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Marketing's Role in the Implementation of Business Strategies: A Critical Review and Conceptual Framework

The authors review and integrate various theoretical perspectives, normative statements, and pieces of empirical evidence about the organizational structures and processes best suited for implementing different types of business strategies. Particular emphasis is given to the relationship of different types of structure, processes, and policies involved in the performance of marketing activities to the overall performance of different business strategies. Several specific research propositions are developed.

Consultants used to counter criticism of their concepts with what might be termed "the implementation problem." The strategy was perfectly good, they would say, the client just couldn't implement it. . . . For some folks, including some consultants, a small, disturbing voice began to whisper, "Doesn't the fact that hardly anyone can carry it out say something about the value of the strategy?" (Kiechel 1982, p. 37-8)

DURING the decade of the 1970s many marketing managers and consultants fervently embraced the processes and tools of strategic planning. Though some evidence suggests many firms have benefited from formal strategic planning (Armstrong 1982), doubts have been expressed about the effectiveness of the strategies flowing from the strategic planning process (Kiechel 1981, 1982). Part of the dissatisfaction may stem from weaknesses in some of the popular planning tools and processes. However, recognition is growing both within the academic literature and in the business press that *implementation* of strategy is a key factor in determining business and marketing perfor-

mance (Bonoma 1984, 1985a).

We integrate into one conceptual framework various theoretical views, normative statements, and pieces of empirical evidence about contingent relationships between business-level strategies and organizational structures and processes, particularly those structures and processes involved in the conduct of marketing activities. The essential question addressed is: Given a specific type of strategy, what marketing structures, policies, procedures, and programs are likely to distinguish high performing business units from those that are relatively less effective, efficient, or adaptable? An improved understanding of the organizational contingencies that influence the effective implementation of different business strategies should be useful in addressing several important marketing management questions, including the identification of the most appropriate kinds of marketing programs, the most promising sources of marketing synergy, and the most effective mechanisms for coordinating marketing activities with other functional departments within businesses pursuing different types of strategy.

We first discuss alternative definitions and typologies of business strategy and propose a hybrid marketing-oriented typology of business-level strategy. Then we develop a conceptual framework relating specific organizational structures, policies, and pro-

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grams to the successful implementation of different business-level strategies. Finally, we discuss the rationale for several research propositions.

Typologies of Business-Level Strategy

One reason for the lack of a detailed framework linking internal structures and processes to the successful implementation of different business strategies is that there is no generally accepted typology of business-level strategy to provide the foundation for such a framework. Wrigley (1970) and Rumelt (1974) led the way more than a decade ago in developing useful, replicable operationalizations of corporate-level strategies, but similar progress has been made only recently at the business-unit level.

Whereas corporate strategy typically is concerned with the question of what business(es) a firm should be involved in and how its priorities and resources should be allocated across those businesses, business-level strategies focus on *how a business unit or division of a company chooses to compete in an industry*.¹ Many attempts have been made to define and categorize such strategies over the years, but most of the resulting taxonomies have been conceptual rather than empirically based and they differ greatly in generalizability (see Hambrick 1980 for a thorough review).

Empirical Typologies

Recently there have been several notable attempts to derive more generalizable typologies of business-level strategy through empirical observation. Two important typologies that have emerged from such efforts are those of Porter (1980, 1985) and Miles and Snow (1978).

Porter (1980) distinguishes three types of strategy based on how a business attempts to gain and maintain a competitive advantage: (1) "overall cost leadership," (2) "differentiation" based on building customer perceptions of superior product quality, design, brand name, or service, and (3) a "focus" strategy whereby the business concentrates on a narrowly defined market niche and uses either a cost leadership or differentiation approach. Porter's typology is drawn from individual case observations of a variety of businesses. He concentrates on discussing the appropriate fit between the three strategies and aspects of a busi-

¹Business strategy generally is discussed in the context of a large, multidivisional firm. However, the concept of business-level strategy also applies to smaller firms operating within a single industry.

ness environment—particularly the forces driving industry competition. However, he has relatively little to say about the kinds of organizational structures, processes, or programs necessary to implement each strategy effectively. Also, Porter's three categories are defined largely in terms of competitive actions actually undertaken by a business, rather than the kinds of actions management *intended* to be taken. This feature can be a major limitation if one wants to explain factors related to the successful implementation of strategies, because differences between "intended" strategies and "realized" strategies are sometimes due to ineffective implementation of the intended strategy.

Miles and Snow's (1978) strategic typology overcomes at least some of the preceding criticisms. The primary variable underlying their schema is a business' intended rate of product-market change (e.g., new product development, share growth, etc.). They classify business units into four strategic types: (1) prospectors, (2) analyzers, (3) defenders, and (4) reactors.² Their typology provides a useful framework for studying the successful implementation of different strategies because it classifies businesses according to management's strategic *intentions* and it suggests several propositions about how various aspects of structure, processes, and management style should fit together under each type of strategy. Miles and Snow emphasize a strategic dimension—the desired rate of product-market development—that is particularly meaningful in determining the appropriate role of marketing within different business strategies.

However, Miles and Snow's focus on businesses' intended growth rates causes some of their categories to be rather broadly defined and heterogeneous in terms of other aspects of strategy. For example, their defender category combines businesses that attempt to maintain their positions in mature markets by offering low cost with those that compete by providing high product quality or superior service. Successful implementation of such different competitive strategies seems likely to require very different processes, programs, and personnel.

²As defined by Miles and Snow, *prospector* business units take an aggressive new product-market position within broadly defined markets and tend to be industry pioneers in the creation and development of new technologies. *Defender* business units take a conservative view of new product development and attempt to maintain a secure market position in a narrower segment of the market. Defenders often compete on price or quality and rarely introduce new technologies to the market. *Analyzer* business units represent an intermediate form of strategy, sharing elements of both the prospector and defender strategies. *Analyzer* business units maintain a secure market position within a core market, much like the defender, but also seek new market positions through product development as do prospectors. The fourth business unit strategy, a *reactor* strategy, is characterized by the absence of any well-developed plan for competing within an industry.

A Hybrid Typology of Business Strategy

Both the Porter and Miles-Snow typologies have received popular acceptance and at least some empirical support, but both have shortcomings. To establish a more comprehensive foundation for our discussion of the implementation of different strategies, we combine the two frameworks to form a hybrid typology.

