The Role of Marketing Capabilities as a Resource-Based View on Organizational Performance

Samuel Afriyie\textsuperscript{a*}, Jianguo Du\textsuperscript{b}, Kingsley Appiah\textsuperscript{c}

\textsuperscript{a}Marketing Department, Kumasi Technical University, Kumasi, Ghana
\textsuperscript{ab}School of Management, Jiangsu University, Zhenjiang 212013, PR China
\textsuperscript{c}Marketing Department, Kumasi Technical University, Kumasi, Ghana

\textsuperscript{a}Email: freshsam2000@yahoo.com
\textsuperscript{b}Email: jd\_foreign\_phd@163.com (J. Du)
\textsuperscript{c}Email: kingsleyappiah2004@yahoo.com

Abstract

This study seeks to review existing literature on the significance of Marketing Capabilities as Resource Based View and its relationship on organizational performances that is explaining the logical step from marketing capabilities to a positive Organizational Performance. Further exploration is studied to understand the Marketing Capabilities as a Resource based view and innovation capabilities deeper. Recommendation have been presented on the implications of marketing capabilities application of business operating in domestic and international markets.

Keywords: Marketing Capabilities; Innovation capabilities; Organizational Performance; Resource Based View.

1. Introduction

Marketing plays a significant role in determining the strategic orientation and performance outcomes of the firm [1, 2]. An important determinant of value creation and competitive advantage is through capabilities acquiring and tangible and intangible resources transformation [3-7]. In an increasingly diversities and dynamic markets [8], Marketing capability involves the integrative process in which a firm uses its tangible and intangible resources to understand complex consumer specific needs, achieve product differentiation relative to competition, and achieve superior brand equity[9, 10]. Given the continuing debate on marketing capabilities and performance [1, 2, 11, 12], a more fine-grained research is called for on both marketing and organizational antecedents of firm performance and the causal mechanisms by which competitive advantage is generated.

* Corresponding author.
2. Marketing Capabilities

According to [13], describe capabilities as a complex bundles of skills and knowledge embedded in organizational processes, where marketing capabilities can be included [11, 14]. As defended by the RBV of the firm, the resource base proves to be valuable, rare, inimitable, and non-substitutable (VRIN) [15, 16]. Additionally, once the VRIN characteristics are assured, firms can “deploy their resources and capabilities strategically, allowing them to exploit their distinctive competencies in the best way possible to create sustainable competitive advantage” [17]. According to [18] “immobile resources are highly firm specific, legally protected, and likely created as a function of more complex technical or social routines” turning them into idiosyncratic assets to the firm. In an increasingly competitive and changing environment, the question that arises is how to sustain the competitiveness of those idiosyncratic assets, where cycles of innovation and imitation are the main engine of industry capabilities[19].

The marketing capabilities effect on firm performance has been pointed out by many scholars [9, 11, 18, 20]. The value of the marketing function for market orientation and firm performance is recognized [14] by means of facilitating the link between customer and several key firm processes [9], including financial performance and customer relationship performance [20], and yet by gaining competitive advantage through the interrelation of various firm-level resources and marketing-specific actions in complex ways [18]. For this purpose, [11] approach to marketing capabilities will be considered, including pricing, product development, channel management, marketing communication, selling, market information management, marketing planning, and marketing implementation.

Marketing literatures put forward that firm capabilities in functional areas can result into positive performance. The concept of developing capability and its impact on performance has been an essential centre of attention within the marketing field in recent years. Marketing resources and capabilities, exercised through marketing processes, can be a significant contributing factor to a firm’s competitive advantage in global markets [21, 22]. Previous research studies have identified various types of marketing capabilities that can arguments a firm’s competitive advantage and business performance. [9] proposed inside-out, outside-in, and spanning capabilities: the first referring to the ability of a company to identify customers’ needs, the second referring to the ability to build relationships with them, and the third referring to the ability to integrate inside-out and outside-in capabilities.

