

Miles & Snow, and Marketing

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Abstract

Organizational Strategy, Structure, and Process by Raymond Miles and Charles Snow has been a major influence on our lives as scholars since we were doctoral students. While colleagues at the University of Colorado – Colorado Springs, we began a collaboration that led us to investigate the role that the marketing activity plays in each of the proactive organization types. Our basic premise is that different configurations of marketing practices enhance the probability of superior performance for each of the different types. Thus, we have conducted studies that address the best match between organization type and 1) marketing strategy, 2) marketing organization structure, 3) marketing organization culture/climate, 4) marketing planning and control systems, and 5) market-focused strategic organizational behaviors. In this article, we briefly review the theoretical underpinnings this stream and for each study, synthesize the results from all of the studies to provide a comprehensive profile of the marketing and market-relating capabilities that are most appropriate for each organization type, and conclude with recommendations for managers and scholars.

Firm performance is determined, at least in part, by how effectively and efficiently the firm's business strategy is implemented (Galbraith and Kazanjian 1986; Walker and Ruekert 1987). The process of implementing business strategies is largely concerned with how marketing activities are accomplished (Slater and Olson 2000, 2001; Walker and Ruekert 1987).

Business strategy is concerned with how businesses strive for competitive advantage (Varadarajan and Clark 1994; Walker and Ruekert 1987). The two dominant frameworks of business strategy (Hambrick 2003) are the Miles and Snow typology – with its focus on intended rate of product-market change and the Porter typology -- with its focus on customers and competitors. Miles and Snow (1978) developed a comprehensive framework that addresses the alternative ways in which organizations define and approach their product-market domains (the entrepreneurial problem) and construct structures and processes (the administrative and technical problems) to achieve competitive advantage in those domains. Miles and Snow identified four archetypes of how firms address these issues. Prospectors continuously seek to locate and exploit new product and market opportunities while Defenders attempt to seal off a portion of the total market to create a stable set of products and customers. Analyzers occupy an intermediate position by cautiously following Prospectors into new product-market domains while simultaneously protecting a stable set of products and customers. A fourth type, the Reactor, does not have a consistent response to the entrepreneurial problem. In contrast, Porter (1980) proposed that business strategy should be viewed as a product of how the firm creates customer value relative to its competitors (i.e., differentiation or low cost) and how it defines its scope of market coverage (i.e., focused or market-wide).

Walker and Ruekert (1987) observed that while each of these strategy typologies has inherent strengths, each is also limited. To address this, they proposed a hybrid model that consists of a

typology consisting of Prospectors, Low Cost Defenders, and Differentiated Defenders. In our research we retain the three strategy types from Walker and Ruekert's typology, and the Analyzer strategy type as numerous studies have demonstrated the validity of this strategy.

Contingency Theory

The studies (Olson and Slater 2002; Olson, Slater, and Hult 2005; Slater and Olson 2000, 2001; Slater, Hult, and Olson 2007; Slater, Olson, and Hult 2006) described in this article are grounded in contingency theory which says that the relationship between marketing function characteristics and firm performance is moderated by the business strategy adopted by the firm. Venkatraman (1989, p. 424) describes this as the "fit as moderation" perspective. Porter (1996 p. 73) noted,

"Strategic fit among many activities is fundamental not only to competitive advantage but also to the sustainability of that advantage. It is harder for a rival to match an array of interlocked activities than it is merely to imitate a particular sales-force approach, match a process technology, or replicate a set of product features."

This contingency approach to strategy is rooted in general systems and open systems perspectives (Zeithaml et al. 1988). These perspectives view the organization as a social system comprised of interdependent subsystems. Coordination within these subsystems is accomplished through management policies and practices, which in turn interact with the environment to help achieve a set of goals or objectives (Luthans and Stewart 1977). Interactions within the organization, and between the organization and the environment, result in two complementary open system characteristics central to the contingency approach – adaptation and equifinality.

The principle of adaptation holds that managers may adapt the organization's strategy to cope with changes in the external environment or may adapt organizational structure and behavior to address the requirements of its strategy (Chakravarthy 1982). In the context of these studies, the principle of adaptation suggests that marketing managers and personnel will adopt

specific structures, processes, and behaviors that best serve to satisfy the unique demands of the firm as dictated by its overarching characteristic – its business strategy.