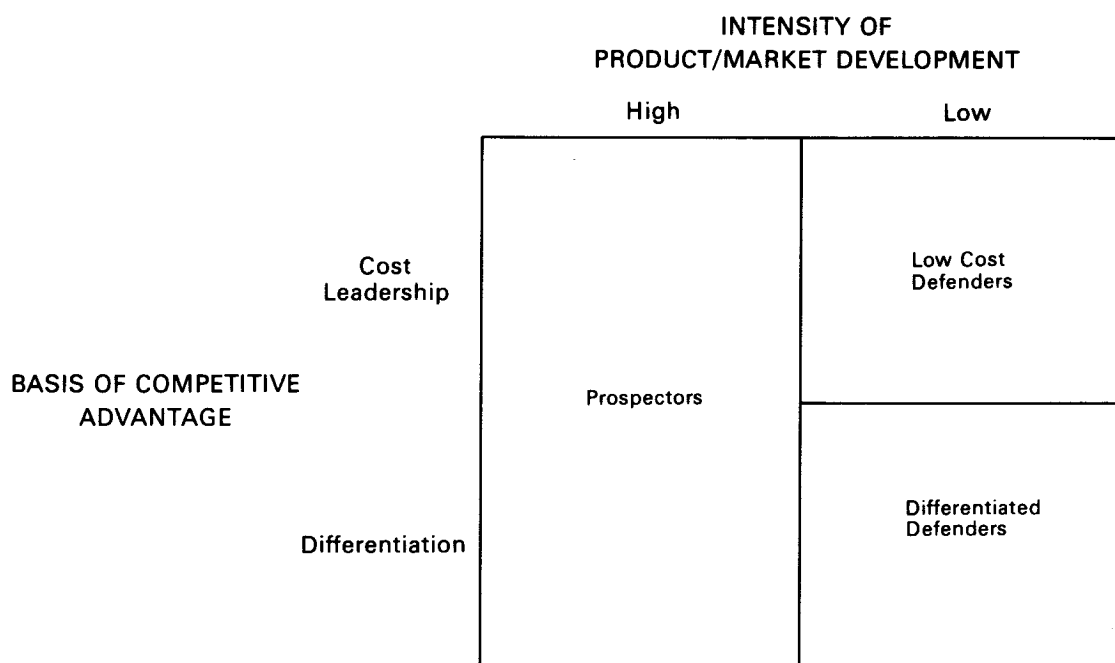
As shown in Figure 1, the hybrid typology defines business strategies in terms of two major dimensions: (1) the unit's desired rate of new product-market development (consistent with the prospector, analyzer, and defender categories of Miles and Snow) and (2) the unit's intended method of competing in its core business or established product markets (either through maintaining a low cost position or by differentiating itself by offering higher quality or better service, as suggested by Porter). This framework divides business unit strategy in terms of the polar opposites suggested by both Porter and Miles and Snow. As a consequence, some of the intermediate and outlier strategic types included in the other typologies are ignored in both our framework and our subsequent discussion. We believe that this focus on polar types is justified because of space limitations and the fact that inclusion of additional strategic categories would add little to our understanding of the organizational contingencies related to the successful implementation of different strategies. For example, the reactor strategy in Miles

and Snow's typology is not represented here because reactors tend not to have well-defined or consistent approaches to *either* new product-market development *or* ways of competing in established markets. Similarly, though implementation of analyzer strategies presents some unique problems, they are essentially an intermediate type between the prospector strategy at one extreme and the defender strategies at the other.

Each of our three strategic categories could be subdivided according to whether a business applies the strategy across a broadly defined market domain or set of market segments or chooses to focus on a narrowly defined segment to avoid direct confrontation with major competitors (i.e., the focus strategy of Porter). This distinction is useful in determining whether a business' strategy fits its capabilities and its external competitive environment, but it is somewhat less germane to the questions we explore. The kinds of organizational structure, processes, and programs most appropriate for successfully implementing each of the strategies described in Figure 1 are not likely to vary much whether the strategy is applied within a broad or narrow market domain.

Finally, prospectors are grouped into a single category in our framework because the desire for rapid new product or market development is the overriding aspect of their strategy. A prospector has relatively little need to consider how it will compete in the new product markets it develops because it often faces lit-

FIGURE 1
A Hybrid Typology of Business Unit Strategy



tle or no competition until those markets become established. Consequently, our hybrid typology represents three types of business strategy: (1) prospectors, (2) differentiated defenders, and (3) low cost defenders.

Strategic Fit and the External Environment

Though the purpose of our article is to examine the fit between generic competitive strategies and the internal structures, programs, and procedures used to implement those strategies effectively, a second and related issue is the fit between business-level strategy and the external environment in which it is used. Among the many kinds of empirical studies pertaining to the proper match between a business and its environment are (1) studies of strategic groups that stress the need to formulate differential strategies according to the conditions imposed by the strategic group to which a business belongs as well as the conditions of its industry (Hatten and Schendel 1976; Schendel and Patton 1978), (2) research on the fit between different strategies and broad macroenvironmental variables such as product life cycle stage of the business (Anderson and Zeithaml 1984) or environmental uncertainty (for an extensive review, see Jauch and Kraft 1986), and (3) studies based on business or product portfolio models suggesting that strategies should be aligned with the market growth rates and the relative market share of the business (Hambrick 1983; Hambrick, MacMillan, and Day 1982). Underlying most of this research is the rather deterministic assumption that the organization must react to external conditions by aligning both its strategy and its structure.

Recently some strategic management theorists have begun to challenge this assumption and have taken a more proactive approach to achieving an environment-strategy fit (Bourgeois 1984). Instead of viewing the external environment as uncontrollable, they argue that a business can "enact" environments to fit a desired strategy (Weick 1979), either through choosing the markets in which to compete and those to avoid or by taking actions to alter the structure of the environment, such as erecting new barriers to entry in the industry (Yip 1982).

Other theorists argue that the generic strategy adopted by a business unit is impossible to adjust radically in the short run. Quinn (1981), for example, argues that strategy development occurs in small, incremental steps where actions are observed to precede goals, solutions are invented before problems are identified, and formal strategies and plans are devised after the real "strategies and plans" have been accomplished. Miller and Freisen (1984), in contrast, suggest that the organization can adapt effectively to changes in the external environment only through radical, "quantum" shifts.

Thus, in the current literature, the fit between external environments and internal strategies and structures is argued to be a reactive, deterministic relationship on one extreme and a proactive, enactment position on the other. Interestingly, however, both Porter and Miles and Snow suggest that the selection and implementation of generic business unit strategies are not necessarily contingent on the external environment. That is, across different environmental contexts, one can find business units effectively pursuing each of the strategies described by those authors.

Though the question of external environmental fit with business-level strategy is important, very little empirical evidence is available on which environmental variables are key and how business unit strategies and structures must coalign for successful implementation. As Galbraith and Nathanson (1978, p. 266) lament, "although the concept of fit is a useful one, it lacks the precise definition needed to test and recognize whether an organization has it or not." Thus, though we recognize that the fit between strategy and environmental variables may be significant in determining the ultimate success of that strategy, we limit our discussion to the internal fit between a strategy and the structure, policies, and procedures that are best suited for implementing that strategy. Our rationale is that *regardless* of how well a strategy fits the external environment, it will be implemented more effectively when there is an appropriate fit between the strategy and the internal characteristics of the business (Bonoma 1984).

A Conceptual Framework for Examining the Implementation of Business Strategies

Authors have attempted to relate—either theoretically or empirically—a great variety of organizational variables to the successful implementation of one or more strategies. One source of confusion in the literature, however, is that the contingent variables have been drawn from a jumble of different organizational levels: some reflect the structure of the overall corporation, others represent the structure, processes, or programs within separate functional or work units (such as marketing or R&D), and still others involve the characteristics of individual employees and their roles within the business. Ignored in this mixture of variables is the fact that units at different levels of a corporation constitute distinct organizational subsystems, each with different—though interdependent—subgoals, unique tasks and functions to be performed, different structures and processes for organizing their activities, and different evaluation and reward systems (Van de Ven and Morgan 1980). Consequently, we consider the impact on strategy implementation of three

separate sets of organizational contingency variables representing three different levels of analysis.³

1. *Corporate–business unit relationships.* These variables are related to the business unit's role within the overall organization and to the resources and flexibility it has in pursuing its individual strategy. These variables include, for example, the corporate structure, the allocation of resources across business units, the amount of decentralization and the autonomy of the business unit's managers, the amounts and types of synergy across businesses, and the criteria and systems the corporation uses to evaluate, control, and reward the business unit's performance.
2. *Interfunctional structure and processes.* These variables are related to the division and coordination of activities among functional departments and work groups within the business unit. These variables include the allocation of financial and personnel resources across departments, competencies in relation to competitors, relative influence on decisions made within the business unit, coordination structures and conflict resolution mechanisms, and the systems used to control and reward the performance of the various departments.
3. *Marketing policies and processes.* Though there should be consistency between all functional departments' policies and programs and the business unit's strategic objectives, we primarily examine marketing's role in strategy implementation. Therefore this category consists of variables related to the structure, budgets, and competitive strengths and weaknesses of marketing activities within the business unit.

