Behavioral approaches to marketing strategy implementation

Keywords : Consumer behaviour, Market orientation, Strategy, Interaction

Abstract

The development and reinforcement of context-specific behaviors support the implementation of marketing strategy. Discusses the limitations of traditional strategy implementation pursuits and then proceeds to report the results of two independent but related studies that consider two methods of behavior management - market orientation profiling, and behavioral repertoires - and their effect on marketing strategy and organizational performance. Results indicate that these methods provide a context for the implementation of specific marketing strategies by serving as a moderator of employee behavior and can be used strategically by organizations to guide service applications. Concludes by providing prescriptive steps that managers can consider in efforts to adopt these approaches to marketing strategy implementation.

Introduction

Modern-day management gurus have attempted to reveal sources of sustainable competitive advantage by studying organizations who are top performers. For example, in the book called The Winning Streak, Goldsmith and Clutterbuck (1984) undertook extensive analysis of 23 top producing UK companies. By 1996, only two of these 23 companies, Marks & Spencer and Sainsbury, remained in the top ten of their respective industries, 40 per cent of the sample were experiencing major difficulties, and another 30 per cent had been the subject of takeovers. Many of the companies studied by Peters and Waterman (1982) in In Search of Excellence have similarly fallen victim to competitive forces, relegating them to the status of "weakened" or "troubled". In Pascale's (1990) Managing on the Edge, five years after publication, two-thirds of the "excellent" companies had lost this billing. As academics and practitioners alike search for root causes, the one thing that we can conclude is that many have experienced difficulty navigating the strategy continuum, particularly converting plans into action on a sustained basis (Mintzberg, 1994). Our interest in this article is to address these issues by defining behavioral structures for strategy implementation, particularly as it concerns service applications. This article highlights the outcomes of two recent studies done by the authors that involved over 600 organizations. In it, we discuss the derivation and sustainment of context-specific behaviors to support strategy implementation. These investigations were based on our desire to define structures for the implementation of strategy that focus on the relationships between marketing actions, employee behaviors, and the competitive environment.

I Traditional strategic planning is no longer a panacea

It is important to understand why organizations have failed in attempts to develop sustainable implementation contexts. For decades, managers have spent much of their time figuring out how to position product and service offerings within an industry. Invariably, most attempt to differentiate offerings through advertising and promotion, pricing, or being first in the marketplace with a new or improved offering, to name a few. These traditional and tangible strategy positioning strategies are effective, but have yet to provide organizations with sustainable competitive advantages. To reconcile our dissatisfaction with traditional implementation approaches, we concern ourselves with the causes of failure first. As we see it, there are three primary reasons why traditional approaches are the Achilles' heel for many organizations. First, marketing strategies supporting a product or service focus similar to those identified above are no longer the differentiators they used to be. In fact, they have become so generic and easily copied that many of these actions have been relegated to hygiene status. Second, brilliant strategies do not always succeed, often succumbing to not so brilliant implementation processes, processes which still reinforce traditional organizational boundaries and the calamitous communication practices they foster. Third, there is often a failure to recognize the contributions that employees can have on strategy implementation. Many organizations have not provided a context for employee behavior; therefore they are simply not prepared to perform to their potential. This is especially the case in service organizations where the quality of service produced is directly related to the behavior of its employees. The reality is that traditional implementation approaches have failed to provide a sufficient operational interface between the environment and the organization. These approaches have not adequately focused on intangibles such as the people and processes necessary to develop ongoing and sustainable implementation contexts. Very simply, the organization lacks implementation harmony. This, we believe, can be traced back to something to which we refer as cerebral strategizing, which we define as the inability to move strategy out of the boardroom and into the playing-field. These impediments invariably have two quite contrasting outcomes: great intentions outlined in an eloquently written strategic plan supported by a poor, fragmented or sometimes non-existent implementation plan. This almost always relegates organizations to default to the status of reactors, preventing them from progressing to levels of performance that harmonious organizations are capable of reaching. As a result, traditional implementation contexts should be reconsidered, if not abandoned altogether. These are not new revelations. Many influential authors (Hamel and Prahalad, 1994; Day, 1990,1994; Narver and Slater, 1990; Jaworski and Kohli, 1993) have addressed their dissatisfaction with traditional strategy approaches, and have offered some prescriptive advice such as aligning organizational strategies with the organization's infrastructure and emerging technologies, building cross-functional task- forces, and reshaping culture, to name a few. In fact, in a recent edition of Business Strategy Review, Day (1998) highlighted the importance of what it meant for an organization to be market-oriented and market-driven. His conclusions crowned six years of what can be considered third generation study supporting the re-emergence of strategy. Almost without exception, this "what to do" advice falls short in the "how to do" department and many managers are still left with the feeling of "so what?" Other new age strategists offer solutions. In fact, the re-emergence of strategy as the primary catalyst for corporate growth has been very much fueled by its redesign (Business Week, 1996). Terms such as value migration, co-evolution, white space opportunity, strategic intent, stretch goals, opportunity share, and business ecosystems are being defined and practiced by some of the industry's greatest, such as Jack Welsch of General Electric, Lewis E. Piatt, Chairman of Hewlett-Packard, Jorma Ollila, CEO of Nokia, Bill Catucci (CEO, AT&T Canada) and consultants Gary Hamel (Strategos Inc.), Adrian Slywotsky (Corporate Decisions) and James Moore (Geopartners Research). This group of innovative CEOs and high profile consultants are suggesting that organizations move away from the mechanistic, traditional and internal approaches to more revolutionary experiential approaches. We cannot agree more! We suggest that the answer to how to best compete now and in the future lies in managing a company's behavioral profile.

