CHAPTER ONE

INTRODUCTION

Background of the Study

The broad field of the study is Strategic Management. The specific area of the study is Strategic Marketing Management.

The study is empirical in nature. As such, it needs a theoretical foundation in order to raise research questions, frame research objectives and generate hypotheses to be tested.

This study is rooted in the Contingency Theory that emerged in the 1960s in the broad field of Management. The contingency theorists discard the classical theorists’ view of “one best way” to organize/manage different industries/different situations.

The developments in the theory and practice with respect to organization and management since the 1970s, especially since the emergence of the quality era and globalization - liberalization phenomenon in 1980s justified this paradigm shift from classical to modern thinking. Thus, the external environment of an organization became a critical factor to decide on the organizational structure and management style.
The essence of these developments in management thought is: organizational effectiveness is a function of a ‘fit’ between an organization and its dynamic environment.

And, this alignment between an organization with its environment emerged as a core thrust in strategy research in the 1990s.

As rightly observed by Miles and Snow (1994), successful organizations are those that most efficiently develop a friendly environment. The responsibility for this environmental contact typically lies within the domain of marketing and the development of marketing strategies. In line with this thinking, since the 1980s ‘marketing’ is considered less as a function but more as a set of values and processes that all the other organizational functions contribute to the implementation of the marketing function (Greyser 1997). This is reflected in the strategic orientation of the organization which became more market-oriented. Empirical studies in the field indicate that the market-orientation of the organizations enhances their financial and strategic performance (Enright, 2001; Moorman, 1995, for example). Emphasizing the importance of marketing strategy, Wind and Robertson (1983) observe that top management should not relegate marketing strategy a subsidiary position to corporate level strategy, since the marketing strategy is uniquely able to assess the external business environment and the consumer needs which alone can
help the company gain competitive advantage, and which can ultimately guide the corporate mission, vision and values.

Therefore, in the current complex business environment and the buyers’ market situation, of all executives, the marketing people play a critical and creative role, rather a lead role, in synthesizing opportunities, since they are much closer to the suppliers and customers.

Considering the lead role of marketing function, marketing researchers should use the contingency approach to investigate the influence of environment on the formulation and implementation of marketing strategies.

The marketing strategy research, an offshoot of strategic management research, that commenced in the 1980s were focused on the ‘content’ and ‘process’ of marketing strategies. While the ‘content’ studies were more on the ‘fit’ of the organizations to their external environment, the ‘process’ studies paid more attention to the internal ‘fit’ of the organizations to achieve desired organizational performance.

Most of these studies were more on strategy formulation than on strategy implementation (which was taken for granted). The extant research literature reveals that most strategy failures were caused by poor implementation of corporate marketing strategies.
Some of the most relevant studies in this regard are worth noting here. Following the theoretical contributions of Miles and Snow (1978), McKee, Varadarajan and Pride (1989) made an empirical study focusing on the role of strategy types as predictors of organizational performance, found that strategy types and market volatility factors do not influence organizational performance directly.

The study by Cavusgil and Zou (1994) trying to overcome the limitations of the earlier studies, attempted a comprehensive study, but it overlooked the important role of the process of marketing strategy formulation and implementation in achieving better organizational performance, as it did not include them in its conceptual framework.

In contrast to the above studies, the study by John and Martin (1984) focused on the relationship between strategy formulation and strategy making. They ignored the aspect of external business environment, strategy implementation and organizational performance as an outcome of strategy implementation.

It appears that there are two approaches in marketing strategy studies. The first one considers the influence of external business environment and some internal organizational factors, but does not take into account the strategy formulation process. The second approach explores the effect of strategy formulation process and assumes implicitly the influence of external business environment. Both the approaches overlooked the role of strategy implementation in achieving desirable organizational performance.

Because of this dichotomy, we lack cumulative, holistic knowledge and conceptual frameworks for investigating the process of marketing strategy (Bonoma 1985; Hart 1992; Hutt, Reigen and Renchetto 1988).

Thus, there is a need not only for conceptualization of marketing strategy that integrates theory and practice, but also for its systematic empirical investigation and validation. This line of thinking is supported by the thoughts of Anil Menon et al (1999) who pioneered such a study.

