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Worried about strategy implementation? Don't overlook marketing's role

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Abstract Many executives and scholars have argued that effective strategy implementation is at least as important as—if not more important than—developing a brilliant strategy. While there are several extant viewpoints regarding what is required for successful strategy implementation, perhaps the most influential perspective is that business success requires a fit between strategy and organizational architecture. Organizational architecture subsumes structural variables and capabilities. For the past 10 years, we have studied the performance implications of matching marketing's organizational architecture to four generic business strategies: Prospectors, Analyzers, Low-Cost Defenders, and Differentiated Defenders. Through six empirical studies we have identified best practice matches between these strategy types and: (1) marketing organization culture, (2) marketing strategy, (3) market strategy formation process, (4) market-focused strategic organizational behaviors, (5) marketing organization structure, and (6) marketing control systems. In this article, we bring together findings from each of these studies to provide a comprehensive overview of those marketing actions and policies that are associated with superior firm performance.

1. Finding the right fit

Larry Bossidy, former CEO of AlliedSignal and Honeywell, and Ram Charan, one of the world's leading management consultants, have stated that "strategies most often fail because they aren't executed well. Things that are supposed to happen, don't happen" (Bossidy & Charan, 2002, p. 15). This, of course, begs the question: What does it take to make sure that the right things happen? The fit perspective of strategy implementation (Miles & Snow, 1984) argues that the elements of organizational architecture—for example, structure, systems, and culture—encourage and shape the

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behaviors that make the right things happen, and that different strategies require different organizational architectures. Michael Porter (1996, p. 73) further argued that:

> 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.

We have followed the lead of Walker and Ruekert (1987, p. 15), who asked: "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?" Walker and Ruekert focused on the architecture of the marketing organization because of its central role in strategy formation and implementation as represented in the activities of market analysis, selection of target markets, identification of customer needs that guide the development of meaningful products, price setting, and customer relationship management.

For the past 10 years, we have studied the elements of marketing organization architecture that are associated with superior performance for each of four different strategy types: the Prospector, the Analyzer, the Low-Cost Defender, and the Differentiated Defender. We, specifically, have examined the performance contributions of:

- Marketing organization culture (Slater, Olson, & Finnegan, 2008);
- Marketing strategy (Slater & Olson, 2000, 2001; Slater, Hult, & Olson, 2007);
- Marketing strategy formation (Slater, Olson, & Hult, 2006);
- Strategic organizational behavior (Olson, Slater, & Hult, 2005; Slater, Hult, & Olson, in press);
- Marketing organization structure (Olson et al., 2005); and
- Marketing control systems (Olson & Slater, 2002).

Walker and Ruekert (1987) also noted that, en route to superior profitability, different types of businesses will place more or less emphasis on varying intermediate objectives. For instance, where one management team might believe that the route to superior profitability runs through customer satisfaction, other management teams might believe that a low-cost position, new product success, or fast cycle time is the best leading indicator of profitability. Thus, as we later explain more fully, we define performance in the context of whether the business meets or exceeds its objectives.

Based on the results from the studies reported in these articles, we are able to provide a comprehensive picture of the marketing organization architecture of high-performance businesses. This picture should provide a target for executives in their quest for competitive advantage.

2. Business strategy

Before we can begin our discussion of strategy implementation, we must lay the groundwork for what business strategy actually is. *Business strategy* is reflected in the pattern of decisions that the business makes to achieve competitive advantage. The two dominant frameworks of business strategy are the Miles and Snow (1978) typology, with its focus on the range of proactive behavior, and the Porter (1980) typology, with its focus on routes to competitive advantage (i.e., differentiation and low cost). From these models, we synthesized the following four strategy types as the basis of our research: Prospectors, Analyzers, Low-Cost Defenders, and Differentiated Defenders.

2.1. Prospectors

Firms categorized as *Prospectors* attempt to be the first to market with innovative new products or services, or of the first to enter emerging markets or market segments. They compete by bringing new and innovative solutions to those customers who perceive value in having early access.

