) who asked executive to state the extent to which their corporate return on total assets, total sales and overall business performance was poor – excellent on a five-point scale. The coefficient alpha for this instrument was 0.79 and when a simple regression analysis was performed the relationship was significant ($F_{(2,253)} = 8.01, p < 0.01$) with a R^2 of 0.18. The Beta value ($-0.18, p < 0.01$) was significant and in the appropriate direction so supporting Porter's position of a negative relationship.

Discussion conclusions and directions for future research

The purpose of this study was to examine four prominent strategic typologies, operationalise and evaluate their empirical validity in the Australian context. Unlike previous studies the focus was not on objective criteria but rather on top management executive perceptions. The study was based on the assumption that executive perceptions matter and provide fundamental basis for

Table III. Analysis of variance results for Porter's (1980) generic strategies across industry sectors

	Consumer		Industrial		Service			
Genric strategy	Mean	Std error	Mean	Std error	Mean	Std error	df	F
Cost-leadership	3.0	0.07	2.9	0.5	2.8	0.08	2,252	1.51
Differentiation	3.2	0.05	2.9	0.5	3.1	0.08	2,252	4.28*
Focus	2.8	0.08	2.8	0.7	2.7	0.10	2,252	0.93

Note: * $p < 0.05$

evaluating the veracity of the various conceptually derived typologies. In doing the study we hoped, first, to provide executives with a comprehensive and convenient list of strategic action statements with which to communicate and measure business strategy and, second, to take a preliminary step of establishing the comparative validity of some conceptually attractive strategic typologies in the field of strategic marketing and management. It was also anticipated that, moving towards achieving these objectives, we would provide a basis and a challenge for further research on these important issues.

While the argument could be presented that none of the typologies met stringent test fit criteria (e.g. Schumacker and Lomax, 1996), nonetheless, the fit for the two best models may be considered adequate and provides a promising basis for further research. Porter's (1980, 1985) formulation of three generic strategies received the strongest confirmation and a strong implication of our results is that the original formulation may indeed form the soundest basis for future research endeavours. Our findings differ from those of Kotha and Vadlami (1995) whose findings favoured the Mintzberg (1988) formulation. The findings favour the more parsimonious formulation of Porter and while this may in part be explained by different operationalizations, contexts and methods of analysis, it remains an issue that can only be resolved by further research. Further, in the rush to investigate relationships pertaining to strategy, structure and performance, theoreticians are often guilty of adopting inappropriate measures of strategy and of implicitly assuming the existence of conceptually neat, mutually exclusive, internally homogeneous and collectively exhaustive generic strategies. For example, the lack of support found in this study for Glueck's (1976) typology calls into question the results reported by Jauch *et al.* (1977, 1980). They used the four grand strategies postulated by Glueck (1976) as a basis for enumerating a set of strategic decision variables to examine the interrelationships of environmental change, strategy and short-term success. The establishment of the validity of the postulated typology is clearly necessary before conducting more elaborate tests concerning the theoretical relationships between strategy, structure and performance.

The preliminary assessment of the predictive validity of our operationalisation of the generic strategic structure as developed by Porter (1980, 1985) in the Australian context provides a promising basis for future research. We have found that Australian top management perceptions of strategic actions pursued by their corporations tends to support Porter's formulation, and that there exist significant variability in their strategic actions. The indications are that Australian corporations may be implementing different strategic thrusts in different industrial sector contexts. In particular it appears that the consumer and service sectors may be more likely to pursue the differentiation strategy. Perhaps the most important finding is the support for Porter's low performance hypothesis for those who do not implement a focussed strategic thrust (the "stuck in the middles"). While we do not wish to overstate the strength of this finding, and clearly further research is needed, this finding does form basis for a normative prescription for Australian executives to implement one strong strategic thrust when deciding new strategic directions.

As all studies, this study has limitations that should cause us to view the conclusions with a degree of caution. The sample consisted of Australian executives and it is therefore quite possible that the results cannot be generalized out of that context. This drawback is quite normal and wherever the study was done it would be necessary that further studies be completed elsewhere before some degree of general consensus can be achieved. On the positive side top management response to questionnaires is not easy to obtain. Whatever the sampling defects therefore this study provides an important insight into strategic perceptions and of top management in Australia. There is also the possibility that the meaning of generic strategies as postulated by their original authors may have been blurred in the translation in this study. While care was exercised to ensure that this was not so it is a defect which can only be remedied by further research and to assist in this a full enumeration of the items is provided in the Appendix. Finally, it is possible that a different analytical approach may have led to slightly different results; however, whatever the defects the present study provides a point of departure for future work.