Performance Dimensions

In the following sections we review conceptual arguments and some limited empirical evidence about the influence of the three categories of organizational variables on the likely performance of businesses pursuing either prospector, differentiated defender, or low cost defender strategy. The question is: What criteria

³A fourth set of variables at the individual level of analysis also might be considered. *Personal characteristics* related to the background, experience, training, values, and perceptions of a business unit's personnel have been hypothesized to mediate the unit's ability to implement different strategies successfully (Hambrick and Mason 1984; Szilagyi and Schweiger 1984). Such relationships suggest some interesting implications for the appropriate training and career development of marketing personnel across businesses pursuing different strategies, but space limitations preclude our explicit examination of them.

should be used to define "good" performance under each of the three strategies?

A business unit's performance can be measured and judged on a variety of dimensions, the relevance and importance of which vary (1) across "stakeholder" groups (e.g., investors vs. employees vs. customers) and (2) with whether one takes a long-term or short-term view of the business' outcomes. We limit our discussion to three performance dimensions of primary importance to top corporate and business unit managers.

1. *Effectiveness* is the success of a business' products and programs in relation to those of its competitors in the market. Effectiveness commonly is measured by such items as sales growth in comparison with that of competitors or *changes in market share*.
2. *Efficiency* is the outcome of a business' programs in relation to the resources employed in implementing them. Common measures of efficiency are profitability as a percentage of sales and *return on investment (ROI)*.
3. *Adaptability* is the business' success in responding over time to changing conditions and opportunities in the environment. Adaptability can be measured in a variety of ways, but the most common measures are the number of successful new product introductions in relation to those of competitors or *the percentage of sales accounted for by products introduced within some recent time period (often operationally defined as the past five years)*.

The problem with attempting to compare performance across business units on even this limited number of dimensions is that they involve substantial tradeoffs; good performance on one dimension often means sacrificing performance on another (Donaldson 1984). No single strategy can be expected to perform well on all three dimensions no matter how well it is implemented. Consequently, the three types of strategy we consider are expected on average to perform differently on the three performance dimensions, as shown in Table 1. Prospector businesses should outperform both types of defenders in new product development and attaining market share growth, whereas both defender strategies should lead to better returns on investment.⁴ Differentiated defenders are likely to produce higher returns than low cost defenders if the greater expenses involved in maintaining their differentiated positions can be more than offset by the higher

⁴These expectations are consistent with the very limited theoretical (Donaldson 1984) and empirical (Hambrick 1983) evidence currently available.

TABLE 1
Relative Performance of Prospectors
Versus Defenders

Type of Strategy	Performance Dimensions		
	Adaptability (new product success)	Effectiveness (increase in market share)	Efficiency (ROI)
Prospectors	++	+	-
Low cost defenders	--	-	+
Differentiated defenders	-	-	++

margins gained by avoiding the kind of intense price competition low cost competitors often face.

Because different strategies are expected to perform well on different dimensions, the effectiveness with which a particular strategy is implemented should strongly affect performance on dimensions on which the strategy is expected to do well, but may have little effect on other aspects of performance. A well-implemented prospector strategy, for example, should substantially outperform a poorly implemented one in generating successful new products and increases in market share, but there may be little difference between the two strategies' returns on investment. Consequently, in the following discussion of the impacts of organizational variables on the implementation of different types of strategy, we examine the likely effects of each variable on those performance dimensions most relevant under each type of strategy—new product success and market share growth under prospector strategies and return on investment under the two types of defender strategies.

A Caveat

Before suggesting how the implementation of marketing activities might be related systematically to business-level strategies, we must recognize a basic limitation inherent in any conceptual model of organizational performance. Historically, in much of the strategic management literature, a strategy-structure-performance model has been used to explain organizational functioning. One could argue that this tradition dates back to classical economic approaches to the study of industrial organization.

Though such a theoretical model may be useful for organizing and integrating the diverse sets of factors operating on organizations, empirical tests often fail to uncover such linear and predictable relationships. Our concern is how the implementation of a given strategy is related to the performance of the business unit. We do not assume strict causal direction in our propositions; that is, we do not subscribe to the strict strategy-structure-performance model. It is entirely

possible that internal structures, policies, procedures, and personnel may constrain the type of strategy an organization can pursue. Further, performance outcomes in one time period may influence the manner in which strategies are implemented in future periods, thereby reversing the logical order of the traditional approach.

Our position is that the traditional strategy-structure-performance paradigm is an overly simplistic and at times misleading view of organizational functioning. We believe this position is shared by both Porter and Miles and Snow, on whose work the hybrid typology is based. Those authors argue that business unit strategy forms a gestalt of purpose, practice, and performance, which are inextricably linked. Thus, though the direction of causation may not be linear, they agree that there are common, observable relationships among strategy, internal structure, and process and performance. It is this set of relationships we attempt to describe in the following sections.

Corporate-Business Unit Relationships and the Implementation of Business Strategies

When a business is but one unit of a larger organization, its managers' ability to implement different strategies successfully is influenced by the administrative relationships between the unit and headquarters. The theoretical and empirical work on these administrative ties suggests that three aspects of the corporate-business unit relationship are especially likely to affect a unit's success in implementing a particular strategy: (1) the degree to which the unit's managers have the *autonomy* to make decisions independently of other parts of the company, especially the corporate head office, (2) the degree to which the unit *shares functional programs and facilities* with other units in a search for corporate synergies, and (3) the manner in which corporate officers *evaluate and reward* the performance of the business unit's managers.

Business Unit Autonomy

Decision-making autonomy enables the business unit to be flexible and adaptable. It frees managers from the restrictions of standard rules and procedures imposed from above, allows decisions to be made with few consultations and participants, and disperses power. Hence, the business unit can produce quick and innovative responses to unique opportunities or threats in its environment (cf. Lawrence and Lorsch 1967; Mintzberg 1979; Thompson 1969). Such autonomous responses are likely to fit the characteristics of the business unit's environment because the unit's managers are closer than corporate managers to their cus-

tomers and competitors. As the successful implementation of a prospector strategy requires timely and innovative responses to changing environmental conditions, we expect the relationship between business unit autonomy and the performance of prospector business units to be positive.

P_{1a}: Prospector business units should perform better on the critical dimensions of new product success and increased sales volume and market share when decision making within the corporation is decentralized and the unit's managers hold substantial autonomy.

In contrast, the search for operating efficiencies necessitates close attention to operational details, including the relentless pursuit of cost economies and productivity improvements through standardization of components and processes, routinization of procedures, and the integration of functional activities across units. Such efficiencies are more likely to be attained when decision making and control are relatively centralized at the highest managerial levels. Thus, for low cost defender business units where operating efficiency is a major key to success, we expect the following relationship.

P_{1b}: Low cost defender business units should perform better on the critical dimension of ROI when unit managers have relatively little decision-making autonomy.