3M could be labeled a Prospector; the company is well known for developing new products and new businesses. For example, in 1916, 3M invented Wetordry: sandpaper with a waterproof backing, which allows the product to be used with water as a lubricant to carry away particles that would otherwise clog the finest grades of sandpaper. Its first application involved automotive paint refinishing, for which it is still used today. Other successful 3M discoveries include masking tape, Scotch Cellophane Tape, the Thermo-Fax copying process, Scotchgard Fabric Protector, Post-it Notes, and a variety of pharmaceutical products. Currently, 3M serves its customers via six business segments, all of which are committed to continuous innovation and new product development (3M, 2009).

2.2. Analyzers

Typically, *Analyzers* quickly follow Prospectors into attractive new market segments with improved products or services, or with lower prices. These firms compete by rapidly improving on the Prospector's value proposition through features, price, or a combination of the two. Analyzers face another challenge. Besides being creative imitators, they must also exploit their market position to generate the revenues that are required for continuous market scanning, and for product and market development.

Research In Motion, the Canadian company behind the popular Blackberry line of smartphones, is a good example of the Analyzer. While IBM's Simon is often recognized as the first smartphone (Tynan, 2005), and was followed by offerings from Nokia and Ericsson, the Blackberry was the first smartphone that was designed for easy wireless e-mail use. The Blackberry currently holds almost 20% of the smartphone market, compared to 11% for Apple's iPhone (Park, 2009).

2.3. Low-Cost Defenders

Low-Cost Defenders typically compete by providing an adequate benefit package, but differentiate themselves by offering the lowest overall prices in relatively mature markets. VIZIO, founded as a consulting firm in 2003, became the market share leader for LCD TVs in the second quarter of 2007. The keys to VIZIO's success are its low manufacturing cost, low price, good quality, low advertising, and intensive distribution strategy (Ogg & Kanellos, 2007).

2.4. Differentiated Defenders

Differentiated Defenders also compete in well-established markets, but by offering superior quality products or services at premium prices. Intuit is best known and is highly respected for its Quicken, QuickBooks, and TurboTax products. To keep these fresh, Intuit makes substantial investments in the areas of marketing, customer support, and customer-driven innovation. For example, Intuit employees frequently visit customers to better understand how they are using products so that the company can make necessary improvements. Scott Cook, founder and CEO, attributes Intuit's success to the personal intimacy and drop-dead ease of solutions that are only possible in a consumer-driven company (Kontzer, 2004).

Different functional strategies and policies (e.g., marketing, operations, human resources, R&D) provide the details of the actions required to implement the business strategy. In the following sections, we describe how the marketing organization's architecture facilitates business strategy implementation.

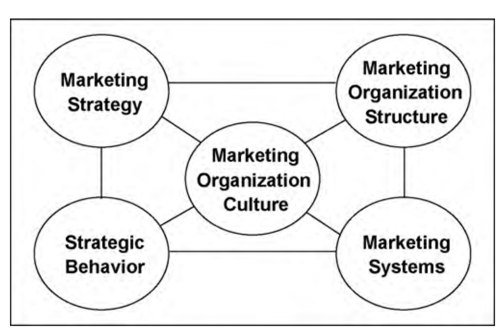
3. Elements of the marketing organization's architecture

Marketing is a boundary function, linking the business with its customers. As Kenichi Ohmae (1988), co-founder of the strategic management practice at McKinsey & Co., forcefully argued: "First comes painstaking attention to the needs of customers" (p. 149). To successfully implement business strategy, it is essential to get customer linking behaviors right. What is likely to lead to success? A clear marketing strategy that supports the business strategy and marketing organization structural characteristics that facilitate doing the right things for members of the business' target market. As regards marketing executives, this means getting right the following elements of marketing organization architecture.

3.1. Marketing organization culture

Culture is the centerpiece of the marketing organization's architecture, as the values implicit in culture shape the other elements of architecture (see Figure 1). The *marketing organization culture* represents a firm's deeply rooted set of values and beliefs which provide norms for behavior and decision making within the marketing function (Deshpande & Webster, 1989). One model of organizational culture that is utilized extensively is the "Competing Values Framework" (Quinn & Rohrbaugh, 1983). The Competing Values Framework recognizes that managers must make choices that reflect two of the tensions that exist in organizations: internal versus external orientation, as well as the need for control versus the

Figure 1. Marketing's organizational architecture



need for flexibility. This two dimensional representation of culture produces four dominant culture types. The *Adhocracy* type is characterized by flexibility and an external orientation that produces entrepreneurial and creative behaviors. The *Market* type is distinguished by control and an external orientation that produces highly competitive behaviors. The *Clan* type is exemplified by flexibility and an internal orientation that produces relationship-building behaviors. The final type is the *Hierarchy*, characterized by control and an internal orientation that produces behaviors focused on predictability and smooth operations. All organizations exhibit attributes of each of the culture types.