I Behavior is culture, culture is strategy

Culture, briefly defined, is the taken-for- granted, out of conscious pattern of shared values and beliefs that help employees understand organizational functioning and thus provide them with norms for behavior in the organization. As a result, organizational strategy and, subsequently, performance cannot be understood without an understanding of the culture of an organization. The marketing culture or collective behaviors of employees drive marketing strategy in an organization. In this sense, behavior is culture and culture is strategy; therefore, one needs to manage culture to manage strategy. The reality is that people make a difference; therefore management has to create an environment that connects employees to the organization's mission, and motivates their creativity, commitment and passion. This reality is easily understood - the challenge of how to do it is not. For some time now, we have been interested in addressing this challenge, and we are now suggesting that culture should no longer be taken for granted. Although culture has been defined as a panacea for organization success, it has not been conceptualized to the point where it has benefits for managers. For example, there has been little elaboration concerning how, why and under what circumstances it affects performance. Specifically, to use culture effectively, managers must understand what behaviors they are trying to develop and reinforce with respect to the goals of the organization and the competitive realities. All too often, managers lack this understanding. What is new is that, through our investigative work, we have put culture and the environment into context. The theory of "culture coalignment" has already been identified by Walker and Ruekert (1987), Ruekert et al. (1985), McKee et al. (1989), and McDaniel and Kolari (1987). Further, coalignment research has provided strong evidence to support the view that successful organizations are those that most efficiently interact with their environments, and that the actions adopted by organizations are related to several factors including the values, vision, objectives and resources held (Venkatraman and Prescott, 1990).

I The investigative research Study one: behavioral repertoires

Behavioral repertoires are specific combinations of high impact behaviors that comprise employee roles, and are designed to focus on the relevant, non-trivial behavior modes that are pivotal to job performance and organizational success. The first study involved 415 respondents representing 95 service organizations in western Canada (Dobni, 1996), and focused on behavioral contexts at a macro-organization or industry level. This investigation identified the existence of four behavioral repertoires that might be used as conceptual models for reinforcing behaviors necessary to remain nimble in specific industries. Table I describes each repertoire and the situation in which it is most appropriate in efforts to maximize performance. The repertoire chosen is highly dependent upon the competitive landscape and service application. As an example, organizations seeking to maximize growth and performance in high technology industries such as software development, biotechnology, or other emerging industries will want to adopt an entrepreneurial repertoire. The behavioral characteristics inherent in this repertoire include a high degree of creative and innovative work behavior, high tolerance for unpredictability, a high degree of risk taking, an onus to initiate work improvements, and a propensity to get things done. Alternatively, in service applications requiring consistency and conformity such as banking, legal, medical, aircraft manufacturing and other professional services, an industrial or ultrareliable repertoire might be the proper focus. The premise is that the behaviors of all organizational members, regardless of their position, are responsible for the design and implementation of operational strategies to support the goals of the organization. The gamut of outcomes includes everything from how employees deal with customers, with one another, and how they react to changes in the internal and external environments. For managers, these repertoires are powerful determinants of the conduct and outcome of quality, and the customers' perceptions that follow. This is especially the case in service organizations. Behavioral repertoires can be applied at any level of the organization, and are relevant to both front-line and back-room employees alike. In using the repertoire, the intention is to match the stock of behaviors needed from employees with the goals of the organization and the requirements of the competitive environment. In a more specific sense, the repertoire is a tool for diagnosing, identifying and communicating these behaviors. More generally, it can be viewed as a linchpin that links organizational aspirations with employee performance. Behavioral repertoires not only give employees critical guidelines on how to behave, but also provide a yardstick for defining and measuring how well they have performed. Similarly, they can be used very effectively as learning devices, especially for training new employees. They can also be used to transmit desired work behaviors, and the discussion and rehearsal of the repertoire content is an ideal method for personnel to learn and remember how these behaviors can be operationalized. This contextual approach also works to reduce role ambiguity often suffered by employees, ambiguities which affect employees' health, effectiveness and wellbeing. In most cases, only the highest impact behaviors need to be targeted. The repertoire has to consider the product/service quality standards set by the organization, the needs of the target customer group, and the positional advantages being sought by the organization. It should also be kept in mind that success in using behavioral repertoires will depend not only on the identification of appropriate behaviors, but also on the extent to which organizational members accept and are committed to this concept.