In addition, other researchers pointed out the capacity to learn from the market [22-24], the capability to collect, disseminate and use market-based information [25, 26], the ability to create mutual trust and commitment between partners [21], as vital elements to the growth of organizational performance. Marketing capability can assist firm’s sense and react to market changes such as competitors’ moves, technological evolution and revolution, enable firm organizations to leverage the capabilities and resources of partners for value creation, facilitate firms to prognosticate and prefigure customer overt and covert. These, in turn, can aid firm organizations to develop both radical new products or employ existing products with new features and attributes to satisfy both the needs of current customers and new customers to guarantee the stability, survivability, and avoidance of shocks from new waves of competition based on new technologies and new value propositions.
Further, marketing capability is operated under proper organizational architecture. Organizational structural factors should have effects on performance outcomes. The outside-in view suggests that the ability of the firm to best manage resources and capabilities according to external market and environment requests will show the highest levels of performance. Organizational structural alignment theory suggests that the firm should align organizational structure with the external environmental requirement and its strategic business objectives. Organizational theorists have opine that firms tend to have a structure that is decentralized under high uncertainty, complexity and velocity. Marketing theorists suggest that to better serve customer needs, organizational structure should be adapted to customer groups.

Moreover, marketing scholars have long argued that inter-functional integration can incorporate information and insights from changing external environment. Premised on these insights, we posit that decentralization, customer-based structure, inter-functional integration positively moderate the positive relationship between marketing capability, organization adaptation mechanism and new product development performance. Organizational structural factors thus are composed of the structural sources of marketing capability from an outside-in perspective on performance outcomes.

2.1 Marketing Capabilities Perspectives

Marketing capabilities concept can be better understood by examining certain antecedents. A study performed by [27] was intended to link alternative strategic orientations with firm performance, through the mediating effect of marketing capabilities. The outcomes specify that competitor orientation and innovation orientation significantly contribute to the advancement of marketing capabilities and marketing capabilities have a positive influence on overall firm performance [27, 28] aimed at analyzing the development of marketing strategies in international new ventures by using the concept of entrepreneurial marketing to these internationalizing firms. The conclusion was that, the development of international entrepreneurial marketing strategies appears to reflect the turbulence and global diversity of the environment and the market orientation of the international new ventures [28].

In another, operations and marketing functions impact also their capabilities and, consequently, overall firm performance. [29] stated the significance given to operations and marketing functions impacts on their capabilities during periods of economic growth. Managers (i.e., firms) perceiving their industry environment as turbulent will produce superior market learning and marketing capabilities [30]. Market learning will aid in the process of producing superior marketing capabilities.

Marketing strategy of a company is critical to a successful organizational approach in the domestic and international markets. Organizational strategy defines the market orientation of a firm, which defines how a company is focused in relation to factors such as customers, competitors, and departmental dynamics to deliver success [31]. Effective strategic planning demands that organizations advance their understanding of the strengths shaping the situation and the mechanisms by which such an understanding occurs and, subsequently, form marketing strategy [32]. The idea of leveraging a marketing strategy across multiple markets seems to be nothing but beneficial. It preserve energy and resources and guarantees an extraordinary scale of consistency
between all in-market branding and activities. However, to be able to attain this, companies should possess certain marketing capabilities. The role of marketing capabilities in achieving company's market and financial success is enormous [33-36].

Additionally, a study of [5] studied how market sensing, brand management, and customer relationship management (CRM) capabilities define firms' revenue growth and margin growth (the two components of profit growth). The results outcomes pointed out that marketing capabilities have a direct and complementary effect on revenue and margin growth rates. Brand management and CRM capabilities have an opposing effect on revenue and margin growth rates[5]. The immediate effects of marketing resources on firm performance were also emphasized in a study performed by [37]. The study established how sales capabilities and performance monitoring via marketing dashboards decides a firm's sense making. Studies illustrating value of marketing capabilities are plentiful. Still, it is suggested that there is insufficient understanding whether marketing capabilities lead to certain positive organizational outcomes [38].

There is also gap with regard to how the positive organizational outcomes are impacted by these capabilities. In this study, we review existing literature with the aim of: firstly, illustrating the significance of marketing capabilities, and secondly, to determine the role that marketing capabilities play in the organizational outcomes that is explaining how positive market performance of company is achieved. This paper is in four perspective, the first, reviews the literature and the second seek to illustrate the role of marketing capabilities to positive organizational performance. Next, we explore certain antecedents of innovation and marketing capabilities respectively in order to understand the concept of capabilities more deeply. Lastly, implications for companies operating domestic and international markets and recommendations are presented, followed by the conclusion.