The concept of equifinality is the concept that superior organizational performance can be achieved through a variety of different strategies (e.g., Hambrick 2003; Venkatraman 1990) and that overall firm performance is less dependent upon a specific strategy than how well the chosen strategy is implemented. Equifinality thus implies that strategy choice (Child 1972), or flexibility, is available to organization designers when creating strategies to achieve competitive advantage. As organizational characteristics are critical components of strategy implementation it then stands to reason that superior performance is contingent on how well those characteristics are aligned with the requirements of a specific strategy. In the following section, we describe the marketing organization characteristics whose fit with the different strategy types we studied.

Marketing Organization Characteristics

Marketing Strategy

Marketing strategy is the set of integrated decisions (Day 1990) through which a business expects to achieve its marketing objectives and meet the value requirements of its customers (Cravens 1999; Varadarajan and Clark 1994). Marketing strategy is concerned with decisions concerning market segmentation and targeting, and the development of a positioning strategy based on product, price, distribution, and promotion decisions (Corey 1991; Hunt and Morgan 1995; Kotler 1994).

One approach to segmenting markets is based on the categories of innovation adopters (e.g., Rogers 1995). This typology breaks adopters into the five categories (i.e., innovators, early adopters, early majority, late majority, and laggards).

Innovators are buyers who appreciate innovation for its own sake and are motivated by the idea of being a change agent in their reference group. Their interest in new ideas leads them out of narrow circles of peers into broader circles of innovators. They are willing to tolerate initial glitches and problems that may accompany any innovation just coming to market and are willing to develop makeshift solutions to such problems.

Early adopters look to adopt and use innovation to achieve a revolutionary improvement. These buyers are attracted by high-risk, high-reward projects, and because they envision great gains from adopting innovation, they are not very price sensitive. Customers in the early market typically demand personalized solutions and quick-response, highly qualified sales and support.

Moving into the mainstream market, the early majority is motivated by evolutionary changes to gain productivity enhancements. They are averse to disruptive change and, as such, want proven applications, reliable service, and results. Pragmatists generally want to reduce risk in the adoption of the innovation. These customers are the bulwark of the mainstream market.

The late majority customers are risk averse and technology shy; they are price sensitive and need completely preassembled, bulletproof solutions. They adopt innovation just to stay even and often rely on trusted advisers to help them make sense of technology.

Finally, laggards want only to maintain the status quo. They tend not to believe that innovation can enhance productivity and resist new technology purchases. The only way they might buy is if they believe that all their other alternatives are worse and that the cost justification is absolutely solid.

Positioning strategy is a set of *integrated decisions* regarding product, price, distribution, and promotion. The most common way to represent a holistic strategy is through typologies or taxonomies that bring order by identifying recurring patterns of decisions which then provide a

comprehensive, yet parsimonious, basis for the study of strategy (Ginsberg 1984; Hambrick 1984). While numerous classification schemes have been developed for the study of business strategy, we found none for marketing strategy. Thus, we empirically developed and provided support for the following taxonomy of marketing strategies (Slater and Olson 2001).

Aggressive marketers provide high quality, innovative products. They maintain close relationships with customers and engage in extensive marketing research to identify market segments with buyers that will pay premium prices. They reach buyers in these markets with a selective distribution strategy and communicate with buyers through intensive advertising. They utilize a relatively high proportion of specialist marketing personnel.

Mass marketers provide products of adequate quality and are innovation followers. They utilize broad distribution channels and compete with price rather than with advertising. They utilize some specialist marketing personnel.

Marketing minimizers reduce risk by waiting until a product concept is proven in the market before introducing their version. They pursue their market with adequate quality, low prices, and an intensive distribution strategy. They generally have the most focused product line and utilize the fewest specialist marketing personnel.

Value marketers also provide high quality, innovative products and pursue close relationships with customers. However, they engage in only a moderate amount of systematic marketing research and do not typically charge premium prices. Their distribution strategy is somewhat less selective and they utilize advertising moderately.