The relationship between autonomy and the ROI performance of differentiated defenders is more difficult to predict. Because such businesses are defending current positions in established—and perhaps stable and mature—markets and their primary objective is ROI rather than volume growth, one could argue that the increased efficiency and tighter control associated with relatively low autonomy should lead to better performance. However, such units can maintain their profitability only if they continue to differentiate themselves from competitors by offering superior products, service, or other advantages. As customers' tastes change and new competitive threats emerge, the greater flexibility and market focus that accrue with increased autonomy may enable these businesses to maintain their differentiated positions—and higher levels of ROI—more successfully over time. These arguments suggest the following relationship between autonomy and performance for units attempting to defend a differentiated market position.

P_{1c}: Differentiated defender business units should perform better on the critical dimensions of market share maintenance and ROI when unit managers have mod-

erate levels of decision-making autonomy.

Evidence. A recent review of studies of the relationship between decentralization and innovativeness suggests that the evidence is mixed (Miller and Friesen 1984, p. 158). Some studies show that decentralized organizations are more innovative, but a nearly equal number of studies indicate that centralized organizations are more innovative, perhaps because a powerful, autocratic leader can overcome resistance to change and make bold innovations (Thompson 1969).

A possible explanation for the inconsistent findings is simply that the studies examined decentralization across all levels of the organization rather than the degree of autonomy of individual business units. Also, their measures of "innovation" include major reorientations of strategy and organizational structure as well as the more specific kinds of new product and market development that are of greatest interest in assessing the performance of prospector business units. Consequently, those studies do not provide a "fair" test of the specific propositions.

In a recent study, however, Hamermesh and White (1984) directly examined differences in decision-making autonomy across 69 different business units and related them to variations in the units' rates of sales growth and ROI. For the total sample, businesses with relatively high autonomy had significantly greater rates of sales growth than less autonomous units. In addition, when competing in dynamic environments, autonomous units had average sales growth rates more than double those of more tightly controlled businesses. These findings seem consistent with the proposition that autonomy is related positively to the sales and market share performance of prospector business units.

Hamermesh and White also found that businesses with low autonomy had significantly higher average ROI percentages than more autonomous units. Moreover, among businesses pursuing low cost strategies, those with low autonomy had ROI percentages more than twice as high as those of units with greater autonomy. These findings appear to support the proposition that greater autonomy is related negatively to the ROI performance of low cost defenders.

Finally, Hamermesh and White found that business units pursuing differentiation strategies had slightly higher ROIs when they had higher levels of autonomy. However, as these authors' "differentiation" classification may have included some businesses pursuing what we would call a prospector strategy, and as the differences in ROI across units with high and low autonomy were not great, the relationship between autonomy and the performance of differentiated defenders is still open to question.

Shared Programs and Synergy Across SBUs

Companies face a tradeoff when designing strategic business units (SBUs). An SBU should be large enough to afford and maintain critical resources and to operate on an efficient scale, but not so large that its market scope is too broad or that "it is inflexible and does not respond quickly to customer needs, to the tactics of competition, and to its unique market opportunities" (Corey and Star 1971, p. 9). Some firms attempt to avoid this tradeoff between adaptability and efficiency by designing relatively small, narrowly focused business units, but having two or more units share functional programs or facilities such as common manufacturing plants, R&D programs, or a single salesforce. These firms anticipate that the managers of such narrowly defined units can stay in close contact with their customers and competitive environments while the shared programs increase economies of scale and synergy across units.

Unfortunately, though shared programs and facilities can lead to increased operating efficiency, they also can have a negative impact on the innovativeness of the business units involved (Woo 1984, p. 53). Shared programs and facilities can increase the centralization of decision making and decrease the specialization within each participating business unit. As pointed out in the preceding section, such factors are likely to have an adverse effect on a business' innovativeness and adaptability. Consequently, we hypothesize a negative relationship between the sharing of functional programs and resources and the performance of businesses pursuing prospector strategies.

P_{2a}: The success⁵ of prospector business units is related negatively to the sharing of programs and resources (e.g., product and process R&D programs, manufacturing facilities, a salesforce, distribution channels, advertising and promotion programs) with other business units.

In contrast, the increased economies of scale gained through the sharing of programs and facilities should have a positive effect on the profitability and ROI performance of units pursuing low cost defender strategies. The inflexibility inherent in shared programs should not be a major problem to such defenders.

⁵Again, because different strategies are expected to perform well on different dimensions, "success" for prospector businesses refers to their performance on new product development and market share growth, whereas successful performance of businesses pursuing either of the two defender strategies is shown by relatively high ROI. However, this and all subsequent propositions refer simply to "successful performance" without reiterating the critical dimensions on which that performance is expected to occur under each type of strategy.

P_{2b}: The performance of low cost defender business units is related positively to the sharing of programs and resources with other business units.

Sharing functions and resources with other business units can either improve or hinder the performance of differentiated defender business units, depending on which functions and resources are shared. In areas central to the unit's differential advantage, such as marketing, programs and functions should remain separate to preserve flexibility and maintain quality. In noncentral functions, some sharing may be useful for improving efficiency.

P_{2c}: The performance of differentiated defender business units is related negatively to the sharing of programs and functions related to the units' source of differential advantage, but positively to the sharing of other functional programs and resources.

Evidence. Few empirical studies have examined the multiple sources and impacts of synergy at the business unit level. Hamermesh and White (1984) found that, among units pursuing low cost strategies, those businesses that shared line responsibility with other units for at least some key functions (e.g., sales, marketing, manufacturing, R&D) attained ROI percentages twice as large as those achieved by businesses that were entirely self-contained. The relationship between shared functions and ROI was exactly the opposite among business units pursuing differentiated strategies. Also, when results were examined across the entire sample, self-contained businesses achieved significantly higher rates of real sales growth than units that shared one or more key functions. These findings seem consistent with our propositions.

To confuse matters, however, Hamermesh and White also found that businesses operating in "dynamic" market environments had equal sales growth but higher ROI when they shared functions than when they were self-contained. Alternatively, in "stable" market environments, sales growth and ROI percentages were higher for self-contained units than for those sharing functions. If one assumes that more businesses in dynamic environments are likely to pursue prospector or differentiated strategies, whereas those in stable environments are more likely to be low cost defenders, these results appear inconsistent with the propositions.

A possible reason for the somewhat ambiguous findings of Hamermesh and White is the "all or nothing" nature of the measure of shared programs. Comparisons were made only between units that were totally self-contained and those having some degree of sharing. The negative impact of shared programs

on the adaptability, innovativeness, and sales growth of a business may vary with the number and type of shared programs and with the relative degree of sharing. Some support for this view is provided by Woo's (1984) study of 112 business units that were the market share leaders in their industries. Though many of the units in her sample shared marketing and sales programs, she found a relationship between the *degree* of sharing and average ROI. She divided the sample in half according to four-year average ROI and found a higher proportion of shared marketing programs and distribution channels among low return business units than among those with higher returns. Other information in the article suggests that many of the business units in Woo's sample were pursuing differentiated defender strategies, in which case the findings are consistent with at least one of our propositions. However, Woo did not explicitly examine the impact of shared marketing programs on performance across businesses pursuing different types of strategies. Consequently, as neither study provides a complete or unambiguous examination of the conceptual propositions, further empirical work on the sources and effects of synergy across business units—particularly in terms of the impact of shared marketing programs on innovativeness and profitability—appears both necessary and important.

Control and Reward Systems

Regardless of how much or how little autonomy an SBU's managers are given, the complexity of coordinating diverse businesses and the long lines of communication from boardroom to operating managers often force corporate executives to rely on periodic comparisons of SBU performance with planned objectives as a primary method of control. The unit's managers, in turn, commonly are motivated to achieve those planned objectives through bonuses or other financial incentives. It seems reasonable to suppose, then, that a business unit will perform better when the criteria used by corporate managers to evaluate and reward the unit's managers are consistent with the business unit strategy.

