STRATEGIC CONSENSUS IN INDIA: ARE BUSINESS AND MANUFACTURING STRATEGIES ALIGNED?

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ABSTRACT

With rapid industrialization around the globe, manufacturers in developed economies are likely to face competition from not only their counterparts in other developed nations, but also developing economies that are capable of producing high quality standardized items at a low cost. Research focused on manufacturers and their strategies in the developing economies is, however, scarce. This study contributes to the literature by examining manufacturing strategy in an important but until now relatively overlooked economy, India. This study should help manufacturers entering India to better understand manufacturing strategy and its alignment with the business strategy in the Indian context.

INTRODUCTION

Strategic intent cascades from the top levels of the organization to influence and mold lower levels of strategy. The corporate strategy is the umbrella for all other levels. Within parameters set by corporate strategy, each distinct business within the corporation may craft its own business strategy. This strategy reinforces corporate strategy and, in turn, is supported by functional level strategies, such as marketing, manufacturing, and finance strategies. In theory then, lower levels of strategy are consistent with higher levels of strategy so as to foster their successful accomplishment. These theoretical arguments for strategic agreement between levels in an organization are both widely accepted and understood by researchers in the field, and logically intuitive. But do they pass the empirical test? That is, in actual practice, do managers at different levels of the organization agree on competitive priorities?

The answer to this question is inconclusive for two reasons. First, very few empirical studies have examined the agreement between functional-level competitive priorities and business-level priorities. Second, findings of the few studies that have been conducted are not consistent. The purpose of this study is to test the level of agreement on competitive priorities among general managers and manufacturing managers, and to uncover reasons for any mismatch of manufacturing priorities between the two levels of managers. The focus of this study is on India and its managers.

This study represents both a replication of prior research and an extension of that research to new populations of managers and new organizational levels. Replications with extensions are important not only because they protect against the uncritical assimilation of erroneous empirical results into the literature, but they help to determine the scope and limits of initial findings by seeing if they can be generalized to other populations, time periods, organizations, geographical areas, measurement instruments, contexts, and so on. Thus replications with extensions are basic to empirical generalization or knowledge development. This study is a replication of Kathuria et al.'s (1999) in a different geographic region and culture.

LITERATURE REVIEW AND HYPOTHESES

Research in the field has focused on developing models to match operations decisions, such as technology, and manufacturing planning and control systems, with the competitive priorities of a firm. If general managers (GMs) and manufacturing managers (MMs) are, indeed, emphasizing different competitive priorities, the implementation of the proposed models is weakened without detecting and/or resolving these differences. So, to further advance the research and practice of manufacturing strategy, it seems important to analyze the degree of difference or mismatch between the priorities emphasized by executives at different levels in a company, and the underlying factors that explain those differences. The identification and understanding of the demographic and organizational factors associated with misalignment will facilitate the implementation of business strategy. In particular, it would help align operations-related decisions with the business strategy of a company.

With regard to linking strategies across levels of the organization, this study tests agreement between level 1 (functional) and level 2 (business) by testing alignment between the stewards of strategy at the business (i.e., GM) and manufacturing (i.e., MM) levels. If GMs and MMs agree on the competitive priorities of the manufacturing unit (level 1), it seems logical to assume that these priorities complement and support the unit's business level strategy (level 2). Otherwise, the GM who is ultimately responsible for the success of the business strategy would not agree with the manufacturing priorities in question.

Since data for the Swamidass (1986) study were collected in 1982, during an earlier stage of the field's development, it would be reasonable to expect that differences in priorities between the two levels of executives would have converged over time. In other words, as the field evolves and matures, and as research contributions are disseminated and organizational learning occurs, we expect more pairs of GMs and MMs to emphasize the same set of priorities. But, more than a decade later, Kathuria et al. (1999) observed that lack of strategic consensus persisted in the U.S. This finding could be partly explained based on the theory of 'power distance.' Research shows that power is not equally shared in Indian companies, as it is in the U.S. Given a high power distance in India, we expect manufacturing managers to agree more with their general managers on the strategic competitive priorities of their respective companies. Thus,

> H1: GMs and MMs in India are more likely to agree than disagree on the competitive priorities of the manufacturing unit.

In the absence of clarity about the competitive priorities of the company, MMs would emphasize priorities that they consider appropriate from their perspective. The MMs' choice of priorities is likely to be influenced by their individual characteristics. This contention draws indirect support from the strategic management literature that has proposed and established a linkage between managerial characteristics and the strategic types at the upper echelons in organizations. The following section highlights some of these characteristics and describes their relevance to the hypothesized differences in the priorities emphasized by the two groups of executives. Due to the page restriction, we are only presenting the hypotheses below.

> H2: MMs with higher education are more likely to agree than disagree with their GMS on competitive priorities.
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> H3: As the age of MMs increases, their disagreement with their GMs on the competitive priorities of their company decreases.
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> H4a: As job tenure increases, MMs are more likely to agree with their GMs on the competitive priorities of their company.
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> H4b. As organization tenure increases, MMs are more likely to disagree with their GMs on the

competitive priorities of their company.

H5: Higher years of association between GMs and MMs are expected to increase the likelihood of two executives agreeing on the competitive priorities.

RESEARCH METHODOLOGY

The unit of analysis for this study was a manufacturing unit headed by a manufacturing manager responsible for implementing or pursuing the competitive priorities of the unit. These entities included manufacturing units or divisions of some large firms, and for smaller manufacturers, the entire organization. For each unit in the sample, data for the study were collected from two levels of managers in India. Since most manufacturing companies in India conduct business in English, the same questionnaire as used in Kathuria et al. (1999) was adopted without having to translate in any local language. Respondents returned the questionnaires to our associates' office in India. The response rate from India was about thirty percent, with 156 usable responses received from 78 manufacturing units.

RESULTS

The perceived emphasis of the two levels of managers – manufacturing and general – on various priorities was compared using pairwise tests with Bonferroni adjustment, which helps control the overall Type I error when making multiple comparisons. This adjustment provides a more conservative test than separate, bivariate t-tests. The results indicate that the matched pairs of manufacturing and general managers in India differ on the degree of emphasis placed by each on the four priorities. When compared to their U.S. counterparts, however, the disagreement is not as much (cf., Kathuria et al. (1999), which supports our Hypothesis 1. The Pearson correlations among study variables of interest, and the regression results, lend support to our Hypotheses 3, 4b and 5.

This study provides insights into the manufacturing priorities of GMs and MMs in India. One implication of this study is the need for GMs and MMs to work together to create alignment of manufacturing priorities. This study has significant implications for organizations striving to achieve strategic consensus. For example, education of MMs, other things being equal, certainly plays a role in achieving strategic consensus, as do the years of association between the two levels of managers. Longer time spent on a job also seems to help the manufacturing manager in better understanding the priorities of the company and of the GM, but longer time spent by an MM on other jobs in the company is likely to lead to higher levels of disagreement between the two managers. Further, as the MMs age, i.e., the age difference between the two managers narrows, they tend to agree more on the strategic priorities of a company. These demographic and organizational factors should be considered when making decisions regarding appointment, placement and promotion of individuals to certain positions in the organization.

This study contributes to the literature by exploring manufacturing units in an important but until now relatively overlooked economy, India. As FDI continues to flow into India, and the middle class of this vast country continues to grow, India will play an increasingly prominent role in global business and economics. This study should help manufacturers entering India to better understand manufacturing strategy and competitive priorities in the Indian market.

References: Available upon request from the first author.