Impact of marketing capabilities on competitive advantage and business performance: research propositions

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Abstract: Research to date looking at marketing capabilities is limited to varied types of capabilities in general. The purpose of the study is to comprehend marketing capabilities from an operational perspective and to explore its role in enhancing competitive advantage and business performance. The paper draws upon the extant literature to present a series of research propositions relating to marketing capabilities. The paper identifies the role of market orientation, culture, environmental turbulence, and competitive advantage in enhancing marketing capabilities and business performance relationship. To the extent marketing managers develop valuable, non-substitutable and inimitable capabilities in the turbulent competitive environment, business performance may be increased leading, in turn, to enhanced competitive advantage. However, conceptualisation of marketing capabilities from the operational is one of its major limitations. Hence, the other three perspectives that include intellectual capital, marketing mix and competition need also to be relooked for comprehending marketing capabilities concept.

Keywords: marketing capabilities; market orientation; organisational culture; environmental turbulence; competitive advantage; business performance.


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1 Introduction

In a hyper competitive environment, an organisation strives to develop valuable, non-substitutable and inimitable marketing capabilities to attain competitive advantage and business performance (Barney, 1991; Day, 1994; Vorhies and Morgan, 2005). These marketing capabilities enable an organisation to satisfy customers’ needs and wants and build relationships with suppliers, distributors and other customers which subsequently enhance the business performance (Day, 1994; Tsai and Shih, 2004; Vorhies and Morgan, 2005). Day (1994) remarks that development of key marketing capabilities facilitate an organisation to perform basic marketing capabilities such as gathering information about market needs, segmenting and selecting target markets (market planning activities), developing new services to meet the needs of targeted segments (product development activities), pricing the services (pricing), and communicating the benefits of offered services to the target segment (promotion). In one of his recent papers, Day (2011) expresses that marketing capabilities can help an organisation to narrow the gap between the accelerating complexity of the market and its ability to cope with this complexity to meet not only the market demand but also to stay ahead of the competitors.

Although significant attempts are made by marketing researchers yet distinct initiatives are required to reconceptualise and empirically validate the marketing capabilities concept. Number of researchers such as Day (1994, 2011), Vorhies (1998), Hooley et al. (1999), Vorhies and Morgan (2005) and so on remarked that despite the significant role of marketing capabilities in upgrading business performance, the concept has not yet received significant contemplation. A body of researchers such as Vorhies (1998), Hooley et al. (1998, 1999), Morgan et al. (2009a) recommend on the need to investigate how marketing capabilities are planned, developed, measured and sustained in an organisation. Further, Hooley et al. (1999) and Ros et al. (2010) also portray that more intensive work on marketing capabilities with focus on outside-in, inside-out and spanning capabilities need to be pursued to underpin the marketing capabilities framework. Specifically, variables such as market-sensing and customer-linking capabilities (Day, 1994; Hooley et al., 1999; Weerawardena, 2003; Jayachandran et al., 2004) under outside-in capabilities and advertising, strategic and brand management (Vorhies, 1998; Vorhies and Morgan, 2005; Ros et al., 2010) under spanning require more in-depth research for comprehending marketing capabilities concept. Furthermore, researchers like Vorhies (1998) and Vorhies and Yarbrough (1998) also suggest that exhaustive research that captures the role of antecedents, such as market orientation, differentiation strategies, organisational culture, niche versus broad market selection, industry context, and learning with marketing capabilities need to be undertaken. Lastly, Vorhies (1998), Vorhies and Yarbrough (1998), Azizi et al. (2009) and Ros et al. (2010) emphasise that limited number of studies are underlined on marketing capabilities, competitive advantage and business performance. Moreover, Krasnikov and Jayachandran (2008) also point out that empirical research that directly examines the impact of marketing capabilities on business performance compared with the impact of capabilities in other functional areas such as R&D, operations etc. is scarce. To add Lindblom et al. (2008), in this context, advocate that the effect of moderating factors such as intensity of competition, store location, etc. on marketing capabilities-business performance relationship need to be explored in the future. Hence, the present study makes an effort to re-conceptualise the framework of marketing capabilities to bridge the
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extant research gap. The role of market orientation and organisational culture as two significant antecedents along with the effect of environment turbulence as a moderating variable is considered to apprehend the marketing capabilities more effectively. The comprehensive influence of marketing capabilities on the competitive advantage and business performance is projected to be quite significant and proactive approach in the competitive scenario.

This study proceeds as follows. First, review of literature focusing on marketing capabilities is provided. Second, research model and propositions including marketing capabilities- dimensions, antecedents (i.e., market orientation and organisational culture), moderating factor (i.e., environmental turbulence) and their impact on competitive advantage and business performance are discussed. Third, managerial implications followed by limitations and directions for future research is provided.