Marketing Organization Structure

Organizational structure coordinates work that has been divided into smaller tasks. Mintzberg (1981, p. 104) notes, “How that coordination is achieved –by whom and with what – dictates

what the organization will look like.” While Mintzberg’s focus is on the organization as a whole, his observations are just as appropriate for the marketing organization. Indeed, the discipline of marketing continues to increase in complexity and create more sharply focused sub-disciplines. This expansion of marketing responsibilities has created greater divisions of labor within the modern marketing unit and greater coordination challenges. Alternative forms of structures are typically defined by three constructs that Walker and Ruekert (1987 p. 27) note, “seem particularly important in shaping an organization’s or department’s performance.” These three constructs are formalization, centralization, and specialization and are central to Mintzberg’s (1979) analysis of organizational structures.

Formalization is the degree to which decisions and working relationships are governed by formal rules and procedures. Rules and procedures provide a means for prescribing appropriate behaviors and dealing with routine aspects of a problem. Rules enable individuals to organize their activities to their and the organization’s benefit (Ullrich and Wieland 1980). Formal rules and procedures can lead to increased efficiency and lower administrative costs (Ruekert, Walker and Roering 1985; Walker and Ruekert 1987), particularly in stable environments or where tasks are comparatively simple and/or repetitive (Olson, Walker, and Ruekert 1995). Burns and Stalker (1961) refer to firms with highly formal procedures as “mechanistic” and those with fewer formal procedures as “organic.” Organic firms encourage horizontal and vertical communication and flexible roles. Benefits of the organic form include rapid awareness of and response to competitive and market change, more effective information sharing, and reduced lag time between decision and action (Miles and Snow 1992).

Centralization refers to whether decision authority is closely held by top managers or is delegated to middle and lower level managers. Lines of communication and responsibilities are

relatively clear in centralized organizations, and the route for final approval can be traveled quickly (Hage and Aiken 1970). While fewer innovative ideas tend to be put forth in centralized organizations, implementation tends to be straightforward once the decision is made (Ullrich and Wieland 1980). This benefit is primarily realized in stable, noncomplex environments (Olson, Walker and Ruekert 1995; Ruekert, Walker and Roering 1985). In contrast, within a decentralized organization a variety of views and ideas may emerge from different groups (e.g., product management and sales). Since decision-making is dispersed, it may take longer to make a decision and to implement it (Olson, Walker, and Ruekert 1995). In the long run, it is likely that the decentralized organization will produce more new ideas and more actual program changes than will a centralized organization (Ullrich and Wieland 1980). Additionally, when a task is non-routine and takes place in a complex environment, decentralization is likely to be more effective because it empowers managers close to the issue to make decisions and implement them rapidly (Ruekert, Walker and Roering 1985). While within the management literature this construct is typically referred to as *centralization*, we find that our statistical results are more readily interpretable when we consider it from the perspective of how *decentralized* a marketing organization is. Ultimately the two terms simply represent opposite ends of a single spectrum.

Specialization refers to the degree to which tasks and activities are divided in the organization and the degree of control workers have in conducting those tasks. Highly specialized organizations have a higher proportion of “specialists” who direct their efforts to a well-defined set of activities (Ruekert, Walker and Roering 1985). Specialists are experts in their respective areas and in complex environments are typically given substantial authority to determine the best approach to completing their tasks (Mintzberg 1979). This expertise enables

the organization to respond rapidly to changes in its environment (Walker and Ruekert 1987). Generalists, by necessity, must do additional “homework” before responding to change. These organizations may be able to hold marketing costs down by reducing the expense of hiring specialists (Walker and Ruekert 1987).

Marketing Organization Culture and Climate

Culture is the deeply rooted set of values and beliefs that provide norms for behavior in the organization (e.g., Deshpande and Webster 1989; Schein 1990). Climate describes how the organization operationalizes its culture, the structures and processes that facilitate the achievement of the desired behaviors (e.g., Deshpande and Webster 1989; Schein 1990). It is important for the organization’s culture and climate to be complementary because it is difficult to develop and sustain appropriate behaviors if the corresponding organizational values are not in place and, conversely, values are difficult to sustain if the appropriate incentives and examples do not exist (Schein 1990; Day 1994a).

We use the “Competing Values Framework” (Quinn and Rohrbaugh 1983) as it has been extensively used, is well validated, and effectively summarizes culture/climate types. Their Competing Values Framework combines two dimensions, creating a 2x2 matrix with four types. The first dimension places the values of flexibility, discretion, and dynamism at one end of the scale with stability, order, and control on the other. This means that some organizations emphasize adaptation, change, and organic processes while others are effective in emphasizing stable, predictable, and mechanistic processes. The second value dimension is marked by internal orientation, integration, and unity at one end of the scale with external orientation, differentiation, and rivalry on the other. The resulting types are the:

Hierarchy – Stable with an internal focus. The Hierarchy has a traditional approach to structure and control. Hierarchies often have well-defined policies, processes and procedures. Hierarchical leaders are typically coordinators and organizers who keep a close eye on what is happening.