Study two: market-orientation profiling

A market orientation is essentially a behavioral culture that dictates how an organization's members think and act. It has been defined as: ... the organization-wide generation of market intelligence pertaining to current and future needs of the customers, dissemination of intelligence horizontally and vertically within the organization, and organization-wide action or responsiveness to it (Jaworski and Kohli, 1993, p. 54). The second study focused on specific market-oriented employee behaviors and their relationship to the marketing practices of the organization. This micro-level study and George Luffman Behavioral approaches to marketing strategy implementation Marketing Intelligence & Planning 19/6 [2001] 400-408 involved 234 respondents from the US telecommunications industry (Dobni, 1998). This industry was chosen because of its diversity in competitive environments resulting from sustained deregulation, yet it provided a single industry context on which to base this investigation. From this analysis we concluded that an organization's market- oriented behavior can be profiled, and that there are ideal behavioral profiles depending on the competitive landscape in which an organization must compete. This investigation identified seven market- oriented factors that collectively represented 61 employee behaviors related to the design and implementation of strategy, and then measured these factors relative to performance in different competitive environments. The underlying items supporting the factors were highly reliable. The behavioral factors and brief descriptions are outlined in Table II. To facilitate this investigation, competitive contexts were derived and each organization was assigned to one of the three distinct contexts. The contexts were characterized by levels of competitive intensity, technological dynamics, and products/services dynamics. Within each context, high performers were separated from average and low performers using relative return on investment as the benchmark. Behaviors of the two groups in each context were then profiled and compared. Only those behaviors that were significantly different from a statistical viewpoint were considered in the ideal profile. The results are interesting. For example, in an environment of competitive intensity, characterized by extreme price competition, new competitors, and abundant advertising and promotion, behaviors underlying formal intelligence generation, response design and implementation, and customer orientation were significantly related to performance. Alternatively, in a context where products/ services obsolescence is high, where a high degree of research and development is ongoing, and the introduction rate of new products and services is brisk, a customer orientation takes on less significance, while response design and implementation and formal intelligence generation become even more pivotal in determining performance. Without exception, the results indicated that there are ideal market orientation profiles corresponding to distinct competitive contexts. Equally compelling is the realization that deviations from ideal behaviors will almost always lead to less than optimal business performance. Across the three contexts explored it was also interesting to discover behavioral factors of lesser significance. For example, neither informal intelligence generation nor long-term planning (beyond five years) figured as significant behavioral factors in consideration of performance. It might not come as a surprise that formalized long-term business planning is sacrificed for other factors, given the ever increasing complexity of business environments and the need to take advantage of emergent opportunities. However, this factor should not be confused with strategic intent or, alternatively, the competitive positioning that the organization hopes to build over the coming decade. This investigation also revealed important relationships between market orientation and marketing strategy. On this point, organizations that displayed high market orientations had significant positive relationships with the marketing strategies of being first in with new products/services and technologies, being at the leading edge of industry developments, market segmentation, and product/service customization, undertaking research and development, advertising, promotion and image management, emphasizing company brand name/reputation, penetrating new markets with existing products/services, prestige pricing, and market sensing/ research. In a sense, they could be considered to be preoccupied with anticipating and meeting the needs of the customer, and intently focused on promoting and managing their image. These cultures understood the environment in which they operate, and made efforts to connect to the customer, through market segmentation, more than likely at the expense of internal efficiency. The return on investment for these efforts comes in the form of market share, market retention, loyal customers, and the ability to charge higher prices. Conversely, those organizations whose employees displayed low levels of market- oriented behavior displayed positive correlations with penetrating new markets with existing products/services, charging lower prices than competitors, and discounting prices. In contrast, these organizations were negatively correlated with market sensing/research, being first in with new products/services and technologies, providing high levels of customer service, market segmentation, product/service customization, and developing new products/services for existing markets. These organizations were generally unable to sustain concerted marketing efforts. This culture is less likely to provide the ongoing efforts required to differentiate themselves from the competition, for example, by providing ongoing customer service or supporting efforts with market research. As a result, their performance was consistently below average.