2 Review of literature

2.1 Conceptualisation of marketing capabilities

Marketing capabilities, conceptualised by different researchers, can be categorised under four perspectives: operational (Day, 1994, 2011; Hooley et al., 1998, 1999), marketing mix (Vorhies, 1998; Vorhies and Yarbrough, 1998; Vorhies and Harker, 2000; Weerawardena, 2003; Vorhies and Morgan, 2005) intellectual capital (Moller and Antilla, 1987) and competition (Fahy et al., 2000).

Operational perspective: Evidence within marketing literature suggests the well-acceptance of the operational concept, which is a function of internal (inside-out), external (outside-in) and spanning (mix of internal and external) capabilities. Looking into the dynamic changes in the environment, Day in 2011 has reconceptualised the concept of marketing capabilities and identifies a new set of marketing capabilities (i.e., vigilant market learning, adaptive market experimentation and open marketing) that are adaptive and enable an organisation to adjust its strategies to fit fast-changing markets. He emphasises that

“These new or enhanced capabilities add anticipatory and experimental dimensions to the market learning capability and introduce a capacity for ‘open’ marketing that orchestrates the capabilities of network partners. With these adaptive capabilities in place, the existing marketing capabilities also become more responsive to accelerating market changes” (p.183).

Hooley et al. (1998) consider marketing capabilities (outside-in, inside-out and spanning) given by Day (1994) as functional capabilities. They further remark that an organisation should also consider strategic and operational capabilities for comprehending marketing capabilities (in addition to functional capabilities). Later in 1999, Hooley et al. further contemplate that marketing culture (market orientation and stance) and strategy (segmentation, targeting and positioning) are also substantial in conceptualising marketing capabilities, along with the operational capabilities. The succinct information on the contribution of various researchers on conceptualisation of marketing capabilities is given in Table 1.
Table 1  Operational perspective of marketing capabilities

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Objective</th>
<th>Sector/settings</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day (1994)</td>
<td>To conceptualise MC and their relationship with firm’s strategy.</td>
<td>-</td>
<td>-</td>
<td>Diagnose the market sensing and linking capabilities.</td>
</tr>
<tr>
<td>Hooley et al. (1998)</td>
<td>To analyse relationship between resources and competitive positioning.</td>
<td>-</td>
<td>-</td>
<td>Examine capabilities needed in exploitation of multi-dimensional positioning and capabilities required to achieve them.</td>
</tr>
<tr>
<td>Hooley et al. (1999)</td>
<td>To review the development of MC and their relationship with BP.</td>
<td>Retailing and electronics/ Hungary, Poland and Slovenia.</td>
<td>1619 representatives</td>
<td>Measurement of operational capabilities and integration of MC with other firm capabilities.</td>
</tr>
<tr>
<td>Day (2011)</td>
<td>To diagnose growing gap between market demands &amp; firms capacity and specify practices for narrowing the gap to stay ahead of competitors.</td>
<td>-</td>
<td>-</td>
<td>Conceptualisation of adaptive MC and understanding their main contingencies; to identify whether MM decisions are effective when guided by adaptive MC; to analyse MC in network firms.</td>
</tr>
</tbody>
</table>

Marketing mix perspective: Researchers such as Vorhies (1998), Vorhies and Yarbrough (1998), Vorhies et al. (1999), Weerawardena (2003), Vorhies and Morgan (2005) etc. have considered marketing mix dimensions to comprehend marketing capabilities (Table 2). Vorhies in collaboration with other marketing researchers conducted a series of studies to conceptualise and measure marketing capabilities in different settings. Vorhies (1998) considered 4Ps and market research as components of marketing capabilities in manufacturing and service sectors. However, Vorhies and Yarbrough (1998) argued that marketing capabilities are not generic in nature and need to be relooked to encompass context specific variables. Hence, along with 3Ps (excluding distribution) they considered certain other variables such as marketing skills, market planning, marketing cost reduction, customer relation and service etc. to measure marketing capabilities in the motor carrier industry. Seeing the significance of the overall role of marketing management in the implementation of marketing strategies, later Vorhies et al. (1999) and Vorhies and Harker (2000) expanded the scope of marketing capabilities to include items such as market segmentation, targeting, managing marketing programmes, coordination among various departments and marketing skills. In the later stage, Vorhies and Morgan (2005) further extended marketing capabilities conceptualisation from benchmarking perspective. They added three new but related dimensions (used in their previous study) which include market information management, marketing planning and marketing implementation with 4Ps and remarked their supremacy for sustaining competitive advantage. In furtherance of the pursuit to conceptualise marketing
capabilities, Weerawardena (2003) gives importance to role of customer service system, sales force quality, advertising effectiveness, strength of distribution channel, market research efforts, ability in product differentiation and rapid introduction of new products in establishing marketing capabilities in manufacturing sector. Although Weerawardena (2003) and Vorhies and Morgan (2005) have used different dimensions but their conceptualisation can be considered quite similar for sustaining competitive advantage. For instance, all dimensions are considered significant for marketing capabilities by the researchers. Both these conceptualisations are equally valid and important for developing marketing capabilities in the present scenario as well.