3.2. Marketing strategy

Appropriate functional strategies are necessary to support and reinforce business strategy. *Marketing strategy* is particularly important, as it represents the set of integrated decisions via which a business aims to achieve its marketing objectives and meet the value requirements of customers in its target market/markets (Varadarajan & Clark, 1994). As Michael Porter (1985, p. xvi) noted: "Competitive advantage grows fundamentally out of the value the firm is able to create for its buyers." Central among the key marketing decisions are market segmentation and targeting; and the development of a positioning strategy based on product, price, distribution, and promotion decisions. Our research identified four marketing strategy profiles. To achieve organizational buy-in, each marketing strategy type must reflect the values and assumptions that are inherent in the marketing organization's culture:

- *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 good 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 accepted 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. They engage in a moderate amount of systematic marketing research and charge higher prices than either Mass Marketers or Marketing Minimizers, who tend to be their primary competitors for the business of early and late majority customers. Their distribution strategy is somewhat less selective and they utilize advertising moderately.

3.3. Marketing systems: Strategy formation

Strategy formation is the process by which effective strategies are developed within a business (Chakravarthy & Doz, 1992). To be effectual, the strategy formation process should be tailored to meet the challenges inherent in the organization's competitive environment and its marketing strategy, as varying strategies may have different goals and may be better suited to different environmental contexts (Chakravarthy & Lorange, 1991). The strategy formation capability is comprised of activities leading to: mission/goal statement, situation analysis, comprehensiveness of alternative evaluation, and strategy formation process (Mintzberg, Ahlstrand, & Lampel, 1998). *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.

3.4. Strategic organizational behavior

Strategic organizational behaviors represent those behaviors which are required to implement the business' strategy (Gatignon & Xuereb, 1997; Slater & Narver, 1995); for them to be effectively carried out, they must reflect the values in the organization's culture. Strategic organizational behaviors consist of: *customer-focused behaviors* that are concerned with the organization-wide development of and responsiveness to information about the expressed and latent needs of both current and potential customers (Kohli & Jaworski, 1990);

competitor-oriented behaviors that are concerned with the development of responsiveness to information about competitors, goals, strategies, offerings, resources, and capabilities (Slater & Narver, 1995); *innovation-driving behaviors* that are concerned with seeking out and implementing new ideas in both the technical and administrative domains (Hurley & Hult, 1998); and *internal/cost-reducing behaviors* that focus on pursuing efficiency in all parts of the business' value chain (Porter, 1985). These strategic behaviors are not mutually exclusive, and it is common for firms to engage in multiple sets of behaviors simultaneously (Gatignon & Xuereb, 1997; Slater & Narver, 1994).

3.5. Marketing organization structure

Organizational structure shapes the manner in which decisions are made and work is coordinated. Since the different marketing strategy types require different decision orientations—for example, effectiveness versus efficiency—different structural configurations may be required. Organizational structure is typically defined by three constructs: *formalization*, or the degree to which decisions and working relationships are governed by formal rules and procedures; *centralization*, or the degree to which decision authority is closely held by top managers or is delegated to middle and lower level managers; and *specialization*, or the extent to which the organization employs experts or generalists (Walker & Ruekert, 1987).

3.6. Marketing systems: Control systems

Control systems are 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 & Macintosh, 1984). As a control tool, the Balanced Scorecard (Kaplan & Norton, 1992) has been widely adopted. The Balanced Scorecard is comprehensive in that it not only considers traditional financial outcome measures, or the *Financial Perspective* (e.g., return on investment, return on sales); but also operational measures such as 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). Since different business strategies represent different routes to superior profitability, control system emphasis should be determined by business strategy.