In the background of these developments (evidenced by the Western literature in the field) it is proposed that: (1) organizations should attain both internal and external fit to achieve good organizational performance; (2) the process of strategy formulation and implementation are not separate and mutually exclusive activities; and (3) there is a need for an integrative approach that blends the ‘content’ and ‘process’ schools of thought.
The study by Olson, Slater and Hult entitled ‘The Performance Implications of Fit Among Business Strategy, Marketing Organization Structure, and Strategic Behavior’ (Journal of Marketing Vol. 69, July 2005, pp. 49-65.) is a seminal work that attempts an integrative approach in behavioral perspective. The present study emulates this work.

In India, marketing strategy research is in its early stage. It is yet to explore a theoretical base for empirical studies. The studies in the field are ad hoc in nature. And so, a comprehensive and holistic study that encompasses the whole gamut of the marketing strategy is considered most important and timely. Such a study would throw light on the Indian marketing managers’ understanding and application of the concept of marketing strategy.

Statement of the Problem

Conceived from the contingency theory and the concept of strategic management, this study is designed to investigate, through an integrative approach, the issues relating to the formulation and implementation of marketing strategy and ascertain how these forces influence the organizational performance. The constructs and the underlying variables under each construct are identified from the earlier studies in the field. These are detailed in chapter three.
Conceptual Framework of the Study

The conceptual framework of the proposed study is portrayed as follows:

*The credibility of marketing strategy* (CMS) depends on (1) the external business environment forces (EBE) [such as technological changes (TC), market attractiveness (MA) and market competition (MC)] and (2) the strategy formulation (SF) process [involving innovative culture (IC), analytical competence (AC), involvement of marketing manager (IMM) and top management’s support (TMS)].

*Strategy implementation* (SI) [such as autonomy of marketing manager (AMM), commitment of marketing manager (CMM), effectiveness of evaluation and control (EEC)] (being influenced by CMS and SF) leads to *organizational performance* (OP) [such as achievement of financial performance (AFP) and achievement of strategic performance (ASP)].

In short, EBE and SF influence the CMS

CMS and SF influence SI

SI leads to AFP & ASP (OP).
Definition of the five Constructs and the constituent variables are given in chapter three.

Objectives of the Study

The Primary Objective

Given the conceptual framework of the independent and dependent variables to be investigated, the primary objective of the study is: to explore the nature of the relationship between marketing strategy and organizational performance in the context of medium sized corporate organizations.

The Research Question

The primary objective of the study, stated by way of a basic research question/problem is: “What are the factors that influence overall success of the marketing strategy in realizing improved organizational performance (as perceived by the concerned marketing managers themselves)?”

This basic research question probes the following specific issues:

(a) What are the salient characteristics of external business environment and the process of strategy formulation?

(b) How do they influence the credibility of the marketing strategy?

(c) What factors influence strategy implementation? and
(d) How do a credible marketing strategy and factors of strategy implementation lead to improved organizational performance?

**Specific Objectives of the Study**

In the quest to answer the research questions, the following specific objectives emerge:

1) *To ascertain the influence of the external business environment* [ (a) technological environment (b) market attractiveness (c) market competition] *on the credibility (quality) of the marketing strategy formulated for a business*;

2) To ascertain the influence of (a) innovative culture and (b) analytical competence on the involvement of the marketing managers in the process of marketing strategy formulation;

3) To ascertain the influence of involvement of marketing managers on the credibility of the marketing strategy;

4) To ascertain the influence of top management support on the credibility of marketing strategy;

5) To ascertain the influence of (a) innovative culture and (b) analytical competency on the autonomy of marketing managers;

6) To ascertain the influence of involvement of the marketing managers on their commitment to the formulated marketing strategy;
7) To ascertain the influence of top management support on the commitment of the marketing managers;

8) To ascertain the influence of autonomy of marketing managers on the effectiveness of evaluation and control in the formulation and implementation of marketing strategy;

9) To ascertain the level of commitment of the marketing manager on their efficiency of evaluation and control in the formulation and implementation of marketing strategy;

10) To ascertain the relationship between credibility of marketing strategy and the effectiveness of its evaluation and control;

11) To elicit the role of effective evaluation and control of formulated marketing strategy in achieving (a) financial and (b) strategic performance of the business unit.