### Table 2  Marketing mix perspective of marketing capabilities

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Objective</th>
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<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vorhies (1998)</td>
<td>To explore the factors influencing MC and its influence on BP.</td>
<td>Manufacturing and service/US.</td>
<td>85 chief marketing executives.</td>
<td>Identify how advertising capabilities are built in consumer product firm; determine antecedents and consequences of MC.</td>
</tr>
<tr>
<td>Vorhies and Yarbrough (1998)</td>
<td>To find out the impact of MC on business strategy.</td>
<td>Service/US.</td>
<td>165 chief marketing executives.</td>
<td>Explore typologies, antecedents and consequences of MC.</td>
</tr>
<tr>
<td>Vorhies et al. (1999)</td>
<td>To identify MC of market driven firms and their impact on BP.</td>
<td>Manufacturing and service/ Australia.</td>
<td>87 top marketing executives.</td>
<td>Impact of firm’s capabilities on BP; refinement of scales of MC and understanding their antecedents.</td>
</tr>
<tr>
<td>Weerawardena (2003)</td>
<td>To scrutinise the role of MC in firm innovation and CA.</td>
<td>Manufacturing/ Australia.</td>
<td>324 CEOs.</td>
<td>Explore how CLC interact with MC and market focused learning capabilities; impact of internet on MC building process.</td>
</tr>
<tr>
<td>Vorhies and Morgan (2005)</td>
<td>To identify appropriate MC for benchmarking.</td>
<td>Manufacturing and service/US.</td>
<td>230 top marketing executives.</td>
<td>Assessing MC such as BM and CRM.</td>
</tr>
</tbody>
</table>

**Intellectual capital and competition perspectives**: The remaining two perspectives – intellectual capital and competition, have received thin place in the literature. From intellectual capital perspective, Moller and Antilla (1987) consider combination of human, market and organisational assets as the significant marketing capabilities elements while from the competition viewpoint, Fahy et al. (2000) emphasise on market orientation, time horizon of the firm’s strategic decisions and positioning capabilities for the development of marketing capabilities in an organisation.
Table 3  Intellectual capital and competition perspectives

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Objective</th>
<th>Sector/settings</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moller and Antilla (1987)</td>
<td>To examine MC and their relationship with BP.</td>
<td>Manufacturing/Finland and Sweden.</td>
<td>34 marketing managers and managing directors.</td>
<td></td>
</tr>
<tr>
<td>Fahy et al. (2000)</td>
<td>To analyse the relationship between MC and overall BP.</td>
<td>Retailing and electronics/Hungary, Poland and Slovenia.</td>
<td>1619 representatives.</td>
<td>Impact of macro environments on resource configurations and how capabilities can be effectively transferred across national boundaries.</td>
</tr>
</tbody>
</table>

2.2 Marketing capabilities and business performance

The relationship between marketing capabilities – business performance is widely taken by number of marketing researchers (Table 4) such as Hooley et al. (1999), Vorhies et al. (1999), Vorhies and Harker (2000), Tsai and Shih (2004), Lindblom et al. (2008), Nath et al. (2010), Azizi et al. (2009), Eng and Jones (2009), Morgan et al. (2009a, 2009b) and Ros et al. (2010). However, mixed results are observed between marketing capabilities and business performance. Vorhies et al. (1999) and Vorhies and Harker (2000) remark that an organisation with marketing capabilities is able to outperform its competitors in terms of profitability, growth, customer satisfaction, and adaptability because of robust market research, marketing management, and distribution capabilities. Tsai and Shih (2004) supported these findings. Morgan et al. (2009a) stipulate that due to repeated learning process, marketing capabilities (marketing communication, planning, and implementation along with 4Ps) of an organisation become more distinct and hence create barriers to competitive imitation and acquisition, thus resulting in superior performance. Azizi et al. (2009), in a comprehensive manner, establish high positive effect of marketing capabilities on overall business performance and financial performance, in comparison to non-financial performance. They remark that marketing capabilities encompass better use of marketing tools that help an organisation in the application of new and creative marketing plans and ideas which ultimately enhance business performance. Nath et al. (2010) although also endorse positive relationship but observed stronger impact of marketing capabilities on business performance because of efficiency factor. They argue that an efficient organisation has superior ability to transform resources into capabilities which ultimately boost its performance compared to inefficient one.
### Table 4  Marketing capabilities and business performance