3.7. What constitutes success?

The ultimate criterion of business success is the creation of shareholder value. *Shareholder value* is created when a business earns a return on capital that exceeds its cost of capital. Thus, one would expect that return on capital is the performance indicator on which the management team should focus. Return on capital, however, is a lagging indicator of performance. Smart managers focus on leading indicators, as well as lagging indicators. By focusing on leading performance indicators, managers are able to proactively adjust strategy, rather than merely react to bad news. Consequently, most managers/businesses focus on a set of performance indicators that best capture the performance domain for their business strategy (Walker & Ruekert, 1987). So, instead of focusing on two or three specific performance indicators—such as return on assets, sales growth, or new product success—for our dependent variable, we asked our respondents to assess the degree to which the business met its objectives, performed relative to competitors, and satisfied management.

4. Marketing's role in strategy implementation

4.1. Prospectors

The strategy, structure, systems, and behaviors of the most successful Prospectors are driven and supported by a strong Adhocracy culture. The values inherent in the Adhocracy culture—commitment to innovation, propensity for risk, commitment to flexibility, and external orientation in both opportunity seeking and customer relations—enable Prospectors to rapidly develop new products that match emerging market needs.

As the most entrepreneurial of strategy types, Prospectors must have a high propensity for risk and be able to move rapidly in order to capitalize on emerging opportunities. These demands are consistent with an Aggressive Marketing strategy that entails targeting the innovator and early adopter segments with novel products. In order to mitigate the inherent risk these firms face in turbulent and emerging markets, Prospectors typically are heavy users of marketing research, which enables them to monitor a wide range of market conditions. To stimulate demand, they employ a creative marketing strategy that relies heavily upon advertising; typically use a selective—and, in some cases, unique—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.

Consistent with a focus on emerging markets, Prospectors must be able to locate and exploit new product and market opportunities (Miles & Snow, 1978). They require a clear vision and supporting goals in order to produce a mental representation of strategy that ultimately provides both inspiration and direction to members of this entrepreneurial organization (Collins & Porras, 1994; Mintzberg et al., 1998).

In the entrepreneurial organization, strategy making is dominated by the active search for new opportunities. To accomplish this, Prospectors rely on a "capacity to monitor a wide range of environmental conditions, trends, and events" (Miles & 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 established 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. 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.

The marketing organizations in the most successful Prospector firms are those that are focused most heavily on customers and innovation, and the least focused on internal/cost issues of any of the strategy types. Product innovation may result from either "outside-in" processes (i.e., the development of intelligence from customer-oriented behaviors) or "inside-out" processes (i.e., R&D-driven innovation). Thus, to develop new products, Prospectors may closely observe customers' use of products or services. They may work closely with lead users, customers who recognize a need in advance of the majority of the market. Prospectors may conduct market experiments, learn from the results of those experiments, and modify their efforts based on the knowledge and insights acquired. Olson, Walker, and Ruekert (1995) found 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 strategy.

The structure of top performing Prospectors is informal and decentralized. Thus, consistent with the Adhocracy culture, these organizations are flexible and adaptive; there are few formal procedures, and important decisions are often made at relatively low levels. Decentralized decision making is possible largely because Prospectors, more than any of the other strategic types, employ a significantly higher proportion of professionals who have specialized knowledge.

Once the strategy is set, Prospectors place greater emphasis on the Innovation and Growth perspectives of the Balanced Scorecard. While this finding suggests that the importance of 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. Examples of specific measures Prospectors employ include customer satisfaction, customer retention, product/service quality, and brand image or reputation.

W.L. Gore—the $2 billion a year, Newark, Delaware, company—innovates on many fronts and boldly adapts its inventions for completely different markets. The company got its start in 1958 when Bill Gore, a DuPont chemist, envisioned some ways to use polytetrafluoroethylene (PTFE)—the smooth, slippery polymer better known as Teflon—that DuPont wasn't pursuing. In 1969, Gore's son, Bob—an engineer who is now chairman of the company—found a way to stretch the polymer, creating expanded PTFE, or ePTFE, which was trademarked as Gore-Tex. The material became the basis for a host of new product possibilities, including the durable outdoor fabric that was introduced in the '70 s and is still W.L. Gore's bestselling product line.