Market – Stable with an external focus. The Market organization seeks control by looking outward. In an efficient market organization, value flows between people and stakeholders with minimal cost and delay. Market cultures are particularly driven by results and are often very competitive. Leaders in market cultures are often hard-driving competitors who seek always to deliver the goods.

Clan – Flexible with an internal focus. The Clan organization has less focus on structure and control and a greater concern for flexibility. Rather than strict rules and procedures, people are driven through vision, shared goals, outputs and outcomes. It has an inward focus and a sense of family. People work well together, strongly driven by loyalty to one another and the shared cause. Rules, although not necessarily documented, do still exist and are often communicated and inculcated socially. Clan leaders act in a facilitative and supportive way.

Adhocracy – Flexible with an external focus. The Adhocracy has even greater independence and flexibility than the Clan, which is necessary in a rapidly changing business climate. Where market success goes to those with greatest speed and adaptability, the adhocracy will rapidly form teams to face new challenges. Leaders in an adhocracy are visionary, innovative entrepreneurs who take calculated risks to make significant gains.

Marketing Systems: Strategy Formation and Control

Strategy formation has been at the heart of strategic management for more than three decades (e.g., Mintzberg 1973) and is concerned with “how effective strategies are shaped within the

firm...” (Chakravarthy and Doz 1992, p. 5). An effective strategy formation capability is a complex organizational resource, a dynamic capability that should lead to superior performance. The strategy formation capability is comprised of the following discrete elements (Mintzberg et al. 1998): mission/goal clarity, situation analysis, comprehensiveness of alternative evaluation, and strategy formation process. Mission encompasses organizational purpose, scope of market activities, and competitive distinctiveness. Situation analysis is concerned with the scope of the firm’s environmental scanning and organizational analysis. Comprehensiveness is concerned with the thoroughness with which alternatives are generated and evaluated. Finally, strategy formation process ranges from informal and emergent to formal and deliberate. The issue that we explore is whether each of the strategy types benefits from a similar emphasis on each of the strategy formation activities.

A control system is the mechanism through which managers assess whether their decisions have been incorporated into organizational strategy and whether the strategy has produced the planned outcomes (Daft and Macintosh 1984). Performance emphasis and measurement are at the heart of any managerial control system. As the saying goes, “What gets measured, gets done.” This clearly is key to strategy implementation, getting things done. Thus, management control systems provide feedback on the effectiveness of strategic activities, enable learning from internal and market oriented experiences, and provide guidance for strategic change and renewal (Simons 1994).

As a control tool, the “Balanced Scorecard” (Kaplan and Norton 1992, 1993, 1996) has generated considerable attention. The Balanced Scorecard is comprehensive in that it considers traditional financial outcome measures (i.e., the *Financial Perspective*: e.g., ROI, return on sales) as well as operational measures (i.e., the *Customer Perspective*: e.g., customer satisfaction levels,

customer retention levels; the *Internal Business Perspective*: e.g., stock-out percentage, on-time delivery rates; and the *Innovation and Learning Perspective*: e.g., percentage of sales from new products, sales growth or market share growth). Benefits of the Balanced Scorecard (Kaplan and Norton 1996) include that it can: 1) be tailored to the business's strategy, 2) communicate strategic objectives, and 3) enhance feedback and learning.

While the idea of developing multiple performance measures is fundamentally sound, Slater, Olson, and Reddy (1997) argued that the scorecard should be "Unbalanced." In other words, the emphasis a firm places on specific operational measures (i.e., internal business perspective, customer perspective, and innovation and learning perspective) should be based on the product-market strategy of the business.

