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The impact of market and organisational challenges on marketing strategy decision-making: a qualitative investigation of the business-to-business sector

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Abstract

Technological advances, global competition, re-alignment of organisational processes with the markets they serve, new rules of corporate strategy and outsourcing to access or to extend organisational capabilities are influencing the nature of the client/organisational interface and are changing the nature of competition in today's market place. This research describes how marketing strategy is evolving within the context of this new competitive and organisational environment. Specifically, it explains how those responsible for marketing activities in the firm view marketing strategy and how they approach strategy development. © 2000 Elsevier Science Inc. All rights reserved.

Keywords: Business-to-business sector; Marketing strategy; Competition

1. Introduction

The generic marketing strategy options of low cost, differentiation, and focus (Porter, 1985) remain the dominant influencing strategy decision models presented in a range of frameworks for guiding strategy decisions (e.g., Aaker, 1994; Day, 1990). More recently, Sudharshan (1995) defines marketing strategy as a function of an organisation's marketing relationships (with particular emphasis on customers and channel members), the nature of the product offer, the timing of the offer to the market and the resources that will be provided to effect market delivery. Others (e.g., Day and Wensley, 1988; Kohli and Jaworski, 1990; Narver and Slater, 1990; Bharadwaj et al., 1993; Jaworski and Kohli, 1993, 1996; Slater and Narver, 1994) have directed marketing strategy decision-makers to adopt a "competitive advantage," organisational "market-orientation" foundation to developing marketing strategy, supporting marketing strategy decisions based on information management and dissemination, organisational skills and resources, and current competitive comparisons. It is postulated that a focus on existing value created through current business partnerships and client relationships, and current competitive strengths is likely to place an organisation at a disadvantage in a future competitive environment for three important reasons.

1. The exponential changes in information technology (IT) is revolutionising the nature of business performance both within organisations and between organisations and their various stakeholder groups. The competitive advantages of today will become the barriers for entry, with new sources of advantage to be identified and developed.

2. The ability of global players to rapidly enter markets and emergence of network organisations "consisting of large numbers of functionally specialised firms tied together in co-operative exchange relationships" (Achrol, 1991, p. 56), bring to life in a devastating way Michael Porter's (1980) model of the five forces of competition through the consequences of new competitive entry.

3. The recent history of downsizing and a more flexible approach to structural reconfiguring can create an environment that facilitates competitive re-positioning.

No research to date has investigated how those responsible for marketing are coping with marketing strategy development within this new environment. This study ex-

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plains how those responsible for marketing activities in the firm view marketing strategy and how they approach strategy development. It describes the role that emerging market and organisational challenges play in shaping marketing strategic decision-making and identifies methods that those responsible for marketing adopt to incorporate those challenges in their decision-making process. Data are collected from persons responsible for marketing strategy decisions in 48 organisations (cases) falling into four broad categories within the business-to-business market sector.

2. Marketing strategy and its foundations

2.1. The role of marketers in strategy decision-making

Confirmation of middle management's increasing influence on strategic direction has been provided by Schilit (1987), with resultant positive influence on organisational performance; however, little evidence has been provided on the nature of those strategic roles. Floyd and Wooldridge (1992) describe the role of middle management (including market and product management) in championing initiatives (Hutt et al., 1988), synthesising information (Nonaka, 1988), facilitating adaptability (Burgelman, 1983), and implementing deliberate strategy (Nutt, 1987).

In studying the process of marketing strategy formation, Hutt et al. (1988) confirmed the role of marketers within the strategic planning process, highlighting the entrepreneurial role of marketing managers in large, complex firms. They identified the interaction between the different levels of planning hierarchy in the firm and the role of marketing in the strategic dialogue. Their research supported the importance of facilitating the exchange of information among functional areas and business units of the organisation in supporting autonomous strategic initiatives.

2.2. The link between marketing strategy and corporate strategy

There has been general acceptance in the management and marketing literature for a hierarchical model of strategy decision-making, where interdependent strategy is formulated at different levels of an organisation, categorising decisions as corporate, strategic business unit, and functional (Boyd et al., 1995). An analysis of the literature reveals that strategy resolves the fit between an organisation and its environment, and that strategic decision-making "is the crucial link in the organisation's environmental adaptation process" (Varadarajan and Clark, 1997, p. 94).

It would appear, however, that in practice, decisions do not readily fall neatly into corporate, business, or functional level strategies, with some corporate decisions encompassing issues that are clearly within the realm of marketing decisions. Varadarajan and Clark (1994) posit the level of decision-making for marketing and other decisions may vary depending on the extent and nature of the products and markets the organisation serves.

2.3. Foundations of strategy development

Organisations have created links to provide access to the resources and capabilities that are critical for effective market competition. Stalk et al. (1992) identified the importance of a company distinguishing itself from its competitors in the market place, with resources and capabilities becoming paramount in a company's fight for market share, and strategic alliances providing an avenue through which required resources and capabilities can be accessed. Recent literature (see Prahalad and Hamel, 1990; Stalk et al., 1992; Markides and Williamson, 1994) suggests that organisations and researchers alike must rethink strategy in terms of the key capabilities they can access through strategic alliances.

Managers today are encouraged to evaluate their colleagues and senior managers in terms of their ability to understand how industry might change in the future (Hamel and Prahalad, 1994; McClelland, 1994). Concern is raised about current managers' preoccupation with restructuring and reengineering as opposed to energetically focusing their attention on the outward and forward. "Any company that is a bystander on the road to the future will watch its structure, values, and skills become progressively less attuned to industry realities" (Hamel and Prahalad, 1994, p. 124). The current inward focus towards "divest and downsize" is certainly making an impact on asset productivity; however, are proponents of this de-layering attuned to the opportunities of the future and has this focus positioned the organisation to take advantage of the opportunities that might arise?

The dynamic nature of the environment is reflected through the changing nature and number of competitive configurations, each with the ability to access an expanding set of specific competencies and capabilities that an organisation must consider when shaping strategy (Chakravarthy, 1997). In high technology industries such as the information communications industry, traditional entry and mobility barriers have been lowered through technological advances and deregulation policies, and competitive advantages are rapidly created and eroded (Chakravarthy, 1997). Within this environment of technological change and changes in ethnic and culturally diversified market segments caused by innovation intensity, competition, and IT, "windows of opportunity will be narrower and more transitory" (Achrol, 1991). Traditional bases of competition through low cost and differentiation (Porter, 1985) are constantly challenged through technological innovation, driving costs down whilst facilitating innovation to deliver superior features. In the information and communication industry, e.g., "traditional barriers built around switching costs and captive distribution are being challenged by an open information architecture and access to a broadband commu-