In 2008, Gore's "Know What's Inside" promotional campaign won the PRO Award presented by *PROMO* magazine, for delivering the most effective promotion marketing experience. Gore is a price maker, not a price taker, and does business only with producers of high quality goods which are sold at premium prices (Slack & Parent, 2006).

Some companies in a similar position might have been tempted to focus on fabrics, perhaps becoming a clothing manufacturer. Not W.L. Gore. Using Gore-Tex as its springboard, the company has gone on to create a variety of completely different products. Gore is so good at innovation and product development that it has become a major player in areas as diverse as guitar strings, dental floss, medical devices, and fuel cells. And, it has managed to post a profit every single year since its founding.

Gore prides itself on being a team-based organization that fosters personal initiative. The company has no traditional organizational charts, no chains of command, no predetermined channels of communication, and decentralized decision making. Associates are hired for their skills in specific work areas. Gore strives to create an environment where creativity can flourish by combining freedom with cooperation, and autonomy with synergy (W.L. Gore, 2009).

4.2. Analyzers

Due to the importance of attracting new customers while retaining existing clientele, the culture of most successful Analyzers is a blend of the Market and Hierarchy cultures. The Market culture, with its outward-looking and competitive values, encourages customer and competitor driven creativity. This is particularly important for Analyzers, as they attempt to improve on Prospectors' offerings. However, Analyzers must also maintain a stable base of products and customers. The Hierarchy culture—with its emphasis on control, stability, and execution—facilitates achievement of this goal.

Analyzers are most successful when they pursue a Mass Marketing strategy. This entails targeting the early adopter and early majority segments with a creative strategy that enables the Analyzer to both steal early adopter customers from Prospectors and attract members of the early majority. Analyzers employ a relatively broad product line and an intensive distribution strategy. They are able to use proportionately less advertising than Prospectors, since Prospectors have already created awareness of the product category; and because of their efficiency, borne from their Hierarchy culture, they are able to charge lower prices than Prospectors to induce switching.

From the strategy-making perspective, Analyzers are opportunists. Some opportunities that Analyzers encounter 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 prospects 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.

Customer-oriented and competitor-oriented behaviors, encouraged by their blended Market/Hierarchy cultures, are characteristics of high performing Analyzer organizations. In order to identify opportunities via unattended market segments or potential product improvements, Analyzers must closely monitor not only customer reactions, but also competitors' activities, successes, and failures. In other words, while customers are certainly important to Analyzers, monitoring competitors' actions is equally important to Analyzers' success.

The structures of high performing Analyzers are moderately informal but decentralized, where a moderate number of marketing specialists are employed. As fast followers, Analyzers require informal and decentralized structures staffed by marketing specialists; this expedites the process of bringing "new and improved" products to market, and helps avoid falling too far behind. The most successful Analyzer organizations place the greatest emphasis on the Innovation and Growth Perspective, and on the Internal Business Perspective. This also is consistent with their dual emphases on growth and stability.

Microsoft executive Tony Scott (Daniel, 2008) describes the company's culture as one that encourages experimentation and innovation, while simultaneously creating clear guidelines regarding which creative ideas are worth pursuing:

> [At] Microsoft, what we try to do is foster an environment that encourages innovation and then quickly sorts out those things that are truly innovative versus just different. I make that distinction because in an inventive world and a creative environment, often different is seen as better, and that's not necessarily the case.

That Microsoft is filled with talented and aggressive professionals makes balancing freedom and control even more difficult (Daniel, 2008). To ensure that the firm exploits its inventions, it also has developed a disciplined management process. When Bob Herbold joined Microsoft as Chief Operating Officer (COO) in 1994, he experienced a freewheeling, highly competitive culture bordering on chaos. Implementing the discipline of new financial, purchasing, and human resource information systems helped Microsoft reduce operating expenses from 50% of net revenue to 40%—a savings of about $2.7 billion—over a 6-year period (Herbold, 2002).