Strategic Organizational Behavior

Organizational behavior is broadly concerned with work-related activities undertaken by organizational members (e.g., Ouchi 1977, Robbins 2002). In our research, we have addressed strategic organizational behaviors that have the potential to create superior performance through enhancing the execution of business strategy (Gatignon and Xuereb 1997; Slater and Narver 1995). These are: *customer-focused behaviors* (Deshpande, Farley, and Webster 1993), *competitor-oriented behaviors* (Armstrong and Collopy 1996; Deshpande and Gatignon 1994), *innovation-driving behaviors* (Hurley and Hult 1998), and *internal/cost-reducing behaviors* (Porter 1980). It is important to understand that these strategic behaviors are not mutually exclusive and that it is common for firms to engage in multiple sets of behaviors simultaneously, (e.g., Day and Nedungadi 1994; Gatignon and Xuereb 1997; Slater and Narver 1994). Furthermore, we anticipate that different combinations of emphases will prove more, or less, beneficial for firms adopting different business strategies.

Customer-focused businesses pursue competitive advantage by placing the highest priority on the creation and maintenance of customer value. As such, these businesses engage in the organization-wide development of and responsiveness to information about the expressed and latent needs of both current and potential customers (Deshpande, Farley, and Webster 1993; Kohli and Jaworski 1990; Narver and Slater 1990; Slater and Narver 1996). Due to its constantly refined market-sensing and customer-relating capabilities, the customer-oriented business should be well positioned to anticipate customer need evolution and to respond through the development of new customer value-focused capabilities and the addition of valuable products and services (Day 1994a&b).

A different perspective on competitive advantage is simply to “beat the competition” (Day 1990). This orientation is revealed through the priority placed on in-depth assessment targeted competitors’ goals, strategies, offerings, resources, and capabilities (Day and Nedungadi 1994; Porter 1980) and the organization-wide dissemination of the information generated from this assessment (Kohli and Jaworski 1990). The result is that managers develop competitor-oriented objectives instead of economic or customer-oriented objectives (Armstrong and Collopy 1996). The behavioral goal for the business is to match, if not exceed, competitors’ strengths.

A third perspective is that businesses build and renew competitive advantage through innovations (e.g., Christensen and Bower 1996; Lynn, Morone, and Paulson 1996). An innovation orientation means that the business is not only open to, but seeks out new ideas (Hurley and Hult 1998) in both its technical and administrative domains (Han, Kim, and Srivastava 1998). An innovation orientation encourages risk taking and enhances the likelihood of developing radically new products. March (1991) argues that businesses must be aware of the

possibility that an innovation orientation may not allow for the follow-through that is necessary to fully reap the benefits of earlier innovations.

Porter (1980) argues that there are two basic sources of competitive advantage. The first is differentiation advantage that derives from the customer, competitor, or innovation-oriented behaviors that we have discussed. The second is cost advantage that derives from the internal orientation that we now consider. Internally oriented businesses pursue efficiency in all parts of their value chain (Porter 1985). They seek to reduce costs in primary activities such as logistics, operations, and sales and marketing. They also seek to reduce costs in support activities such as procurement, R&D, and administrative functions. These businesses are obsessed with operational excellence that they are able to translate into higher sales through lower prices or higher margins (Treacy and Wiersema 1993).

Research Design

We utilized a similar research design for each of the studies that are the basis for this article. We typically focused on manufacturing and service firms operating in 20 different 2-digit SIC code industries (classification categories 20, 30, 40) to provide a reasonably similar context for respondents but also to be broad enough for the results to be generalizable. We purchased commercial mailing lists of senior marketing managers in businesses with 500 or more employees operating in these industries. In collecting the data, we followed the guidelines by Huber and Power (1985) on how to obtain high quality data from key informants. Senior marketing managers were selected as key informants because they should be knowledgeable about marketing organization practices, business strategy, and overall firm performance.

Questionnaires were mailed to the senior marketing managers along with a personal letter that provided a brief introduction and a general explanation of the intent of the study, a

questionnaire, and a postage-paid return envelope. The questionnaire defined the meaning of business unit and asked each respondent to refer to either the largest SBU in the organization or the one they were most familiar with when answering the questions. Three weeks after the initial mailing, a follow-up mailing was sent out with a duplicate copy of the questionnaire and a return envelope. We tested for non-response bias using the Armstrong and Overton (1977) extrapolation procedure.

We utilized existing measures when they were available and developed new measures when necessary. We assessed strategy type using the self-typing paragraph approach that is commonly used in strategic marketing research (e.g., McDaniel and Kolari 1987; McKee, Varadarajan, and Pride 1989). Several studies (Conant, Mokwa, and Varadarajan 1990; James and Hatten 1995; Shortell and Zajac 1990) have demonstrated that this is a valid measurement approach. We use the descriptions from Slater and Olson (2000).