Profitability criteria for evaluating and rewarding business unit performance—such as meeting specified ROI objectives—encourage managers to use assets wisely, be cautious in their investment in plant and equipment, and control costs tightly. Because such actions are most consistent with the thrust of the two defender strategies, a reward system that strongly emphasizes business unit profitability or ROI is likely to have a positive relationship with the performance of businesses pursuing such strategies.

P_{3a}: The greater the proportion of rewards received by a business unit's managers that

is determined by short-term profitability or ROI criteria, the greater the performance of low cost defender and differentiated defender business units.

Profitability-based reward systems discourage risk taking and entrepreneurial efforts by business unit managers because the payoffs associated with such actions are uncertain and may occur only in the longer term. In contrast, incentives based on volume criteria such as a unit's sales or market share growth encourage managers to be more innovative and to take the risks necessary to spur growth. Therefore, volume-based reward systems are more consistent with a prospector business unit's strategy (Norburn and Miller 1981; Rappaport 1978).

P_{3b}: The greater the proportion of rewards received by a business unit's managers that is based on sales or market share growth criteria, the greater the performance of prospector business units.

Evidence. Several studies have investigated the relationship between profit-based management incentive systems and the decision-making behaviors of managers. These studies have consistently found positive relationships between the magnitude of such incentives and the level of risk aversion and short-term orientation apparent in managerial decisions. However, as most of the studies did not include broader measures of the performance of the business units being managed (Bower 1970; Lawler 1976), none of them provides an adequate test of the propositions.

We conclude that the propositions about the impact of different kinds of reward systems on the performance of businesses pursuing different kinds of strategies are a fertile field for further research, both because they suggest important managerial implications and because they have yet to be tested rigorously.

Interfunctional Relationships and the Implementation of Business Strategies

Implementing any business strategy requires the performance and coordination of a variety of tasks and activities across many functional departments and work units within the SBU. However, conceptual arguments for various taxonomies of business strategy (cf. Miles and Snow 1978; Porter 1980) suggest that different functional activities have crucial roles in the successful implementation of different kinds of strategies. We therefore hypothesize that (1) the SBU's relative level of *competence* on specific functional dimensions, (2) the *amount of resources* it allocates to

those functional areas in relation to its major competitors, (3) the amount of *participation and influence* each functional area has in making decisions about the SBU's products and policies, and (4) the specific mechanisms for *coordinating activities across functional departments and resolving conflicts between departments* have differential effects on the critical performance outcomes attained by business units pursuing different strategies.

Functional Competencies

The term "distinctive competence" refers to what a business does particularly well in comparison with its competitors operating within a similar environment (Selznick 1957). The number of specific activities in which a business may have distinctive competence is vast, but we aggregate those activities into broad categories that roughly correspond to the tasks of different functional departments or work groups commonly found across business units.

Though some minimum level of competence on a full range of functional activities is necessary for the long-run survival of the business unit regardless of its strategy, the three business strategies have somewhat different requirements for competing successfully. Because prospector business units attempt to generate new business opportunities and to grow rapidly, those functions closest to the customer are of crucial importance. Competence in marketing, sales, and product R&D and engineering is the impetus for growth and therefore should be related positively to the success of such a strategy.

P_{4a}: The greater the competence in marketing, personal selling, and product R&D and engineering, relative to competitors, the greater the performance of prospector business units.

Low cost defenders primarily pursue profitability objectives through efficient operations and by competing on price. Such units must carefully monitor and control costs associated with producing and distributing their products. Consequently, we expect that competence in the areas of process engineering, production, distribution, and financial management and control are critical to the ROI performance of low cost defenders.

P_{4b}: The greater the competence in process engineering, production, distribution, and financial management and control, the greater the performance of low cost defenders.

Differentiated defenders require perhaps the broadest range of functional competencies. Such units must pay close attention to customer demands to

maintain market share, but also must monitor costs carefully to protect profit margins. Therefore, we expect that high competence in the areas of sales and financial management and control, as well as on the specific functions central to the unit's differential advantage, is critical to the success of differentiated defenders.

P_{4c}: The greater the competence in sales, financial management and control, and those functions on which the unit maintains a differential advantage over competitors, the greater the performance of differentiated defenders.

Evidence. Snow and Hrebiniak (1980) examined the perceptions of 247 top-level managers of 88 businesses in four different industries about (1) the strategy being pursued by their unit and (2) the relative competence of the various functional areas within their organization. Managers of defender businesses in all four industries perceived their units to be particularly competent in the areas of general management, production, financial management, and applied engineering/process R&D. In contrast, managers of prospector businesses perceived their units to be highly competent in the area of general management in all four industries; marketing, sales, financial management, and basic engineering in three of the industries; product R&D in two of the industries; and market research in none. These findings have some interesting anomalies, but are largely consistent with the propositions. However, they do not represent an adequate test of the propositions for two reasons: (1) low cost and differentiated defenders were combined in a single category and (2) the study did not explore the relationship between perceived variations in functional competence and actual differences in performance across businesses pursuing similar strategies. Thus, the question of what kinds of functional competence are important for enabling a business to *implement a particular strategy most successfully* remains open for future research.

Allocation of Resources

To implement a particular type of strategy successfully a business not only must have the necessary functional competencies, but also must support the critical functions with needed resources and ensure that those resources are utilized effectively. Therefore, we expect that the allocation of resources within the business unit corresponds to the functional competencies the unit needs to develop. Prospector business units should support marketing, personal selling, and product R&D at higher levels than do competitors. Low cost defenders should invest a greater proportion of resources in process engineering, production, distri-

bution, and financial management and control. Differentiated defender business units require higher levels of resources in personal selling, financial management and control, and functions that create differential advantage for the business unit.

- P_{5a}: The greater the allocation of resources to marketing, personal selling, and product R&D and engineering, relative to competitors, the greater the performance of prospector business units.
- P_{5b}: The greater the allocation of resources to process engineering, production, distribution, and financial management and control, relative to competitors, the greater the performance of low cost defender business units.
- P_{5c}: The greater the allocation of resources to sales, financial management and control, and functions that differentiate the unit from competitors, the greater the performance of differentiated defender business units.

Evidence. In a comparison of 201 prospector with 649 defender business units with data drawn from the PIMS data base, Hambrick (1983) found that both product R&D and marketing/selling expenses as a percentage of sales were higher for prospector businesses than for defender businesses. Defenders had significantly higher gross fixed assets and value added per employee than did prospectors. Defenders also had somewhat higher levels of capacity utilization and process R&D expenditures than prospectors, though these differences were not statistically significant.

In general, Hambrick's findings are consistent with the propositions. Again, though, the evidence does not provide an adequate test of our propositions because Hambrick grouped both types of defender businesses into a single category and did not examine the relationship of the various resource allocation variables to differences in performance outcomes across businesses pursuing the same type of strategy.

Decision-Making Participation and Influence

Given that it is important for an SBU to have competence in, and to devote adequate resources to, those functional departments most critical to the success of its chosen strategy, it seems reasonable to conclude that a business will be most successful when managers of those "critical" functional departments are relatively active and influential in making strategic and administrative decisions within the business unit. Hence prospector business units should perform better on share growth and new product success dimensions when executives in marketing, sales, and R&D have a rela-

tively large influence in making strategic decisions about the unit's products, capital investments, and other policies.