2.2 The Significance of Marketing Capabilities

Marketing capabilities such as market sensing, partner linking, customer capabilities, functional capabilities, networking capabilities have been linked to various positive organizational outcomes [39]. Such capabilities can either be used to form a marketing strategy that would lead to superior performance or may be of tactical or operational use, thus contributing to the value chain. The understanding of firms’ benchmarking of strategies in two disciplines, marketing and operational (R&D and manufacturing) capabilities is modeled as drivers of international performance [40]. Research results of a study performed by [37] indicated that sales capability and the use of marketing dashboards not only contribute directly, but also have an interactive impact, emphasizing the significance of combining both sales and marketing operations.

Also, there was some evidence that sense-making impacts cost control and improves customer relationship performance, which suggests that it has the potential to concurrently affect both cost efficiency and growth [37]. Analysis of the effect of marketing, innovation, and learning capabilities on overall performance was undertaken by [41]. Findings recommended that marketing, innovation, and learning capabilities are undeniably interconnected to SME performance and that these capabilities associate with one another to create great synergy in obtaining SME performance [41]. Another model developed by [42], assessed marketing capability from an outside-in perspective, organizational adaptation mechanism exploitation and exploration,
organizational structural factors, and new product development (NPD) performance. The findings put forward that marketing capability is essential for the firm to adjust to external changes as long as the firm adjusts organizational structural factors with the demand of marketing capability for exploitation and exploration in product innovation [42].

Marketing capability was also studied from a resource-based perspective and showed it has an important impact on operations capability, and that operations capability is positively linked to firm's efficiency [43]. Operations capability fully mediates the connection between marketing capability and financial performance [43]. Marketing capabilities impact on export performance using resource-based view was also suggested by [35]. The objective of the research was to analyze increasing intensive competitive conditions, how firms have been trying to find ways to create advantages against their competitors that lead them to change their product-oriented strategy to embrace market oriented strategy [35]. Network linking also contributes marketing capabilities to innovation strategies for firm sustainability, sustainable consumption behavior and firm competitive advantage [38]. Market orientation and management capability act as enabling mechanisms for building marketing capabilities and highlight the innovation capability as the strongest determinant of a firm's performance [36].

A study conducted by [44] proved that marketing capability can drive business performance. Superior marketing capabilities is one of the strong attributes for those organizations that outperform their competitors. Therefore, most organizations are investing largely for the development of the marketing capabilities, which benefits the organization with both business growth and sustainable competitive advantage. The success of the business can be measured by growth and sustainable competitive advantage [44-46]. Among those who have seen the benefits of investing in marketing capability development, their brand learning in multinational clients is improved significantly and their business results have increased. The findings by [47], will be of direct relevance to anyone who is tasked with proving the case for investment in marketing capability development toward business success: Marketing capability is proven to drive business performance, not just to be associated with it but most importantly, marketing capability drives both top and bottom line growth.

Resources are highly demanded when developing the capabilities required for creating market and customer orientation in order to generate profits over and above the costs incurred in the implementation of marketing capabilities while growing revenues. Developing a holistic capability for a firm is more valuable than concentrating on individual marketing capability initiatives in the pursuit of improving performance, but there are additional advantages of focusing on both initiatives. Many successful marketing processes are interdependent and entwining capabilities, which are connecting processes and approaches across capability areas, in which customer satisfaction, profitability, market effectiveness and return on assets, are improved. The nature of marketing capabilities in comparison to other capability areas improves sustainable competitive advantage in a better way. Customer-centric marketing requires tacit knowledge and embodied skills more than just setting a new organizational structure or process improvement. This demand richly linked, dispersed and cooperatively shared know-how across individuals and departments. In case of an employee turnover, it is difficult to take codified processes and tools to implement the same structures into the new organization, because a successfully implemented model cannot be easily replicated. A systematic organizational change across a range of core drivers in building marketing capabilities requires to summarizing the changes to be
successfully absorbed by all employees. This process should restore confidence to those that are concerned with the investment in capability may unwittingly benefit any organizations that former employees join.

