



Technical note

Alignment of strategic priorities and performance: an integration of operations and strategic management perspectives

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Abstract

In theory, strategic priorities at the functional level align with and support business level strategies. Alignment of priorities is presumed to contribute to enhanced organizational performance, just as misalignment is expected to undermine performance. This study further develops and tests these theoretical conventions by examining the perceptions of general managers and manufacturing managers regarding manufacturing priorities of their business units. Based on a sample of matched pairs of manufacturing managers and general managers from 98 manufacturing plants, the hypotheses regarding the alignment–performance relationship are tested. Specifically, we tested whether the performance of the manufacturing unit is enhanced when general managers and manufacturing managers agree on strategic priorities. Furthermore, the influence of organizational factors on the relationship between alignment and performance of the manufacturing unit is studied. Results support our hypotheses that certain organizational variables moderate the relationship between alignment of priorities and manufacturing performance.

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1. Introduction

The importance of the operations strategy field to manufacturing managers has sparked the interest of academics in the field and contributed to a significant increase in research activity over the past decade.

One of the research streams in operations strategy has focused on the alignment of strategic priorities across hierarchical levels—corporate, business and functional—and its impact on performance. As early as 1974, Skinner had implicitly conceptualized the need for “strategic consensus” or “alignment” of competitive priorities throughout the manufacturing organization. According to Boyer and McDermott (1999) strategic consensus is achieved when various levels of employees within an organization agree on what is most important for the organization to succeed. Specifically, they define strategic consensus as “the level of agreement within an organization regarding the relative importance of cost, quality, delivery

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and flexibility to the organization's operational goals" (p. 290). Robinson and Stern (1998), however, suggest that strategic consensus is achieved when the interests and actions of all company employees are focused on a company's key goals.

This concept of consensus or alignment is also a central theme in the field of strategic management (Venkatraman and Camillus, 1984; Venkatraman, 1989). When formulating corporate strategy, for instance, Ansoff (1965) and Andrews (1971) emphasized the importance of fitting or aligning the organization's strategy with an internal appraisal of the firm and an external assessment of environmental opportunities and threats. Alignment is important not only in developing strategies but also in their implementation. Implementation is fostered by aligning and adjusting key systems, processes, and decisions within the firm, including reward systems, information systems, resource allocations, corporate culture, and organizational objectives and priorities (Galbraith and Nathanson, 1978; Lorange and Vancil, 1977; Stonich, 1982). An important corollary of achieving alignment is presumed to be enhanced organizational performance, just as misalignment is expected to undermine performance (Ward and Bickford, 1996).

Likert (1961) emphasized the importance of coordinating the corporate, business and functional priorities and strategies of the firm, using the notion of a "linking pin". Likewise, the "vertical linking process" was stressed by Hrebiniak and Joyce (1984). Indeed, "successful implementation of strategy depends on this integration and the development of short-term operating objectives that relate to strategic plans" (Hrebiniak and Joyce, 1984, p. 113). Lingle and Schiemann (1996, p. 59) state that "Effective organizations are organic, integrated entities in which different units, functions and levels support the company strategy—and one another". Thus, in theory, the various levels of strategy, and strategic priorities are consistent, linked, and mutually supporting.

The studies focusing on alignment or strategic consensus in the operations strategy literature have been classified under two categories—internal fit and external fit. Internal fit refers, in part, to the consistency between the manufacturing task and manufacturing policies and practices (Skinner, 1974). For example, Kathuria and Davis (2001) focused on the fit between manufacturing priorities, in their case qual-

ity, and work force management practices used by manufacturing managers. Safizadeh et al. (1996) addressed the fit between manufacturing task and process choice. Boyer and McDermott (1999) examined strategic consensus between plant operators and managers through their relative emphasis on competitive priorities and organizational variables, such as infrastructural improvements and advanced manufacturing technologies.

Studies dealing with external fit stem from Skinner's (1969) seminal work that underlined the need for aligning operations strategy with business and corporate strategies. Under this category, one set of studies examined the presence or absence of external fit. For instance, Schroeder et al., 1986, p. 405) found that "in those cases where the manufacturing strategy exists it is consistent with business strategy ...". On the other hand, using respondents from different managerial levels, Swamidass (1986) observed a lack of alignment of strategic priorities at the business and manufacturing levels.

Another set of external fit studies examined alignment–performance relationships. Using a case study approach, Smith and Reece (1999) found that the fit between business strategy and the decision categories or operational elements, such as inventory and logistics decisions, workforce issues, and organization, leads to improved business performance. Their study focused on a single service firm with six divisions. Youndt et al. (1996) examined the relationships between human resources (HR) systems, manufacturing strategy and firm performance. They found certain types of HR systems were directly related to operational performance measures, such as employee productivity and machine efficiency. Further they found that certain competitive priorities moderated this relationship.

Recently, Papke-Shields and Malhotra (2001) extended the alignment research further by examining factors that may lead to a greater degree of alignment between business and manufacturing strategies. They found influence and involvement of manufacturing executives to affect alignment, which, in turn, affects business performance. The alignment measure as used in their study was based on the perception of one respondent per business unit—a manufacturing executive's perception of the congruence of manufacturing goals and objectives with organizational

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