As enumerated by Campbell-Hunt (2000) there are numerous opportunities for further research in theory development, measurement and theoretical evaluation. Indeed as stated by these authors the "17 studies in their meta-analysis form a tiny pool of empirical work" (Campbell-Hunt, 2000, p. 150). The area of specific linkages of strategic action to corporate performance still needs strong theoretical development. To achieve this further research into the structure of generic grand strategies is necessary and in this regards this study has indicated that Porter's formulation may form a promising starting point. Once the validity of the structure has been adequately established then the issue of "stuck in the middle" poor performing corporations may be resolved. Indeed this is the logical next step of a research program designed to evaluate the strategy, structure and conduct paradigm at the top executive perception level (Pecotich *et al.*, 1985, 1992, 1999).

Notes

1. Due to space limitations, the full results are not presented but are available, on request, from the authors.
2. This method for capturing the degree to which a corporation is "stuck in the middle" was developed by Dr Timothy Bock of the University of Sydney, New South Wales, Australia to whom we express my sincere appreciation.

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Appendix

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/ market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
1.	Marketing of existing products to existing customers	–	MP	S	–
2.	Concentration on a narrow buyer group carefully selected from the total market	–	–	–	F
3.	Conscious effort to increase the level of accounts receivable	G	–	IG	–
4.	Entry of new markets with new products	G	D	IG	–
5.	Emphasis on flexibility in production scheduling	–	–	–	D
6.	Reduction of the overall level of investment or service given to existing customers and existing products	R	H	R	–
7.	Concentration on serving a limited geographical area	–	–	–	F
8.	Conscious and deliberate effort to raise prices	–	–	–	D
9.	Major attempt to cut back sales and promotional expenditure	R	–	R	–
10.	Emphasis on efficiency and standardised production scheduling	–	–	–	CL
11.	Concentration on offering a narrow range of products	–	–	–	F
12.	Emphasis on after-sales service and customer support	–	–	–	D
13.	Control of the channels of distribution (i.e. strong influence on outlets that distribute the product/s of the business)	–	–	–	D

(*continued*)

Table AI. Business level strategic actions

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
14.	Avoidance or elimination of marginal customer accounts	–	–	Pr	CL
15.	Change in top management positions	–	–	–	–
16.	Use of joint ventures as an integral part of the overall strategy	G	–	EAG	–
17.	Introduction of new products	G	PD	IG	D
18.	Concentration on a specific consumer segment	–	–	–	F
19.	Emphasis on asset reduction	R	–	R	–
20.	Rationalization of distribution within existing products and markets	R	H	R	–
21.	Emphasis on product R&D	G	PD	IG	D
22.	Forward integration (i.e. attempt to acquire or develop wholesalers and/or retailers so that they form a part of the existing business)	G	–	–	D
23.	Backward integration (i.e. attempt to acquire or develop suppliers of raw materials and/or semi-finished products so that they form part of the existing business)	G	–	–	–
24.	Quasi-integration (i.e. arrangement of stable, long term contracts with wholesalers, retailers and/or suppliers	G	–	–	–
25.	Encouragement of product obsolescence	G	MP	IG	D

(continued)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/ market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
26.	Emphasis on process R&D	G	–	IG	CL
27.	Conscious attempt to reduce the level of accounts receivables	–	–	–	CL
28.	"Farm out" many elements of the production process so that they are manufactured outside of the business (i.e. low level of vertical integration	–	–	–	–
29.	Pursuit of constant and high capacity utilisation	–	–	S	CL
30.	Use of high distributor margins	–	–	–	D
31.	Use of low distributor margins	–	–	–	CL
32.	Reduction of operating costs to bare bones level through stringent cost cutting programmes	R	–	R	–
33.	Limitation of capital expenditure to only essential replacements (e.g. government mandated safety and pollution control equipment)	R	–	R	–
34.	Use of differential commission rates to emphasize high profit items	–	–	–	–
35.	Offer low prices continuously to attract customers (i.e. use of competitive pricing)	G	–	IG	CL
36.	Build substantial capacity ahead of consumer demand	G	–	IG	
37.	Attempt to increase overall sales volume	G	–	–	–