We utilized standard procedures for assessing reliability and validity (e.g. Gerbing and Anderson 1988) and tested for common method variance using Harmon's one-factor test (Podsakoff and Organ 1986). We tested the hypotheses using OLS regression within subgroups. Subgroup analysis is an appropriate technique to test for moderation when the moderator variable is categorical (Sharma, Durand, and Gur-Arie 1981). The method of hierarchical regression analysis was used to allow us to determine the relative impact of the marketing organization variables on performance within strategy type after controlling for other influential firm and market-level variables.

Marketing's Contribution to Success for the Different Organization Types

Prospectors

Prospectors are most successful when they target the innovator and early adopter segments with innovative products. They are heavy users of marketing research, which enables them to monitor a wide range of market conditions (McDaniel and Kolari 1987; McKee, Varadarajan, and Pride 1989). They develop innovative products, stimulate demand through advertising, use a selective distribution strategy to provide high levels of service to help customers understand their innovative products before and after the sale, and charge premium prices to recoup their investment in these activities. We find that Prospectors achieve superior performance when they utilize an Aggressive Marketing strategy.

We find that the structure of top performing Prospectors is informal and decentralized. In other words, these organizations are flexible and adaptive, with few formal procedures and important decisions being made at relatively low levels. Decentralized decision making is possible largely because these firms employ a significantly higher proportion of professionals who have specialized knowledge than any of the other strategic types. Consistent with the need to be innovative and flexible, the most successful Prospectors have an Adhocracy culture.

As the most entrepreneurial of the organization types the Prospector's primary capability is in finding and exploiting new product and market opportunities (Miles and Snow 1978). The central concept of entrepreneurship is vision, a mental representation of strategy that provides both inspiration and direction to organizational members (Mintzberg et al. 1998), much as mission does (Collins and Porras 1994). Vision and mission represent the bridge from the present to the future of the organization. Thus, the most successful Prospectors establish a clear mission with supporting goals.

In the entrepreneurial organization, strategy making is dominated by the active search for new opportunities rather than by solving problems (Drucker 1970). To accomplish this,

Prospectors rely on a “capacity to monitor a wide range of environmental conditions, trends, and events” (Miles and Snow 1978, p. 56). Extensive scanning reveals numerous potential opportunities for the organization to consider. The most successful Prospectors develop a framework that enables managers to evaluate each alternative based on previously identified criteria. These are hallmarks of a comprehensive approach to alternative generation and evaluation.

Due to the constant search for opportunities, the Prospector must maintain flexibility so that it can adapt to new information. This is supported by Segev’s (1987) finding, that the entrepreneurial mode of strategy making dominates in Prospectors. Mintzberg et al. (1998) argue that the Prospector type of organization must be deliberate in setting vision and mission, but flexible with regard to defining the details of the strategy. We confirm that the most successful Prospectors employ an emergent approach to strategy making, supported by their flexible and adaptive marketing organization.

In the context of the Balanced Scorecard, Prospectors place greater emphasis on the Innovation and Growth Perspective than do any of the other strategy types. However, there is no significant difference between high and low performers regarding emphasis on the Innovation and Growth Perspective. This finding suggests that the need for innovation is well understood among Prospector firms. What truly separates high from low achieving Prospectors is the attention they pay to metrics in the Customer Perspective such as customer satisfaction, customer retention, product/service quality, and brand image or reputation.

Successful Prospector marketing organizations are the most customer and innovation oriented, and are the least internal/cost oriented of any of the organizational types. Product innovation may result from “outside-in” processes, that is customer-oriented behaviors, or from

“inside-out” processes, R&D driven innovation. Thus, to develop new products, Prospectors may closely observe customers’ use of products or services in normal routines. They work closely with lead users, customers who recognize a need in advance of the majority of the market. The lead user methodology motivates product developers to look outside the firm for insight, inspiration, models, and expertise. Prospectors may conduct market experiments, learn from the results of those experiments, and modify their efforts based on the new knowledge and insights (Lynn et al. 1996). Olson, Walker and Ruekert (1995) observed that R&D is frequently the dominant functional group associated with new-to-the-world product development, which suggests that an innovation orientation focused on technological breakthroughs is critical to the successful implementation of this business strategy.