**Hypotheses to be Tested**

The genesis and rationale of the study that led to the basic research question and specific objectives of the study generate the following hypotheses to be tested:

\[ H_1 \] Higher the technological change (TC) in the industry, lower the credibility of the marketing strategy (CMS) will be.

\[ H_2 \] Higher the market attractiveness (MA) is, higher the credibility of the marketing strategy (CMS) will be.
\( H_3 \) Higher the market competition (MA), lower the credibility of the marketing strategy (CMS) will be.

\( H_4 \) Higher the innovative culture (IC), higher will be the involvement of the marketing manager (IMM) in the process of marketing strategy formulation.

\( H_5 \) Higher the analytical competence (AC) of the marketing managers, higher will be their involvement (IMM) in the process of marketing strategy formulation.

\( H_6 \) Higher the involvement of the marketing managers (IMM) in the process of marketing strategy formulation, higher will be the credibility of the formulated marketing strategies (CMS).

\( H_7 \) Higher the top management support (TMS), higher will be the credibility of the formulated marketing strategy (CMS).

\( H_8 \) Higher the innovative culture (IC) in the organization, higher will be the autonomy of the marketing manager (AMM).

\( H_9 \) Higher the analytical competence (AC) of the marketing manager, higher will be the autonomy of the marketing manager (AMM) in the strategy decision making.

\( H_{10} \) Higher the involvement of marketing manager (IMM) in the marketing strategy formulation, higher will be the commitment of the marketing manager (CMM) to formulated strategy.
$H_{11}$  Higher the top management support (TMS), higher will be the commitment of the marketing manager (CMM) to the formulated marketing strategies.

$H_{12}$  Higher the autonomy of the marketing manager (AMM), higher will be the effectiveness of its evaluation and control (EEC).

$H_{13}$  Higher the commitment of marketing manager (CMM) to the marketing strategy, higher will be the effectiveness of the evaluation and control (EEC) of strategy implementation.

$H_{14}$  Higher the credibility of the marketing strategy (CMS), higher will be the effectiveness of its evaluation and control (EEC).

$H_{15}$  Higher the effectiveness of evaluation and control (EEC) of marketing strategies, higher will be achievement of financial performance (AFP).

$H_{16}$  Higher the effectiveness of evaluation and control (EEC) of marketing strategies, higher will be achievement of strategic performance (ASP).

**Research Methodology**

**Study Area, Unit of Analysis and Sample of Respondents**

The procedure and methodology followed in the conduct of this study is detailed in Chapter Four. A brief outline of the same is given here.
Puducherry (Union Territory of India) and the adjoining town Cuddalore (in the State of Tamil Nadu) were chosen to be the study area. A survey of all the eligible strategic business units in the area was to be made.

Of the 220 companies with 234 strategic business units in the study area, 182 companies (137 strategic business units) were eligible to participate in the study. All the 137 units were approached with a request to participate in the study. Only 120 units had expressed willingness. Of the 120 respondents 111 responses were complete in all details. And so, these 111 strategic business units constituted the Subjects of the study. The question of sampling does not arise since all the eligible and willing respondents were given the chance to participate in the study.

**Instrument of Data Collection**

The primary data for the study was collected through a self-administered questionnaire developed for the study. A pilot study was conducted among 25 marketing executives to refine and finalize the instrument and it was subjected to its reliability and validity.

The 2-part questionnaire comprised 13 variables (under 5 Constructs) in Part A (TC, MA, MC, IC, TMS, AC, IMM, CMS, AMM, CMM, EEC, AFP

---

* Please see Appendix A
and ASP) with multi items (59) under each Construct, placed on a five-point
(Strongly Disagree to Strongly Agree) Likert’s scale to measure the
perceptions of the marketing executives relating to the construct items
(Questions I to VII). Similarly, under questions VIII, the items were placed on
5-point scale ranging from ‘Very Unsuccessful’ to ‘Very Successful’. Under
question IX, the items were placed on 5-point scale ranging from ‘Much Low’
to ‘Much High’. The assigned scores, in all cases, were 1, 2, 3, 4 and 5
respectively.

The personal and organizational profiles of the respondents were
elicited through Part B of the questionnaire.

