The two processors weren't opcode-compatible, but they were explicitly designed to have *one-to-one translations* from 8080 to 8086 opcodes so machine code could actually be translated simply, not reassembled. This is how the infamous QDOS, MS-DOS's ancestor, was created, and is part of why Digital Research eventually sued Microsoft: California Computer Systems (if I'm remembering the name right) ran CP/M's 8080 code through just such a translator, and then wrote a native BDOS for their development system. (The original releases of MS-DOS 1.0 actually had a Digital Research copyright string embedded in them because of this.)