In a study performed by [10], the ultimate focus was to find out the influence of a firm's functional capabilities (marketing and operations) and diversification approaches (product/service and international diversification) on overall financial performance. The results indicated that marketing capability is the fundamental determinant for superior financial performance and also that market-driven firms are likely to have much better business performance than a firm focusing entirely on operational capabilities [10]. The relationship between the marketing competencies of SMEs and their entrepreneurial vision and international marketing-oriented awareness has been established [33]. Developed sense-making capability also expands the potential range of strategic responses and, finally, enhances customer-based performance [32]. For example, product development capability (PDC) impacts the launch strategy for a durable product that is sequentially developed over time in a market where consumers have heterogeneous valuations for quality [35]. The results indicated that looking through firms’ resource use up to their marketing capabilities, use of informational and economic resource combines with administration and consumer relations capabilities [35].

Marketing and research and development (R&D) capabilities as well as degree of internationalization were linked to the innovation performance of SMEs [48]. The results indicated that internationalization has a positive impact on innovation performance when R&D capability of SMEs’ or marketing capability is high [48]. Furthermore, the results showed that the impact of internationalization on innovation performance has a negative result when marketing capability or R&D capability is low. Marketing capabilities strongly influence and further strengthen the influence of internationalization on innovation performance [48].

3. International Markets and Marketing Capabilities

Marketing capabilities also contribute to the international expansion of international new ventures by impacting firm’s decision to choose entry modes including higher resource engagement in foreign markets [34]. Past research studies in international marketing identified the importance of understanding the relationship between marketing capabilities and export performance [49-52]. According to dynamic capabilities’ theory [53, 54], firm performance over time is primarily determined by the firms’ capabilities of acquiring and deploying resources to match their market environment [55-58]. Firm capabilities consist of complex coordinated patterns of skills and knowledge that are uniquely embedded in processes that are performed well, relative to competitors [59, 60].

Marketing capabilities are defined as complex bundles of skills and accumulated knowledge, exercised through marketing processes, which enable a firm to coordinate marketing activities and make use of its assets [9]. Thus, marketing capabilities are firm-specific and could provide superior market sensing, customer linking, and channel bonding capabilities in global markets [61]. These capabilities can lead to global market success. Marketing capabilities enable exporting firms to implement new export marketing strategies to reflect changing global market conditions through transforming and combining available resources in new and different ways.

For exporting firms, it is important to understand the role of marketing capabilities within the global marketing
context. Many research studies call for additional research to better understand the differing impact of various marketing capabilities on export performance [21]. Although the concept of marketing capabilities has received increased attention in marketing and strategy literature, little research has been devoted to exploring the differential influence of marketing capabilities on export performance for firms with varying degree of export involvement [3, 62]. Based on the resource based perspective, the above marketing capabilities are projected to have a positive effect on firm’s performance because they are based on the firm’s capability to manage information and adapt to the environment. Moreover, these capabilities are easily transferable between different countries, as they do not depend on the context in which the firm carries out its business activity but rather are based on the management of information and adaptation to foreign markets [63]. Marketing literature suggests that firms use capabilities to covert resources into outputs driven by their marketing mix strategies and that such marketing capabilities can have an effect on their business performance [5, 11, 64]. Marketing mix capabilities are utilized to exploit to expanded and put into operation the company’s product, pricing, distribution, and promotion strategy in export markets that are key to superior export performance [49].