**Analysis of Data**

The primary data collected from the 111 units/marketing managers were
their scores on 58 perception scales. The perception scores above median were
rated as High and below median were rated as Low level of perception as
suggested by statisticians like Edwards (1957) and McIver and Carmines
(1983). The data thus obtained were analyzed using the following statistical
tools: Chi-square, simple correlation, multiple correlation and multiple
regressions.
**Presentation of the Report**

Anderson *et al* report-writing style is adopted in presenting the thesis.

**Significance of the Study**

The study probes the marketing strategy-performance relationship and their corroborative factors. The findings of this empirical study evidence the current thinking that strategy formulation and its implementation are not separate but constitute coherent process. It strongly supports the importance of the ‘fit’ between marketing strategy and its external and internal environments to achieve good organizational performance.

The proposed study is significant in many ways. The study conceptually integrates the different theoretical approaches (content and process) in marketing strategy studies. Hence it eliminates the weaknesses of these approaches considered in isolation of each other.

Adoption of an integrative approach enables to identify the influence of the factors related to the Constructs in the research model. Also, it enables to explore the interactive relationships between the variables within a Construct and between variables in one Construct and the other Construct.

For the marketing practitioners, the study provides insight into the role of (a) external business environment (b) organizational culture (which are
significant contributors to a credible marketing strategy) and (c) the autonomy and commitment of marketing manager and effectiveness of evaluation and control (which enhance organizational performance).

Lastly, being a study in behavioral perspective investigating the various issues as perceived by the practising marketing managers themselves, the findings of the study would be the guidepost for the marketing practitioners.

In sum, the study attempts to develop a framework for the marketing strategy in the “tradition of integrative science” propounded by Kerin, 1996 [“In the Pursuit of an Ideal: The Editorial and Literary History of Journal of Marketing”, (Journal of Marketing, Vol. 60, Jan), pp 1-13]).

**Limitations of the Study**

The findings of this study are subject to the realities of the perceptions of the respondents. Perception would represent realities only if the perceivers’ understanding of the issues posed to them matched with that of the researcher. Any study in behavioral perspective is bound to suffer this limitation. But it is believed by the researcher that the respondents understood the questions as intended by the researcher. The screening of the draft instrument of data collection by validity and reliability tests prior to finalization of the instrument is the basis for this belief.
The second limitation is: the study has only considered three select items of measures with respect to external business environment. There are other factors such as political-legal constraints which have not been included.

Thirdly, the study used the external business environment as antecedents of credibility of the marketing strategy only; it is possible that the external business environment would influence other segments of the research model also.

Fourthly, in the process of strategy formulation some more variables could have been considered to study the effect of strategy formulation on the effectiveness of strategy implementation.

Fifthly, in addition to marketing managers, their direct superiors could have been included as the respondents of the study. Whether the inclusion of such multiple informants would further enhance the credibility of the result of the study is a disputable issue.

Sixthly, the study could have used more sophisticated statistical tools, considering the presence of a large number of variables of multivariate nature and the complexity in their relationships. However, this limitation concerns the scholar and not the study itself.
Lastly, the most important limitation of this study is the large number of objectives, variables and hypotheses to be studied. This would inevitably be stressful for a layman/student in the field of study. The multiplicity of objectives is due to the large number of dependent and independent variables to be examined and the resultant multiplicity of hypotheses to be tested. The too many objectives and hypotheses are obviously necessary in an exploratory theory-testing study of this sort. Being an integrative approach to understand the whole range of issues involved in strategy formulation, strategy implementation and organizational performance, this limitation is to be considered rather a necessary curse to bear with.

**Chapter Arrangement**

Following this introductory chapter presenting the background of the study and its objectives, followed by the hypotheses to be tested and the significance of the study, the second chapter provides a review of the research related to the current study. This provides the theoretical background to the study.

A conceptual background to the study and the research model of the proposed study is provided in the third chapter.
Chapter four describes the rationale of the procedure and methodology for the conduct of the current study.

The fifth chapter presents analysis of data relating to the influence of external business environment and internal/organizational environment on the credibility of marketing strategy.

The sixth chapter is the second one presenting the analysis of the data. The hypotheses relating to strategy formulation, strategy implementation and organizational performance are dealt with in this chapter.

The seventh chapter, the last one, presents a summary of the thesis, offers concluding observations and suggests the scope for further research.