(continued)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
38.	Attempt to improve overall profitability	G	–	–	–
39.	Maintenance of a large supply of goods and/or work in progress	–	–	–	D
40.	Maintenance of a small supply of goods and/or work in progress	–	–	–	CL
41.	Emphasis on product quality	–	–	–	D
42.	Entry of new and different markets with existing products	G	MD	IG	–
43.	Penetration of existing markets with existing products	G	MP	S	–
44.	Penetration of existing markets with new products	G	PD	IG	–
45.	Emphasis on advertising expenditure and promotional effort	G	–	IG	D
46.	Pursuit of economies of scale wherever possible	–	–	–	CL
47.	Addition of new products related to existing lines to attract new customers	G	D	IG	–
48.	Addition of new products not related to existing lines to attract new customers	G	D	IG	–
49.	Emphasis on cost cutting and internal efficiency programs	R	R	–	CL
50.	Pursuit of new technology or other knowledge via mergers and acquisitions	G	EAG	–	–
51.	Pursuit of new technology or other knowledge via internal start-up businesses	G	–	IG	–

Table AI. *(continued)*

Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/ market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
52. Adoption of procedures to encourage high utilization of assets	–	–	–	CL
53. Use of an innovative "first to market" strategy with regard to new products	G	–	IG	D
54. Acquisition and/or merger with related businesses	G	–	EAG	–
55. "Start-up" related busnisses internally	G	–	IG	–
56. Acquisition and/or merger with unrelated businesses	G	–	EAG	–
57. "Start-up" unrelated businesses internally	G	–	IG	–
58. Avoidance of diseconomies of scale whenever possible	–	–	–	CL
59. Tie up 75 per cent or more of sales to one or two buyers	R	MC	R	–
60. Emphasis on internal efficiency and cost cutting with a view to the overall growth of the business	G	–	IG	CL
61. Emphasis on internal efficiency and cost cutting with a view to harvesting some or all of the business	R	–	R	–
62. Use of an "imitative" strategy with regard to new product development (i.e. follow competitors)	–	PR	–	CL
63. Horizontal acquisition and/or merger with competitors	G	MP	EAG	–
64. Sell products together in bundles (e.g. six packs)	G	MP	IG	–
65. Chief executive strongly influences the operations of the business	–	–	–	F

(continued)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
66.	Encouragement of new uses for an existing product (i.e. product substitution)	G	MD	IG	–
67.	Engage in product line fortification (i.e. offer a wide range of products)	G	PD	IG	D
68.	Emphasis on the manufacture of specialty products	–	–	–	F
69.	Attempt to keep knowledge within the business to pre vent it from "spilling over" to other firms in the industry	–	–	–	CL.
70.	Use of different channels to reach new customers	G	MD	IG	–
71.	Liquidation of part of the business (i.e. sell parts of the business for their tangible asset value and not as going concerns)	R	W	R	–
72.	Institution of major cutbacks in both process and product R&D	R	PR	R	–
73.	Emphasis on new process technology	G	–	IG	CL
74.	Engage in product line simplification (i.e. streamline major product types)	R	PR	R	–
75.	Divestment of part of the business (i.e. sell a major component of the business as a going concern)	R	W	R	–
76.	Elimination of links with other businesses	R	W	R	–
77.	Shrink or withdraw from activities that involve both new products and new markets	R	W	R	–

(*continued*)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/ market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
78.	Service new and different geographical areas with existing products	G	MD	IG	–
79.	Increase the overall number of market segments served	G	MD	IG	–
80.	Decrease the overall number of market segments served	R	MC	R	–
81.	Divestment of all of the business (i.e. the "marketing for sale" of the whole business)	R	W	R	–
82.	Direction of promotional effort towards the competitors customers	G	MP	IG	–
83.	Attempt to locate where existing logistical costs, taxes and raw materials are comparatively inexpensive	–	–	–	CL
84.	Drastically prune major product types (i.e. product elimination)	R	PR	R	–
85.	Use of new technology to provide new products to consumers	G	PD	IG	D
86.	Increase the overall number of product lines offered	G	PD	IG	–
87.	Decrease the overall number of product lines offered	R	PR	R	–
88.	Introduction of minor modifications to existing products	–	PD	S	D
89.	Attempt to closely co-ordinate all business activities in order to achieve permanent cost advantages	–	–	–	CL

