Strategy and Marketing: Can Alignment Be Measured?

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ABSTRACT

This essay proposes a research project to examine the issue of alignment of business strategy and strategic functional activities of the firm. Alignment of functional areas to a firm's business strategy is attracting increasing academic interest. Over ninety percent of all entries in a ProQuest search of scholarly works on "business strategy" and "alignment" have been posted since 2000. The numbers have continued to increase from 1352 records in the 2000-2009 decade to 1809 from January 2010 to January 2019. A similar pattern is evident in EBSCO's Business Source Complete database.

The Merriam-Webster Dictionary defines alignment as the proper positioning or state of adjustment of parts in relation to each other. The English Language Learners Dictionary defines alignment as the state or condition of agreeing with or matching something else, or the state of being joined with others in supporting or opposing something. For this project, we define "alignment" as a condition of agreement or match between the strategic intent and execution of the business function supporting strategic intent.

The question raised in this project is simple. Can we measure alignment? This question has been a topic of research for over 40 years. Peter Drucker's use of the term alignment was cast in terms of leadership and goal alignment (1973). Myles and Snow's (1978) strategic typology apply the question to business strategy and marketing, Porter's value chain model (1985) argues close coordination and focus of purpose among the primary and secondary units of the organization are necessary to maximize "value add" for its customers and returns for the firm.

Studies measuring alignment between business strategy and marketing using Miles and Snow's taxonomy of business strategy types (1978) began immediately following publication of this seminal work. Snow and Hrebiniak (1980) reported results of a study that linked ten (10) distinctive business level competencies to one or more of the four business strategy types. While patterns of competencies differed across business strategies, research and development was the only competency that could discriminate the four strategy types.

Hambrick (1983) used an extensive industrial performance database (PIMS – Profit Impact of Marketing Strategy) to test key performance measures using Miles and Snow's typology. The authors focused on prospector and defender strategy type's profitability and market share in different industries and environments. While prospectors outperformed defenders in market

share gain, defenders outperformed in profitability and cash flow. Hambrick (1983) confirmed functional attributes of different strategy types postulated by Miles and Snow (1978).

Segev's study (1987) established a relationship between business strategy types (Miles & Snow, 1978) and strategy development processes (Mintzberg, 1973). In addition to establishing an empirical basis for a relationship between types and process, the author also found a relationship of degree of fit between the two lead to higher levels of performance. Segev's developed a instrument with separate scales for classification of business strategy (25 items) and strategy development processes (16 items). This was an early attempt to move away from a paragraph description of strategy type to a measurable set of characteristics. Croteau, Raymond and Bergeron (1999) tested Segev's instrument by surveying over 1,900 Canadian firms. Seven (7) items were removed through confirmatory factor analysis. The resulting scale construct reliability was 0.70 or greater for each strategy type.

Powell (1992) applies contingency theory to explain the variation in performance among organizations based on industry, market volatility, and strategic choices. The author finds that a skill in organizational alignment contributes to higher levels of performance. Powell (1992) supports a resource-based view that organizational skill is a valuable resource in producing organizational alignment to achieve strategic goals in the context of the industry, market and other environmental factors. The author's scale items add insight for measuring planning comprehensiveness, structural integration, and structural differentiation.

Conant, Mokwa and Vardarajan (1990) built on Segev's work (1987) for an empirical test of Miles and Snow's business strategy typology (1978) in the context of its three component "adaptive cycle" model. The "adaptive cycle" model addresses the firm's entrepreneurial, engineering, and administrative challenges. Conant, et al. (1990) argue previous studies oversimplified the strategy type construct with little or no consideration of the adaptive cycle. For a quantitative method of classification, Conant, et al. (1990), developed scale items for each of the eleven dimensions of Miles & Snow's adaptive cycle (1978). The resulting scale provides measures strategic marketing competencies and insight into issues in alignment, integration, and the boundary spanning role of marketing.

Slater and Olson (2001) use a modified version of the Miles and Snow business strategy typology (1978) to examine the relationship of functional strategies to business strategy. Among the findings was a empirically based redefinition of Miles and Snow's business strategy types. While not dismissing the "reactor" type, the results of K-means cluster analysis suggests that "defenders" spans two sub-classifications; "low-cost defenders" and "differentiated defenders".