Microsoft has a very broad product line, with many of its best known products (e.g., DOS, Word, Excel, PowerPoint, Internet Explorer, X-Box) entering the market as second—or, even later—movers. While these products have evolved over numerous iterations, the steady streams of revenue they generate are essential to funding development of other products for the company. Consequently, Microsoft expends considerable effort identifying emerging product/market opportunities that have been established by traditional market innovators—such as Apple, Sony, and Nintendo—and then pursuing sales in the mainstream market. It does this with a broad advertising campaign, supplemented by training and consulting programs that help customers understand why Microsoft offers superior solutions to their problems (DeGroot, 2005).

According to the company's website, Microsoft (2009) believes that its employees are the source of its creative ingenuity and success. Consequently, the company claims to empower each staff member to take initiative in solving problems, developing new ideas, and improving the organization. Furthermore, Microsoft has in place a company-wide system of assessing the quality of the customer experience; this includes annual goals and performance evaluations that are intended to create and reinforce a strong customer focus.

4.3. Low-Cost Defenders

Not surprisingly, the culture of the most successful Low-Cost Defenders is the Hierarchy. As the Hierarchy culture prizes control and predictability above all else, these values encourage the behaviors that lead to operational excellence and low cost. We also find that the values inherent to the Adhocracy culture hurt performance for the Low-Cost Defender, since flexibility is anathema to the predictability that Low-Cost Defenders seek.

As the mainstream market begins to fragment, a price sensitive segment of the early majority emerges. Low-Cost Defenders are successful in this segment, because they are able to translate the values of the Hierarchy culture into the behaviors reflected in their internal/cost and competitor orientations. This enables them to achieve efficiency in all activities, and thus they are able to charge the lowest prices and have the lowest advertising expenditures of the strategy types. They utilize intensive distribution to deeply penetrate their target market, and this enables them to charge low prices. We find that Low-Cost Defenders achieve superior performance when they utilize a Marketing Minimizer strategy.

Consistent with both the Hierarchy culture and Marketing Minimizer strategy, the most successful Low-Cost Defenders exhibit—of the four strategy types—the highest levels of internal/cost orientation and competitor orientation. 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, this does not mean that they ignore either of these emphases. With regard to clientele, successful Low-Cost Defenders monitor customers to understand whether the offered price and performance meet customer requirements. With regard to innovation, they typically direct their efforts toward continuous process innovation.

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. Typically, strategy and objectives are set by top management and disseminated throughout the organization. Furthermore, top performing Low-Cost Defender organizations utilize a blend of formal policies and general guidelines that enables employees to use discretion within carefully developed boundaries. This is further reflected in their reliance upon marketing generalists who address multiple marketing tasks. These generalists are given latitude to determine how best to deal with these tasks. As compared to their less successful counterparts, 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.

Southwest Airlines, the prototypical low-cost carrier, was tied in 2008 with Allegiant Airlines and JetBlue Airways for bragging rights of the lowest cost per available seat mile in the airline industry. Southwest accomplished this by standardizing operations around its fleet of homogenous Boeing 737 airplanes and providing no first-class seating, no assigned seating, no meals, no in-flight entertainment, and no VIP clubs. Despite these limitations, Southwest receives consistently high customer satisfaction rankings and is the most profitable airline in its industry.

To create a team environment, Southwest places limited emphasis on formal organizational structure. Employees are encouraged to be responsible and are given decision making authority (Freiberg & Freiberg, 1996). While it is essential for airline staff (e.g., pilots, mechanics, flight attendants) to have specific skills, a top priority for Southwest is to recruit team players who relate well to other functional groups (Gittell, 2003). Southwest (2009) describes its culture as having "Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude." Southwest has used that culture to motivate employees to out-hustle competitors, to whom the management team pays close attention (Gimble, 2005).

4.4. Differentiated Defenders

The most successful Differentiated Defenders have a Clan culture. At first blush this may seem counterintuitive, as Clans are generally thought to be internally focused. However, it seems that the family values which exist in Clans extend to customers, as well. Thus, the sense of family in the Clan culture encourages both customer-oriented and relationship-oriented behaviors. The values of autonomy and flexibility inherent in the Clan culture enable members of Differentiated Defenders to push responsibility for customer service decisions down the chain of authority to front-line workers.

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. We find that Differentiated Defenders achieve superior performance when they utilize a Value Marketing strategy. We also find that a formal approach to strategy formation enables the Differentiated Defender to develop plans and procedures for delivering consistently superior service and product quality. Differentiated Defender firms focus on retaining customers through attention to superior service, product quality, or image.