Analyzers

Analyzers are most successful when targeting the early adopter and early majority segments with a relatively broad product line and an intensive distribution strategy. They are able to use less advertising than Prospectors, since Prospectors have already created awareness of the product category, and charge lower prices than Prospectors to induce switching. We find that Analyzers achieve superior performance when they utilize a Mass Marketing strategy.

We find that the structures of high performing Analyzers are moderately informal but highly decentralized where a moderate number of marketing specialists are employed. Analyzers, as fast followers, require informal and decentralized structures staffed by marketing specialists in order to expedite the process of bringing their “new and improved” products to market and avoid falling too far behind. Consistent with their dual focus on protecting their existing product-markets and quickly following Prospectors into new domains, the most successful Analyzers have adopted an externally focused Market culture that relies upon stable mechanistic processes.

Analyzers are opportunists. Some opportunities arise as a result of their incremental approach to exploiting their position with current product lines and existing markets. Others arise when Analyzers observe activities of Prospectors. Because opportunities may arise in numerous domains, a rigid mission and narrow situation analysis constrains their search. Because of the large number of opportunities they can identify, the most successful Analyzers scrutinize them thoroughly so that they can deploy their resources most effectively. They reduce risk by following a clearly articulated sequence of steps from opportunity identification through strategy development to implementation and control.

The most successful Analyzer organizations place substantially more emphasis on the Innovation and Growth Perspective and on the Internal Business Perspective. This also is consistent with their dual emphasis on growth and stability. They place slightly more emphasis on the Customer Perspective than do less effective Analyzers¹.

Customer, competitor and innovation orientations are all characteristics of high performing Analyzer organizations. Golder and Tellis (1993) suggest that followers can be as successful as early entrants if they learn about the structure and dynamics of markets from early entrants' efforts and limit their new product introductions to categories that have already shown promise in the market place. In order to identify opportunities either in unattended market segments or in potential product improvements, Analyzers must closely monitor customer reactions as well as competitors' activities, successes, and failures. In other words, while customers are certainly important to Analyzers, monitoring competitors' actions is as important to the success of Analyzers. We suggest that Analyzers place greater emphasis on imitation or incremental innovation than on radical innovation.

Low Cost Defenders

¹ No statistically significant difference due to small sample size.

As the mainstream market begins to fragment, a price sensitive segment of the early majority emerges. Low Cost Defenders are successful in this segment as they are focused on efficiency in all activities. Thus, they charge the lowest prices and have the lowest advertising expenditures (McDaniel and Kolari 1987) of the organizational types. They utilize intensive distribution to deeply penetrate their target market. This enables them to charge low prices. We find that Low Cost Defenders achieve superior performance when they utilize a Marketing Minimizer strategy.

Top performing Low Cost Defenders are moderately informal and highly decentralized where the large majority of workers are generalists. They appear to control costs through their reliance upon marketing generalists who are able to address multiple marketing tasks. Our results suggest that these generalists are given considerable latitude in determining the best ways to deal with these tasks. Because of their emphasis on efficiency and predictability, the most successful Low Cost Defenders have a Hierarchy culture.

In their quest for efficiency, Low Cost Defenders strive to eradicate operational and strategic uncertainty wherever possible. To accomplish this, we find that the most successful Low Cost Defenders employ a formal approach to strategy formation that proceeds through a sequential set of steps. Mintzberg and Waters (1985, p. 269) suggested that "Strategies will tend to be more deliberate in tightly coupled ... organizations..." The most effective Low Cost Defenders place greater emphasis on the Financial and Internal Business Perspectives and less emphasis on the Customer and Growth Perspectives than do less effective Low Cost Defenders.

Successful Low Cost Defenders exhibited the highest levels of internal/cost orientation and competitor orientation of the four organization types. With low cost being the driving focus of this business strategy it is only logical that the most successful Low Cost Defenders place a heavy emphasis on cost control. A competitor orientation complements the cost orientation as

competitors serve as a benchmark against which prices, costs, and performance can be compared. High performing Low Cost Defenders also place a comparatively low emphasis on customer and innovation orientation. However, it should be cautioned that this does not mean that they ignore either of these emphases. With regard to customers, successful Low Cost Defenders will monitor customers in order to establish benchmarks against which prices, costs, and performance can be compared. With regard to the innovation, these organizations typically directed their efforts toward process innovation rather than product innovation.