4. Domestic Markets and Marketing Capabilities

Marketing capabilities and the capability-based theory suggests that an enterprise can achieve competitive edge through unique capabilities [15, 22]. These capabilities must be valuable and rare, and difficult to imitate and non-substitutable by rivals [16]. Thus, it is an important task for every enterprise to identify those capabilities to sustain a competitive performance. Linking marketing capabilities with firm performance has become a clear priority among marketing scholars [1, 9] considered “marketing capability” as the capability of an enterprise to utilize its knowledge, technology, and resources to satisfy the needs of the market or its customers. The success of an enterprise comes from the value it creates for its target customers by developing proper products/services and marketing methods. An enterprise needs to gather market information, improve marketing technologies, upgrade marketing skills, and enhance management capabilities to increase its abilities to adapt to new challenges from markets. Similarly, two interrelated marketing capability areas have been identified: capabilities concerning individual “marketing mix” processes, such as product development and management, pricing, selling, marketing communications, and channel management [11], and capabilities concerned with the processes of marketing strategy development and execution [5]. These capabilities are crucial factors that can lead to superior firm performance [65]. Due to the important role of marketing capabilities in the selection of product markets and because of their ability to impact on the implementation of market strategies [3, 9], the marketing capabilities of the firm have been predicted to influence firm performance.

Similarly, small business and entrepreneurship scholars have also predicted that marketing capabilities have influence on firm performance [66-69], also described entrepreneurial marketing with the resource-based firm view. [70] reveals some common areas of distinctive competencies of small and microenterprise that include: experience and knowledge, uniqueness of product or service, better than average service, location, low cost and price, quality and variety of products, customer relation, and unique method of marketing. The marketing capabilities of a small businesses of food vending literature confirms that cheaper pricing [71, 72], convenient location [70-73], shorter food delivery time [71-73], lower production costs [74] are the Cardinal ingredients which lay emphasis on the concept of [5] on market sensing, brand management, and customer relationship
management (CRM) capabilities define firms' profit growth. Literature also shows that food specialty [73, 75], cooking methods [73], and customer requirements [73, 75] are the primal traits shaping the marketing capabilities of food vending. This is because the food vendors use secret cooking methods and offer special foods to attract the customers. Furthermore, the literature describes that the marketing capabilities of food vending can be drawn from the analysis of customer relationship. Creativity in interacting with customers [76, 77] allows the food vendors to retain more customers because it provides warm and friendly atmosphere.

Many researchers [5, 11, 78, 79] discuss the combination of complementary capabilities, and execution of those capabilities. [80] suggest that through the superior capabilities, firm can get positional advantage over competitors. Empirical findings produces several marketing capabilities of microenterprise that is also supported by marketing scholar communities’ [5, 9, 78-80] arguments. These distinctive capabilities of microenterprise make them competitive from rivals [9]. These are the evidences where marketing capabilities of food vending could be applied to achieve organizational performance.

5. Conclusion

Successful businesses duels on an effective marketing strategy and without it customers will never be aware of organizations locations, products or services. Marketing Capabilities plays a key role in handling efficient marketing strategy. As our literature reveals that there is a positive relationship between marketing capabilities and organizational performance. This has provide a lot of benefits to businesses operating international and domestic markets, in which deeper understanding of markets and its marketing capabilities enables businesses to prioritize and maximize efforts and budgets effectively. Thus marketing capabilities provides an avenues for business to access markets by offering customers the cutting edge of innovative products and services because the business specific, valuable, no substitutes, inimitable and easily transferable between markets [58, 81].

Accordingly, this study allude that effective marketing capabilities plays a key role in business operating in the domestic and international markets, especially where firm performance and innovativeness improves significantly through marketing capabilities. In addition marketing capabilities enhances business internationalization as illustrated in the literature, this is because it makes business to be alert on competitors activities and also customer intelligence to effectively react to competitors.

Consequently [9] explains that marketing process are mostly business specific and does provides unique marketing capabilities occur in the process where individual combines their particular knowledge and skills with the limited resources available to them [82]. Efficient organizational performance both in the domestic and international markets demands acceptable efforts and resources to market research in order to ascertain information on customer’s needs, broad market information, and designs marketing activities to meet market’s needs [83], further, firms ricing capabilities to compete on price enhances performance and product capabilities which ensures designs products in relations to customer needs outweigh competitors [83]. To achieve such performance, a firm should have a capabilities in distribution channel management, build effective relationships with distributors. Again, it is important to have the capability in terms of promotion, which is concerned with sales promotions, advertising, and personal selling activities the firm utilizes to communicate with the market
and sell the product. Finally, a business should have strong marketing capabilities to focus on customer acquisition, the effective management of marketing programs, and the ability to and the ability to coordinate action oriented among the diverse elements in the firm needed in order to implement a marketing program [83]

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