Slater and Olson (2001) developed eleven scales to measure relative importance of different strategic marketing activities. While the contents of the scales have overlap with Conant, et al.

(1990), the authors put significantly greater emphasis on specific competencies regardless of the organizational aspects of the strategic marketing activity. Subsequent cluster analysis identified four unique marketing strategies; aggressive marketers, mass marketers, marketing minimizers, and value marketers. Slater and Olson (2001) conclude that the relationship between the self-reported business strategy and marketing strategy produces higher levels of performance to firms that that match their marketing strategy to business strategy type.

Desarbo, Di Benedetto, Song and Sinha (2005) expanded their analysis of Miles and Snow's typology to include strategic type (11 items), organizational capabilities (27 items), environmental uncertainty (18 items) and firm performance (11 items). The resulting four strategic types are similar but not identical to the Milles and Snow typology. The authors conclude that there is a link between strategic type, capabilities and environmental factors resulting in different levels of performance. This relationship is context specific and may vary significantly under different conditions (Desarbo, et al., 2005).

In addition to the case made within this essay, numerous studies show the necessity for business strategy-functional alignment in other traditional areas such as human resources, operations, research & development as well as capabilities such as knowledge management. Evidence of this concern for functional alignment with business strategy is found in recent examples including a concern for strategic thinking within functional areas (Self, Matuszek & Schraeder, 2015) , aligning operations strategies with business strategy (Oltra & Flor, 2010), or aligning business strategy and information technology (Sledgianowski, Liftman & Reilly, 2006) or functional alignment within highly regulated industries (McAdam, Hazlett & Galbraith, 2014) Alignment of boundary spanning competencies are also reflected in the literature including knowledge management (Shih & Chiang, 2005), performance management systems (Hanson, Melnyk & Calantone, 2011), and project management skills (Srivannaboon, 2006).

The process by which a firm selects its business strategy is a response to the challenges and constraints of an industry, it's political and legal environment, the competitive landscape, industry turbulence, or other external factors. All these enumerated factors are outside the direct control of the firm. Alignment, however, is within the firm's control and subject to the organizational skills, capabilities, and core competencies.

Because marketing is boundary spanning function of the firm, we propose to utilize its strategic activities as a proxy for measuring business strategy alignment. Marketing is the voice of the firm's business strategy. With this voice, the firm articulates its positioning, value proposition, and "promise" to its current and future customers. As illustrated with Porter's value chain analogy (1985), close alignment of each of the firm's primary and support activities is in fulfillment of the "promise" from market research through product or service delivery and ongoing customer support.

The quest to confirm that functional alignment can be effectively measured within a chosen business strategy continues to elude both academics and practitioners. The Miles and Snow business strategy typology (1978) and its subsequent restatement by Slater and Olson (2001), provides evidence that emphasis on each strategic marketing may vary based on the selected strategy. Desarbo, Di Benedetto, Song and Sinha (2005) find that firm performance within a strategy type is contingent on both organizational capabilities and environmental uncertainty. Therefore, any criteria for evaluating functional alignment must take these variations into account.

Thus, the purpose of our research is to address the following questions.

- Can measurement of strategic marketing alignment with the business strategy of the firm relate to alignment of other functional areas in the value chain? The research design uses Slater and Olson (2001) and Desarbo, Di Benedetto, Song and Sinha (2005) as the baseline for instrument design.
- In addition to performance outcomes (profitability and other financial measures) can organizational resources, business capabilities and core competencies be incorporated in the measurement process? We examine single function studies in other primary or support functions add to strategic alignment measurement?
- Can a common measurement that expresses the degree of alignment be applied that also recognizes the variation among firms operating in significantly different environments?

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Relevance to Marketing Educators, Researchers and Practitioners: Measuring functional alignment with a chosen business strategy serves as a diagnostic tool for organizational and business performance improvement. Adding the ability to assess the degree to which each functional area in the value chain contributes to business strategy provides insight to developing an actionable improvement plan

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