Consequently, the most successful Differentiated Defender firms will place a heavy emphasis on understanding customer needs and establishing strong relationships with customers. Differentiated Defenders also engage in product/service innovation so that they continually delight the customer. However, this does not mean that Differentiated Defenders are not concerned with cost control. Rather, it is that over-emphasis of cost control may be inconsistent with providing superior customer service and with continuous innovation.

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 ultimately deliver service, it is imperative that these employees be able to make decisions regarding customer relations without having to seek the approval of higher-level managers on every judgment call. Consequently, the best service is provided in decentralized organizations such that front-line employees have substantial discretion (Hartline & Ferrell, 1996). However, Differentiated Defenders establish policies and procedures to guide front-line marketers in how to address and respond to potential customer relation issues. As opposed to their less successful counterparts, the most effective Differentiated Defenders place greater emphasis on the Customer Perspective and on the Innovation and Growth Perspective.

As the country's longest reigning 5-star resort, the Broadmoor Hotel in Colorado Springs has become the gold standard for exemplary service. The result is that 60% of the Broadmoor's guests are repeat guests (Costas, 2007). In order to retain that position, the Broadmoor's management team has established a "Culture of Guest Satisfaction." However, according to Perry Goodbar, past vice president of marketing, "It's the people who truly make this place special. Exceptional service quality begins with exceptional people" (Czaplewski, Olson, & Slater, 2002, p. 14). Thus, the Broadmoor places great emphasis on employee selection and training. To reinforce the training, employees are provided with appropriate tools and guidelines, and are empowered to personally deal with customer problems. As Goodbar notes, "Guests are remarkably forgiving of mistakes if they feel their concerns have been understood and addressed quickly and courteously" (Czaplewski et al., 2002, p. 14). The Broadmoor's outstanding record of success is largely the product of a strong employee-oriented and customer-oriented culture. And while innovation is not the hallmark of the resort, management continuously seeks ways to keep facilities up-to-date. Examples include retrofitting rooms and conference rooms with Wi-Fi service and replacing the original lap swimming pool with an expansive, lakeside infinity pool (Czaplewski et al., 2002).

5. Which strategy is right for your business?

Our research, as well as that of others, has consistently shown each of the four business strategies described has an equal chance of success—when properly implemented. In determining the right business strategy, the top management team must answer three questions:

1. Who are our target customers and what are their needs?

2. What product/service offerings will create superior value for the customers in our target market?

3. How can we leverage our organizational architecture to implement the strategy?

It is critical that the top management team develop an understanding of the needs of customers in different market segments. The management team must then assess whether it has the capabilities to develop and market the required product/service offerings. Those capabilities are largely determined by the organization's architecture. Thus, the question, "Do we have the right architecture for effective strategy implementation?," is as important as, "What is the right strategy?"

6. The sum of it all

When considered individually, each of the six components of marketing organization architecture that we discuss—marketing organization culture, marketing strategy, marketing strategy formation, strategic organizational behaviors, marketing organization structure, and control systems—have limited ability to create competitive advantage. When integrated, however, they can enable the firm to achieve this goal (Barney, 1995).

For example, when the particulars of a specific marketing strategy (e.g., Aggressive Marketer) are matched with the proper strategy formation process (e.g., Emergent), structural elements (e.g., Informal and Decentralized), evaluation metrics (e.g., Innovation and Growth, and Customer), strategic organizational behaviors (e.g., Innovation and Customer Oriented), and culture (e.g., Adhocracy), the firm—in this case, the Prospector—should have the greatest likelihood for competitive advantage and superior performance.

We believe adherence to the insights gained via responses from over 1,000 senior marketing managers, competing in a wide variety of industries, should prove beneficial to a large majority of firms. The fact that these studies have individually been through a rigorous review process before being published in academic journals such as the *Journal of Marketing*, the *Strategic Management Journal*, and the *Journal of the Academy of Marketing Science* lends—we believe—credence to the validity of the findings, and supports our overarching hypothesis that marketing's contribution to the successful implementation of alternative business strategies is both significant and substantial.

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