(continued)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
90.	Deliberately reduce the number of market segments served with existing products (i.e. market consolidation or counter segmentation)	R	MC	R	–
91.	Offer a limited mix and variety of products to a wide range of customers	–	–	–	CL
92.	Operate within a market niche or specialized segment, notably different from the overall market	–	–	–	F
93.	Attempt to create an image associated with a special and distinct customer group	–	–	–	F
94.	Improvement of profitability and Sales volume objectives by roughly the same percentage each year	–	–	S	–
95.	Engage in a low level of backward integration (i.e. there is no attempt to integrate suppliers of raw materials and/or semi-finished products within the existing business framework)	–	–	–	F
96.	Acquisition of one or more businesses that operate at the same stage of the production/marketing chain	G	MP	EAG	–
97.	Complete liquidation of the whole business	R	W	R	–
98.	Emphasis on the enhancement of product image and business reputation	–	–	–	D

Table AI. *(continued)*

Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
99. Produce and market "no-frills" products	–	–	–	CL
100. Deliberately limit sales volume goals	–	–	–	F
101. Concentration on a particular distribution channel type to reach buyers	–	–	–	F
102. Emphasis on obtaining superior access to low cost raw materials and components	–	–	–	CL

Note: G = growth; R = retrenchment; MP = market penetration; MD = market development; PD = product development; D = diversification; H = harvesting from existing products and markets; MC = market consolidation; PR = product rationalisation; W = withdrawal from diversification; S = stability; IG = internal growth; EAG = external acquisitive growth; R = retrenchment; CL = cost leadership; D = differentiation; F = focus

Table AI.

Mark Frederikson
Mark Frederikson is the Director of Marketing at Group Telecom, Canada. He is responsible for strategic, corporate and business planning within GT, and oversees the organisation's brand strategy, Internet strategy and product and market development. As a former Lecturer at the British Institute of Technology (Vancouver, Canada), and current Hi-technology Marketing Strategist, he has spoken at numerous conferences in Europe and North America about planning process in a high-technology environment.

John Hattie
John Hattie is Professor and Head of School of Education, University of Auckland, New Zealand. His educational background includes: Phd (Toronto); and MA, Dip Tchg, PGDip Arts, DipEd, BA (Otago), Most recently he has held positions as Professor, Chair of Educational Research Methodology and Associate Director, Center for Research and Evaluation, University of North Carolina at Greensboro; and Psychometric Adviser to the National Council for Accrediting Teacher Education, Washington, DC. His major areas of research interest involve measurement models and their applications to educational problems. Among his current research projects are meta-analyses of ADD, item-order effects, physical training on body image, and synthesis of meta-analyses on teaching and learning. Dr Hattie has an extensive publication record and has published in such journals as the *Review of Research in Education, Assessment in Higher Education, Review of Research in Education, Journal of Educational Psychology, The School Administrator, Applied Psychological Measurement, American Educational Research Journal, Journal of Educational Psychology*, and the *Psychological Bulletin.*

Craig Julian
Craig Julian, PhD is a Senior Lecturer in Marketing in the School of Commerce at the University of Adelaide. He has won competitive research grants, has over 30 publications to his name and his research interests include strategic alliances, international joint ventures and export marketing.

Elaine K.F. Leong
Elaine K.F. Leong is a Lecturer in the School of Marketing, Tourism and Leisure at Edith Cowan University, Perth, Western Australia. She has held executive marketing positions in Bristol-Myers, Johnson & Johnson and Bates Advertising. Her research interests include Web site effectiveness and e-marketing strategy. Her work has appeared in the *Journal of Advertising Research, Industrial Marketing Management* and other publications.