We expect low cost defender business units to perform best in terms of ROI when production or finance executives have a dominant role in decision making because their careful attention to operating efficiencies and expense controls is essential for satisfactory financial performance under such a strategy.

Finally, we expect relatively greater influence by sales executives to be related positively to the ROI performance of differentiated defenders over the long term because of the critical role of that "boundary-spanning" department in maintaining a differentiated position in the market. Similarly, the influence of financial managers may be related positively to the performance of such businesses because intelligent control of expenses and investments should have a direct effect on ROI, at least in the short run. The likely relationship between the decision-making influence of marketing, R&D, and production executives and the performance of such business units, however, depends on the source of the unit's differential advantage.

- P_{6a}: The greater the participation and influence of marketing, sales, and product R&D and engineering managers in the strategic and administrative decisions within the business unit, the greater the performance of prospector units.
- P_{6b}: The greater the participation and influence of production, process engineering, distribution, and financial management and control managers in the strategic and administrative decisions within the business unit, the greater the performance of low cost defender units.
- P_{6c}: The greater the participation and influence of sales and financial management and control managers, and those functions on which the unit differentiates itself from competitors, in the strategic and administrative decisions within the business unit, the greater the performance of differentiated defender units.

Evidence. The preceding propositions have received little empirical attention. Miles and Snow (1978), however, concluded from an examination of case studies of firms in the publishing industry that defenders tended to emphasize efficient production and strong financial controls and that finance and production executives tended to have important roles in the "dominant coalition" of decision makers within such businesses. In contrast, they found that prospectors

tended to emphasize the exploitation of new market opportunities and technological flexibility and that marketing and R&D executives were prominent members of the dominant coalition of top managers in such businesses. Miles and Snow's findings are largely consistent with our propositions, but they are based on a qualitative assessment of a small number of cases drawn from a single industry and therefore should be treated with some caution. In addition, the impact of the relative decision-making influence of managers in different functional areas on variations in performance across business units pursuing similar strategies has yet to be examined.

Interfunctional Conflict and Coordination

Several authors attribute variations in the conflict between functional departments to the strains produced by different resource and workflow interdependencies between departments, differences in their short-term objectives, and their desires for autonomy (Dutton and Walton 1966; McCann and Galbraith 1981; Van de Ven and Ferry 1980). However, the strategy being pursued by a business unit also may mediate the degree of interfunctional conflict within that unit. Because of their broad product-market domains and their emphasis on new product and market development, prospector businesses often have a high degree of complexity and uncertainty in their operations. Consequently, functional managers face unfamiliar decision situations without standing rules or operating procedures. Such complex and unfamiliar situations can result in substantial interfunctional conflict, particularly among departments that have interdependent roles in helping the business adapt to new market and technological opportunities, such as marketing, sales, R&D, and production. We therefore expect prospector businesses to have higher levels of interfunctional conflict than defender businesses.

P_{7a}: Prospector business units will have higher levels of interfunctional conflict than defender business units.

Low cost defenders commonly operate in more narrowly defined domains and in more mature, stable markets. They also tend to have clearly defined objectives and well-established operating procedures for holding down costs through routinization. Consequently, though the functional managers may chafe under the restrictions imposed by top management, low cost defender businesses are likely to have less interfunctional conflict across departments than businesses pursuing other types of strategy.

P_{7b}: Low cost defender business units should have the lowest level of interfunctional conflict of the three business unit types considered.

Resolution mechanisms. Regardless of the type of strategy being pursued, every business has some degree of conflict across functional departments. Many researchers have examined the mechanisms firms use to resolve those conflicts (e.g., Blake and Mouton 1964; Lawrence and Lorsch 1967; McCann and Galbraith 1981). There are many variations, but the mechanisms fit into two basic categories: (1) hierarchical approaches whereby top management imposes a solution, either by requiring adherence to formal rules and operating procedures or by serving as judge on a case-by-case basis and (2) participative approaches in which the parties themselves are expected to work out a mutually acceptable solution.

Hierarchical resolution mechanisms tend to be efficient because they reduce the amount of time and human resources necessary to reach a decision and they help ensure consistency in the relations across functional departments over time. Such routinization and efficiency should be particularly beneficial to low cost defenders operating in relatively mature and stable markets.

P_{8a}: The greater the use of hierarchical conflict resolution mechanisms, the greater the performance of low cost defender business units.

Participative resolution mechanisms, as McCann and Galbraith (1981) point out, often lead to a fuller understanding of, and more innovative solutions to, problems that cut across and cause conflict among functional departments. They argue that participative approaches are particularly appropriate for highly uncertain situations in which innovative, adaptive actions are necessary. Prospector businesses commonly face such situations.

P_{8b}: The greater the use of participative conflict resolution mechanisms, the greater the performance of prospector business units.

Differentiated defenders need a combination of conflict resolution mechanisms both to maintain efficiency and be responsive to market conditions.

P_{8c}: The performance of differentiated defenders is greatest when moderate use is made of participative conflict resolution mechanisms, particularly when such mechanisms are used for resolving conflicts relevant to the basis of the business' differential advantage (e.g., customer service policies, product quality).

Evidence. Miles and Snow (1978), in their qualitative study of businesses within the publishing industry, found that prospector businesses were much

more likely to use administrative structures conducive to participative forms of interfunctional coordination and conflict resolution, such as the creation of "liaison" positions and the use of new product development teams. However, they did not test explicitly whether prospectors relied more heavily than defenders on participative mechanisms or whether prospectors who relied most heavily on participative approaches outperformed those using hierarchical methods. As Miles and Snow's case studies represent the only empirical evidence about variations in interfunctional conflict resolution mechanisms across businesses pursuing different strategies, more research in this area obviously is needed. This need has been recognized in the marketing literature (Anderson 1982; Wind 1981; Wind and Robertson 1983), but empirical research has not been forthcoming.

Marketing Structure and Policies and the Implementation of Business Strategies

In defining marketing's role in the effective implementation of business strategies, one critical question is whether different types of marketing organization, policies, and programs work better under different strategies. Miles and Snow (1978) speculated only briefly about the functional policies and competitive devices (e.g., product quality, customer service, advertising) that might most effectively accompany different strategies. However, more recent work in both the strategic management and marketing literature suggests that both (1) the way in which *decision-making and coordination processes are organized within the marketing department* and (2) the *marketing policies and programs* pursued within the business unit affect the performance of different business strategies in different ways.

Decision-Making and Coordination Structures in the Marketing Department

Three structural constructs—formalization, centralization, and specialization—seem particularly important in shaping an organization's or department's performance. *Formalization* is the degree to which decisions and working relationships are governed by formal rules and standard policies and procedures. *Centralization* refers to the locus of decision authority and control within an organizational entity. In highly centralized organizations only one or a few top managers hold most decision-making authority, whereas in more decentralized firms middle and lower level managers have more autonomy and participate in a wider range of decisions. Finally, *specialization* refers to the division of tasks and activities across positions within the system. As the term implies, highly

specialized organizations have a greater number of "specialist" employees who direct their efforts to a relatively narrowly defined set of activities.

As Ruekert et al. (1985) point out, high levels of formalization and centralization together with low levels of specialization are likely to be associated with relatively efficient performance within marketing departments. In such departments, the top marketing manager can use his or her centralized decision-making authority to set a common direction for the department and keep overt conflicts to a minimum. The formal rules and procedures help routinize activities and hold down risks and administrative costs. Hence, higher levels of centralization and formalization and lower levels of specialization in the marketing department should be related positively to the ROI performance of low cost defender business units.

P_{9a} : The greater the formalization and centralization and the lower the specialization of the marketing organization, the greater the performance of low cost defender business units.