I How to leverage behaviors - an agenda for management

Before considering the prudence of these approaches to managing strategy, it is significant to note that deliberate engendering of behavioral profiles is possible, and in some cases even necessary. There are two considerations here. First, managers can attempt to change their culture to suit the context, if indeed there is a perceived gap between actual and desired orientations - this can be achieved through profiling. Alternatively, it may be possible to engage competitive contexts or industries that suit the organization's current behavioral orientation. The presumption here is that they (the manager/strategist) are aware of the fit between behavior and the competitive environment, and that they have a pulse on their organizational culture. Consider an organization that possesses a culture that supports proficient segmentation of the marketplace, and customizing products or services for these segments, strategies which are supported by diligent market sensing behaviors. Such organizations, when considering growth alternatives, might pursue markets, acquisitions or alliances in competitive contexts where such an orientation has proven to be successful, even though it might be unrelated to their principally served market segments. Accordingly, the ability to profile market orientation will reduce some of the risk associated with this type of strategic maneuvering. Finally being aware of ideal profiles may prevent managers from making unfocused or unnecessary changes to current organizational cultures. For a start, managers have to appreciate three things. First, behaviors and processes are closely entwined, and it is the collective behavior of employees that makes possible the activities which allow a business process to be carried out. The requirement for organizational processes merely provides a context to affect behavior. Flushing out these behaviors is no easy task, and the degree of success in these efforts will be tied to the desire of management to use these approaches. Second, this appreciation must be combined with a solid understanding of both the industry and the competitive environment in which the organization resides. Third, managers must begin to think strategically. Thinking strategically involves developing an appreciation of what is possible in your own organization in an integrative and collective sense. It also requires management to form strategic intentions based on this appreciation combined with their understanding of the present and their foresight for the future (Drucker, 1992). With this understanding we suggest the following prescriptive steps: Management sensitization sessions involving exposure to organizational issues and processes. It is important to identify prevailing cultural issues and related road-blocks, and then conclude with a prescriptive plan of action and commitment to proceed. Profile the industry, competitive and customer context and ascertain key success factors. This can be accomplished through established investigative methods. Identify desired behaviors that underlie key success factors necessary to meet your performance expectations. These behaviors should fall out of the analysis on the industry, competition and customers. While clearly the behaviors must reflect the expectations of the competitive context, including the customers, they should also be based on ideas canvassed from the employees themselves. When asked (our own research revealed that employees are seldom asked), most employees can suggest what new sets of behaviors would be more effective for achieving higher performance. After all, they are often closer to the customer and realities of competition. Also, involving them in the process will give them a clear idea of what is expected of them and help them buy into any changes that may be required. Measure the actual behavior or culture of your organization or, where applicable, the strategic business unit. This can be achieved through a culture/values survey, if the organization is quite large, or through personal and focus group interviews, if the organization is smaller. We suggest a combination of both. What is important here is that the process is as inclusive as possible - given the time and resources available to conduct it. This will produce the organization's actual behavioral profile. Determine the behavioral profile that is appropriate for your organization with respect to the existing values, objectives, and competitive and customer realities. Conceptualize ideal profiles. This conceptualization has to balance preservation of core ideologies, allow for operational autonomy, yet stimulate progress in the organization. Identify gaps between ideal/desired and actual behaviors. This involves a comparison of survey results with conceptualized patterns. Determine/design roles in terms of specific sets of behaviors to be performed by employees in pursuit of behavioral repertoires. Communicate roles to employees, so that they have a realistic perception of how they are expected to behave. This will involve orientation and training sessions to identify, support and reinforce the patterns of behavior chosen amongst existing employees. Appraisal and compensation systems may have to be altered. Select, train and motivate new employees, so that they can confidently, competently and enthusiastically adopt desired behavior profiles. Take steps to manage and refreeze the newly established behavior patterns. Managers must understand that behavioral expectations are conveyed to employees in a variety of implicit and explicit ways, including formal training programs, on-the-job training, mentorships, organizational manuals, and performance evaluation systems. It is important that these mechanisms communicate consistent and appropriate messages. Behaviors must also be reinforced through human resources, leadership, the values system, and by example. Provision of feedback, so that employees know how well they are performing relative to the expectations that have been set for them. This can be accomplished through legitimate two-way communication that focuses on getting the employees the information and reinforcement they need to keep their efforts on track.