Steven Lysonski
Steven Lysonski is a Professor in Marketing at Marquette University in Wisconsin, USA. He has been on the faculty at the University of Rhode Island,

Copenhagen School of Business and Economics, and the University of Canterbury in New Zealand. He has published over 30 refereed articles in journals such as *Journal of Marketing, Journal of Consumer Research, Journal of Consumer Affairs, Journal of Product Management, Journal of Advertising, European Journal of Marketing,* and *International Journal of Research in Marketing.* His research interests are in the areas of cross-cultural marketing, product management, and content analysis.

Rod McNaughton
Rod McNaughton is Eyton Chair in Entrepreneurship at the University of Waterloo. His research speciality is international marketing strategy with a focus on the internationalisation of small knowledge-intensive firms.

Rajan Nataraajan
Rajan Nataraajan is the Chairman of the Department of Marketing in the College of Business at Auburn University. He is also the Executive Editor of the scholarly journal, *Psychology & Marketing*, published by John Wiley & Sons, a position he has held since 1994. He has published over 65 articles in scholarly outlets, serves on the editorial boards of five other journals, and has appreciable consulting experience. Prior to joining academia, Dr Nataraajan worked as an engineer for over six years in the industry.

Aron O'Cass
Aron O'Cass is the Chair of Marketing in the Newcastle Business School at the University of Newcastle. He has won competitive research grants, including a large ARC Grant, has over 60 publications to his name and his research interests include consumer behaviour, marketing management, branding and political marketing.

Anthony Pecotich
Anthony Pecotich is Associate Professor in Marketing at the University of Western Australia. He has received a MSc and PhD in Marketing from the University of Wisconsin – Madison. Dr Pecotich is currently involved in research projects on market developments and banking in Vietnam, judicial capacity building in Bangladesh and cross-cultural aspects of language and motivation in selected Asian nations. He currently serves or has served on the editorial review boards for the *Journal of Personal Selling and Sales Management* and the *Journal of Macromarketing*. He has published in such journals as *The Journal of Marketing, Decision Sciences, Organizational Behavior and Human Performance, Journal of High Technology Management Research, Journal of Personal Selling and Sales Management, Long Range Planning, Journal of the American Society for Information Science, Journal of Global Marketing, Journal of Applied Social Psychology, The International*

Journal of Research in Marketing, *Journal of Public Policy and Marketing*, *Journal of Retailing and Consumer Services*, *Marketing Letters*, *Journal of International Marketing* and the *Journal of Marketing Research*.

Leyland F. Pitt
Leyland F. Pitt is Professor of Marketing at Curtin University of Technology, Perth. His particular areas of interest in research and teaching involve marketing and the new electronic media, the staging of consumer experiences, and marketing strategy. Dr Pitt is the author of over 100 papers in scholarly journals, and his work has appeared in publications such as *California Management Review*, *Sloan Management Review*, *Journal of the Academy of Marketing Science*, the *Journal of Business Research*, the *Journal of Advertising Research*, *Communications of the ACM*, and *MIS Quarterly* (for which he also served as Associate Editor).

Sue Pulendran
Sue Pulendran is an Associate Director with Gartner's Market & Business Strategies practice, based in Sydney, Australia. Prior to joining Gartner, Dr Pulendran held the position of Senior Lecturer at the Melbourne Business School. She also led a team of market research consultants specialising in telecommunications for a leading Australian market research organisation. Dr Pulendran earned a Bachelor of Commerce (Honours) degree from the University of Western Australia, and a Doctorate in Marketing from the Melbourne Business School, University of Melbourne. She has received the Academy of Marketing Science's Delozier Award.

Felicity J. Purdie
Felicity J. Purdie is a Research Associate at the University of Western Australia and is Senior Project Officer, Family and Community Services in Townsville, North Queensland. She has graduated from the University of Western Australia with first class honours in Commerce and holds a Graduate Diploma in Women's Studies from Murdoch University in Perth, Western Australia, and commenced a PhD in Marketing at the University of Western Australia. Ms Purdie has worked in a variety of fields including industrial relations, equal opportunity and, most recently in disability and community development. She currently resides in Townsville, in North Queensland, where she works for the Australian Commonwealth Government Department of Family and Community Services as a Senior Project Officer and, where she leads an active sport and outdoors life. Her current research interests include: successful strategy and policy in community organisations; knowledge management; and notions of disability in indigenous communities. Ms Purdie is the current Australian Amateur Boxing League's Lightweight Women's champion.