Such highly structured marketing departments, however, are unlikely to be very innovative or quick to adapt to new market opportunities or changing environmental conditions. Adaptiveness and innovation are enhanced when (1) decision-making authority is extended down to or at least shared with lower level managers within the department, (2) rigid rules and policies are supplanted by discretion and informal coordination mechanisms, and (3) more specialists with more detailed knowledge about particular techniques, products, or customers are incorporated within the department. Such organizational structures are especially well suited for prospector business units.

P_{9b} : The lower the formalization and centralization and the greater the specialization of the marketing organization, the greater the performance of prospector business units.

Because differential defenders must maintain both efficiency and innovativeness, we expect moderate levels of the three variables to be most appropriate for marketing departments in businesses pursuing such a strategy.

P_{9c} : Moderate levels of formalization, centralization, and specialization are related positively to the performance of differentiated defender business units.

Evidence. The relationships between the structural dimensions of centralization, formalization, and specialization and organizational performance under different environmental circumstances have been inves-

tigated empirically within a variety of organizational contexts (Baldrige and Burnham 1975; Burns and Stalker 1961; Dalton et al. 1980; Pugh et al. 1968). The preponderance, though not all, of the evidence supports the contention that centralized, formalized, and nonspecialized organizations tend to be more efficient but less innovative and adaptive than those with the opposite structural characteristics. However, with the exception of the case analyses of Corey and Star (1971), the relationship of organization structure variables to performance has not been examined explicitly in a marketing context. Also, no studies have related structural differences in marketing departments to variations in performance across businesses pursuing similar strategies. The specific propositions we discuss are unexplored and warrant future research.

Marketing Policies and Programs

Any attempt to draw broad generalizations about how specific marketing program elements might fit within different business strategies involves "level of analysis" problems. Though a business strategy is a general statement about how the unit chooses to compete in an industry, that unit may encompass a large number of different products, each facing somewhat different competitive situations in different markets. There is likely to be considerable variation in marketing programs across products within the same business unit. Nevertheless, because a business strategy *does set a general direction* for how the unit will compete, it should at least have some impact on broad marketing policies that cut across products and product lines. The more consistent those marketing policies are with the overall strategy, and the more successful the unit is in adhering to those policies, the more likely it is that the strategy will be effective.

Product policies. One set of such marketing policies broadly defines the *nature of the products* the business will offer to the market. These policies cover (1) the *breadth or diversity* of the product line, (2) the *general level of technical sophistication* of those products, and (3) the *target level of product quality* in relation to that of competitors. Because prospector businesses rely heavily on the continuing development of unique new products and the penetration of new markets as a primary competitive strategy, their adherence to policies encouraging broad and technically advanced product lines should be related positively to their performance on the critical dimension of share growth. Whether those products should also be of "higher quality" than competitors' products is open to question, primarily because of the problem of defining quality. As Hambrick (1983, p. 23) suggests, in those product markets where technical features or up-to-the-minute styling are key attributes in customers'

definitions of quality, high quality products may have a positive role in determining the success of a prospector strategy. In markets where the critical determinants of quality are reliability or brand familiarity, the maintenance of relatively high product quality is likely to be related more strongly to the successful performance of defender businesses, particularly those following a differentiated defender strategy.

As differentiated defenders compete by offering more or "better" choices to customers than do their competitors, success in developing relatively broad and technically sophisticated product lines also should be related positively to the long-term ROI performance of those businesses. However, such policies are inconsistent with the efficiency requirements of the low cost defender strategy. Broad and complex product lines lead to short production runs and large inventories. Maintaining technical sophistication in products requires continuing investments in product and process R&D. Consequently, the adoption of such policies is expected to be related negatively to the ROI performance of low cost defender businesses.

Service policies. Instead of or in addition to competing on the basis of product characteristics, businesses can distinguish themselves from competitors on the *quality of service* they offer. Service can take many forms, including engineering and design services, alterations, installation, training of customer personnel, and maintenance and repair services. Adherence to a policy of high service quality seems particularly appropriate for differentiated defenders because it offers a means of maintaining a competitive advantage in well-established markets. The appropriateness of such a policy for low cost defenders, though, is questionable. The customer satisfaction benefits of high quality service may be offset by higher operating and administrative costs. Such a policy could detract from the low cost defender's ability to maintain the low prices that are the critical element of its strategy and also could lower ROI. Similarly, the higher costs and greater administrative effort of a high quality service policy raise questions about the appropriateness of such a policy for prospector businesses. Efforts to improve service to current customers may divert resources and attention from the more critical objective of new product and market development.

Price policies. Successful adherence to a policy of offering *low prices* in relation to those of competitors should be related positively to the performance of low cost defender businesses because low price is the primary competitive weapon in such a strategy. However, a policy of "meeting or beating" competitors' prices is inconsistent with both differentiated defender and prospector strategies. The higher costs involved in differentiating a business' products on either a qual-

ity or a service basis (1) necessitate higher prices to maintain profitability and (2) provide customers with additional value for which higher prices can be charged. Similarly, the costs and benefits of new product and market development by prospector businesses require and justify relatively high prices. We therefore expect adherence to a policy of low competitive prices to be related negatively to the critical performance outcomes of differentiated defenders and prospectors.

Distribution policies. Both Miles and Snow (1978) and Hambrick (1983) argue that prospector businesses should show a greater degree of *forward vertical integration* than defender businesses. In their view, the prospector's focus on new product development requires superior market intelligence, as well as frequent reeducation and motivation of members of the distribution channel. They argue that these tasks can be accomplished best through tight bureaucratic control of company-owned channels. However, these arguments seem entirely inconsistent with the prospector's need for flexibility in constructing new channels for new products and markets. Tight control over channel member behavior seems a much more appropriate policy for defenders who are trying to maintain strong positions in established markets, particularly when they rely on good customer service to differentiate themselves from competitors. Consequently, we hypothesize that a relatively high degree of forward vertical integration is related positively to the ROI performance of differentiated defender businesses, but negatively to the new product and share growth success of prospectors.

Marketing communications policies. Extensive marketing communications should be important in the successful implementation of both prospector and differentiated defender strategies. The form of that communication, however, may be different under the two strategies. As prospectors must work constantly to generate awareness, stimulate trial, and build primary demand for new and unfamiliar products, a policy of *high advertising and sales promotion expenditures* in relation to those of competitors seems likely to bear a positive relationship to the new product and share growth success of such businesses. Differentiated defenders, in contrast, are concerned primarily with maintaining the loyalty of established customers by adapting to their needs and providing good service, tasks that can be accomplished best by an extensive, well-trained, well-supported salesforce. Therefore, a policy of *high salesforce expenditures* in relation to those of competitors should be related positively to the financial performance of differentiated defenders. Finally, because low cost defenders appeal to their customers primarily on a price basis, high expenditures in relation to those of competitors on either ad-

vertising or the salesforce would detract from their basic strategy and could have a negative impact on their ROI performance.

In summary, the marketing program elements most appropriate for each of the three business unit strategies can be stated as follows.

- P_{10a}: The performance of prospector business units is related positively to:
- relatively broad, technically sophisticated product lines,
 - relatively high quality of service,
 - relatively higher prices,
 - relatively less forward vertical integration, and
 - relatively high advertising and sales promotion expenditures.
- P_{10b}: The performance of low cost defender business units is related positively to:
- relatively narrow, less technically sophisticated product lines,
 - relatively low quality of service,
 - relatively lower prices,
 - relatively greater forward vertical integration, and
 - relatively low advertising and sales promotion expenditures.
- P_{10c}: The performance of differentiated defender business units is related positively to:
- relatively narrow, higher quality product lines,
 - relatively high quality of service,
 - relatively high prices,
 - relatively greater forward vertical integration, and
 - relatively high salesforce expenditures.