I Managerial considerations

Why should managers undertake the effort, costs and risks associated with such transformations, and will it work? We feel that, if organizations are truly bent on developing sustainable competitive advantages through the linking of behaviors to the requirements of the competitive landscape, then the behavioral approach is their only option. These profiles become their primary point of differentiation.

We also believe that these models have application for the following reasons. First, the conclusions from these investigations fundamentally contributes to the redefinition of strategy implementation not only as we know it, but also how it should be practiced. Second, it is possible to empirically derive profiles of behaviors in consideration of performance and the competitive environment. Third, we now know that, as the competitive environment changes, so do the behaviors that are significantly related to performance. Specifically, those who are better performers place an emphasis on different behaviors, and in fact possess ideal profiles. In an era where the only thing that is constant is change, being nimble is advantageous. Fourth, the best way to facilitate a change in strategic orientation is through a change in culture. Last, a strong market-oriented culture acts as a good surrogate for poor or transitional leadership, or a lack of supporting values or vision, variants of which seem to be the norm as opposed to the exception in this day and age. Managing operational level marketing behaviors is critical to the success of organizations, and the linkages provided in these findings will help managers guide and control appropriate enactments. Unquestionably, the ability to profile market orientation opens up a number of possibilities for managers. For example, it allows managers to identify and categorize marketing related behaviors, and reinforce behaviors that manifest desired strategy. Where identifiable gaps exist between desired and actual behaviors, efforts can be made to customize employee training and development programs or realign the compensation and reward system to reinforce desired behaviors and cull those that are not. Also, these models could be used to reduce strategy ambiguity suffered by many operational level employees. This dysfunction exists when employees are uncertain about what managers or supervisors expect from them and how to satisfy those expectations (Naylor et al., 1980). Managing enactments will work to define further expected behaviors of employees, effectively and covertly directing strategy initiatives. Clearly, there are optimal behavioral contexts. The context pursued by an organization will be tempered by competitive dynamics, managerial values and goals, and organizational resources. Because of this, it may not be possible for all organizations to attain desired or ideal enactments. Accordingly, managers need to think long and hard about the levels they should pursue, and to understand the engagements that can be most impacting for them. Managers must also quickly realize that progress or decline is dictated by the unpredictability of the environment and their ability to respond to it. Preserving the core, while stimulating progress at the edges, is achieved through the development of an adaptive behavior-focused system. Managing behaviors of employees is critical to the success of firms, and the context that we have provided is offered as a linchpin for developing, guiding and controlling enactments that will lead to a sustainable competitive advantage which exceeds all others. Whether you are AT&T, General Motors, a business school, or a non-profit organization, the development of behavioral approaches will be the gateway to transforming your implementation focus. This transition is crucial for survival in future economies. Clearly, leadership for the initiation of this process falls squarely in the lap of management. In fact, managers of the future will be differentiated on their ability to affect and sustain contextual-specific cultures. Assuming that there are top management support and emphasis for these approaches, the organization can move ahead; however, if corporate verbiage is the sole base, then efforts to move in this direction will undoubtedly fail.

I Conclusion

The difference between average and outstanding organizations lies in the ability of the latter to provide superior customer value, and to exceed the expectations of other stakeholders on a continual basis. Value differentiation and superior performance today and in the future will be defined and sustained through distinctive capabilities possessed by employees. The organization's culture will be the interface between the employees and the environment that will foster the internal behaviors necessary to develop a continuous cycle of innovation, and the external relationships necessary to build sustainable customer loyalty and commitment. These two studies reinforce the one thing that traditional strategy paradigms often overlook - that the aggregate behaviors of the organization's employees are responsible for the implementation of corporate intentions. However, they go one step further by providing a context to profile and proactively manage behaviors. These approaches to strategy implementation foster a competitive position by leveraging on the distinctive skills and capabilities of employees and then selectively directing these competencies as a basis to compete in the marketplace. This is sustainable in that, when given a level playing-field, employee behaviors are much harder for the competition to understand and duplicate than generic marketing actions, a piece of equipment, location of a plant, or access to a distribution channel.