Differentiated Defenders

Differentiated Defenders create customer value among the early and late majority customers by offering high quality products and services supported by high levels of customer service at lower prices than Prospectors yet higher prices than either Analyzers or Low Cost Defenders (Walker and Ruekert 1987). This enables them to “play the spread” and create value for buyers and superior performance for themselves. We find that Differentiated Defenders achieve superior performance when they utilize a Value Marketing strategy.

The structures of top performing Differentiated Defenders are moderately informal with decentralized decision-making where a moderate number of marketing specialists are employed. The key to success for Differentiated Defenders is to provide premium service and/or the highest of quality products to select sets of customers who value and are willing to pay for them. Because customer contact personnel are the ones who ultimately deliver service, it is imperative that these employees be able to make decisions regarding customer relations without having to check with higher-level managers on every decision. Consequently, the best service is provided in decentralized organizations so that front-line employees have substantial discretion (cf. Hartline and Ferrell 1996). However, a decentralized organization does not necessarily mean an

informal organization. Thus, formal policies and rules will be established in Differentiated Defender firms to guide front-line marketers in how to react to and address potential customer relation issues.

We find it interesting that the most successful Differentiated Defenders have a Clan culture, which is internally focused. However, as we discuss shortly, they also are customer-oriented. Customer orientation coupled with the capability to build strong relationships internally enables Differentiated Defenders to bond with customers leading to a loyal customer base.

Consistent with our finding that the use of formal policies and procedures was associated with superior performance for Differentiated Defenders, we found that a formal approach to strategy formation enabled the business to develop plans and procedures for delivering consistently superior service and product quality. The most effective Differentiated Defenders place greater emphasis on the Customer Perspective and on the Innovation and Growth Perspective than do less effective Differentiated Defenders.

Of the different strategic organizational behaviors, only customer orientation is associated with superior performance. Differentiated Defender firms focus on retaining customers through attention to superior service, product quality, or image. Consequently, the most successful Differentiated Defenders firms will place a heavy emphasis on understanding customer needs and establishing strong relationships with customers. However, this does not mean that Differentiated Defenders are oblivious to controlling costs or that they never engage in product or service innovation. Rather, it is that these are not the most critical elements of a Differentiated Defender strategy and that they may well run counter to the demands of their customer base.

Conclusion

Hambrick (2003, p. 116) tells us:

“Of the several strategy classification systems introduced over the past 25 years, the Miles and Snow typology has been the most enduring, the most scrutinized, and the most used.”

For over two decades we have relied upon the model of strategy-structure-and process formulated by Raymond Miles and Charles Snow (1968) as a basis upon which to build a research stream linking marketing policy and action to competitive strategy. Through the process of conducting six empirical studies we have been able to develop a comprehensive understanding of how the marketing function can and does assist the firm (or business unit) in securing sustainable competitive advantage and enhancing overall firm performance. Specifically, in these studies we have examined the fit between organizational type and: 1) marketing strategy, 2) marketing organization structure, 3) marketing organization culture/climate, 4) marketing planning and control systems, and 5) market-focused strategic organizational behaviors. The publication of these studies in academic journals such as the *Journal of Marketing*, *Strategic Management Journal*, and the *Journal of the Academy of Marketing Science* among others lends credence to the conclusion that findings from these studies have helped to both validate the correctness of our overarching hypotheses – that marketing’s contribution to the successful implementation of alternative product-market strategies is both significant and distinctive – and demonstrate the magnitude of the impact made by the pioneering efforts of Miles and Snow and others in the field of strategic management. Simply put, our studies would not have been possible without their preceding efforts.

A very cursory review shows that well over 100 empirical studies have been based on the Miles and Snow typology. We believe that the studies we have undertaken make a substantial contribution to this literature for the following reasons. First, all of the studies in our program have taken the same perspective, that of the marketing executive. Second, the population from

which we have drawn our samples is both consistent and broad. This enhances the comparability these studies and our ability to synthesize them. Third, as a programmatic stream of research, these studies build upon and reinforce each other. As a result, we are able to offer a clear set of guidelines to marketing executives as they prepare their organizations to most effectively support their firms' competitive strategies.

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