Evidence. In several recent studies the PIMS data base has been used to examine differences in marketing policies and expenditures (as well as other functional and strategic variables) across businesses operating at different stages in the product life cycle (Anderson and Zeithaml 1984; Hambrick, MacMillan, and Day 1982; MacMillan, Hambrick, and Day 1982). Unfortunately, none of these studies included the generic business strategy pursued by a business as either an independent or a moderating variable. If, however, we assume that most businesses pursue strategies that fit their environments appropriately, perhaps we can argue that businesses operating in growth industries are more likely to be prospectors and those in mature or declining industries are apt to be defenders.

In view of such logic, it is interesting that the relationships observed between marketing policies and

market share performance among businesses in growth industries are consistent with the propositions relevant to prospectors. In general, regression analyses in the PIMS-based studies show significant positive relationships between market share and (1) relative product line breadth, (2) relative product quality, (3) relative service quality, and (4) relative advertising expenses among businesses in growth industries. The same studies found no significant relationships between market share and (1) relative prices, (2) forward vertical integration, or (3) relative salesforce expenses.

The same set of studies also found some relationships between marketing policies and ROI performance among businesses in mature and declining industries that are generally consistent with our propositions about defenders, particularly those for differentiated defenders. In such industries, significant positive relationships were found between ROI performance and (1) relative product quality and (2) relative service quality. No significant relationship with ROI performance was found for (1) product line breadth, (2) relative prices, (3) forward vertical integration, (4) relative salesforce expenses, and (4) relative advertising expenses.

Though these findings do suggest some reason for optimism about the validity of our research propositions, they obviously do not provide an adequate test of those propositions. The studies did examine relationships between differences in marketing policies and various performance outcomes across businesses operating at a particular stage in the industry life cycle, but to assume that all businesses at a given life cycle stage are pursuing the same type of strategy is clearly tenuous. Because the studies did not measure explicitly the type of strategy being pursued by units in their samples, it is impossible to tell whether particular marketing policies are related to variations in performance across businesses pursuing the same strategy under similar environmental conditions.

One other recent study did explicitly relate differences in some general marketing policies to the type of generic strategy being pursued by a sample of 850 SBUs drawn from the PIMS data base (Hambrick 1983). Prospector businesses were found to have significantly higher marketing expenses as a percentage of sales but less forward vertical integration and lower service quality than defender businesses. No significant differences were found between the two types of strategy on relative product quality or relative prices. These findings seem generally consistent with our propositions, but Hambrick's failure to include specific performance measures precludes comparisons of the relationship between various marketing policies and the performance of businesses pursuing similar types of strategy.

Summary and Conclusions

Research Implications

We derive and discuss the conceptual rationale for a set of propositions about the impact of (1) corporate-business unit relationships, (2) interfunctional structures and coordination processes, and (3) marketing policies on the performance of business units pursuing either prospector, low cost defender, or differentiated defender strategies. This set of propositions is summarized in Table 2.

One obvious conclusion to be drawn from the review of empirical evidence germane to our propositions is that in every case evidence is sparse and riddled with limitations. This finding suggests a variety of interesting opportunities for future research, but those opportunities present some substantial methodological challenges. There are several good reasons why more research has not been done on factors related to the effective implementation of strategy. One of the most imposing is the fact that the appropriate unit of analysis for studying the implementation of business strategies is the business unit itself. As a result, strategy researchers are faced with two problems: (1) to obtain a sufficient number of observations, substantial time and money are needed to gather data from many firms and business units and (2) researchers must either gain access to the kinds of information necessary to provide objective measures of structure, process, and performance variables or cope with the much-discussed shortcomings of self-report and key informant data (Phillips 1981). Such problems help to explain why much of the implementation research has drawn on the PIMS data base in spite of its widely recognized limitations (Ramanujam and Venkatraman 1984).

Despite such problems, however, the relevance and importance of the unanswered questions about marketing and the implementation of strategy should motivate uncommon efforts to answer them. Indeed, there has been renewed interest in more qualitative research methods in both the strategic management and marketing literatures (cf. Bonoma 1985b; Harrigan 1983). Such approaches may be better suited for the complex and interactive research problems in the strategy area.

Managerial Implications

Many of the specific managerial implications of our propositions are straightforward and require little elaboration. However, when viewed as a whole, the propositions seem to imply an interesting conclusion: it is not always appropriate for marketers and their activities to have a primary role in implementing a business' strategy. We believe organizations should *always* be market driven in the sense of being responsive to customer needs, but individual business units should not always be "marketing driven" in the

TABLE 2
Factors Related to the Successful Implementation of Business Unit Strategies

Organizational Variable	Prospectors	Differentiated Defenders	Low Cost Defenders
Corporate-Business Unit Relationships			
Business unit autonomy	High levels of autonomy	Moderate levels of autonomy	Low levels of autonomy
Shared programs and synergy	Low levels of synergy	Low levels in areas related to differential advantage; high levels in other areas	High levels of synergy
Control and reward systems	Sales- or market-share-based systems	Profitability-based systems	Profitability-based systems
Interfunctional Relationships			
Functional competencies	Marketing, sales, product R&D, and engineering	Sales, financial management and control, and those functions related to differential advantage	Process engineering, production, distribution, financial management and control
Allocation of resources	Marketing, sales, product R&D, and engineering	Sales, financial management and control, and those functions related to differential advantage	Process engineering, production, distribution, financial management and control
Decision-making influence and participation	Marketing, sales, product R&D, and engineering	Sales, financial management and control, and those functions related to differential advantage	Process engineering, production, distribution, financial management and control
Interfunctional conflict resolution mechanisms	High levels Participative	Moderate levels Participative for issues related to differential advantage, hierarchical for others	Low levels Hierarchical
Marketing Structure and Policies			
Decision-making and coordination structures	Low levels of formalization and centralization; high levels of specialization	Moderate levels of formalization, centralization, and specialization	High levels of formalization and centralization, low levels of specialization
Marketing policies and programs	<ul style="list-style-type: none"> ● Broad, technically sophisticated product lines ● High quality of service ● High prices ● Less forward vertical integration ● High advertising and sales promotion expenditures 	<ul style="list-style-type: none"> ● Narrow, high quality product lines ● High quality of service ● High prices ● Greater forward vertical integration ● High salesforce expenditures 	<ul style="list-style-type: none"> ● Narrow, less technically sophisticated product lines ● Lower quality of service ● Lower prices ● Greater forward vertical integration ● Low advertising and sales promotion expenditures

sense of comparatively large marketing budgets or primary control by marketing managers over strategic and operational decisions within the unit. This conclusion raises the possibility that marketers may have different roles across different units within the same corporation. Such a possibility, in turn, raises intriguing questions about the role of corporate-level marketing units in coordinating disparate marketing programs across business units, about the possible synergies and limitations of sharing marketing programs across units, and about the appropriate career

paths for marketing managers in such organizations (e.g., how to keep morale high among marketing managers who are transferred from a prospector unit to a defender unit where their influence and budgets may be restricted). Though we suspect some marketers may find such a “contingency” view of marketing’s appropriate role in the strategic scheme of things to be a bit heretical and deserving of debate, sparking such a debate—one that will lead to a marshalling of more empirical evidence—is a major purpose of our review.



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