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Objective</th>
<th>Sector/settings</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tsai and Shih</td>
<td>To determine the effects of MKM on MC and BP.</td>
<td>Manufacturing and service/Taiwan.</td>
<td>110 marketing managers.</td>
<td>Identify the antecedents of marketing knowledge management.</td>
</tr>
<tr>
<td>Song et al. (2005)</td>
<td>To examine the impact of MC, TC and their interactive effect on BP moderated by TT.</td>
<td>Manufacturing/US.</td>
<td>466 presidents, vice presidents, directors for marketing etc.</td>
<td>Effect of other capabilities on BP taking into effect the environmental aspects.</td>
</tr>
<tr>
<td>Hooley et al. (2005)</td>
<td>To analyse the impact of marketing resources on BP.</td>
<td>Manufacturing and service/UK.</td>
<td>485 chief marketing executives.</td>
<td>Research in innovation and new product development.</td>
</tr>
<tr>
<td>Krasnikov and Jayachandran (2008)</td>
<td>To find the impact of MC, R&amp;D and OPC on BP.</td>
<td>Meta-analysis.</td>
<td>-</td>
<td>Analyse the role of MC, R&amp;D and OPC on new product development.</td>
</tr>
<tr>
<td>Lindblom et al. (2008)</td>
<td>To analyse degree of market sensing capability and its impact on BP.</td>
<td>Retailing/Finland.</td>
<td>226 K-retailers.</td>
<td>Impact of variables such as store location, competitive intensity on BP.</td>
</tr>
<tr>
<td>Azizi et al. (2009)</td>
<td>To find the effects of MC on BP.</td>
<td>Manufacturing/Iran.</td>
<td>33 firms.</td>
<td>Identify the effect of environment, financial strength etc. on MC-BP.</td>
</tr>
<tr>
<td>Eng and Jones (2009)</td>
<td>To examine individual and interdependence impact of different MC on BP.</td>
<td>Manufacturing/China and Hongkong.</td>
<td>268 business directors and senior managers.</td>
<td>Analyse the role of other MC on BP; integrate factors such as firm age, government policy to determine their effect on MC-BP.</td>
</tr>
<tr>
<td>Morgan et al. (2009a)</td>
<td>To analyse effects of MO and MC on BP.</td>
<td>Manufacturing and service/US.</td>
<td>230 top marketing executives.</td>
<td>Determine how MC are developed and how they help the firm to build market knowledge resource.</td>
</tr>
</tbody>
</table>
Hooley et al. (1999) considered marketing culture as a higher order marketing capabilities that is more strongly associated with business performance than marketing strategy and operational capabilities (outside-in, inside-out and spanning). Further, among the operational capabilities, they opine that brand reputation, close relationships with valued customers (outside-in capabilities) and new product development (spanning capabilities) positively contribute to business performance whereas competitive pricing (spanning capabilities) negatively affects performance. They also stated that inside-out capabilities (cost advantage in production, superior internal information system and product design) do not contribute to performance as these are acquired for the normal functioning of the organisation and hence can be easily copied by the competitors. To explore further, they put forth that outside-in and spanning capabilities create customer value and are more difficult for the competitors to imitate, and results in the creation of sustainable competitive advantage. To add, while exploring the relationship between marketing capabilities and business growth (revenue growth rate and margin growth rate) Morgan et al. (2009b), also find varied impact of market sensing, customer relationship management and brand management on the growth rate. For instance, market sensing

**Table 4  Marketing capabilities and business performance (continued)**

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Objective</th>
<th>Sector/settings</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan et al. (2009b)</td>
<td>To investigate MSC, CRM, BM with complementary effect on profit growth.</td>
<td>Manufacturing and service/US.</td>
<td>114 top marketing executives.</td>
<td>Investigate ways to improve CRM negative effect on revenue growth rate and of BM on margin growth rate.</td>
</tr>
<tr>
<td>Ros et al. (2010)</td>
<td>To examine the relationship between MC and BP.</td>
<td>Service/Spain.</td>
<td>152 CEOs.</td>
<td>Impact of MC and market knowledge capabilities on BP.</td>
</tr>
<tr>
<td>Murray et al. (2011)</td>
<td>To determine role of MC and CA on MO-BP.</td>
<td>Export ventures/China.</td>
<td>491 senior managers.</td>
<td>Investigate the role of experiential and financial resources on MC development.</td>
</tr>
<tr>
<td>Merrilees et al. (2011)</td>
<td>To assess contribution of MC(i.e. branding and innovation) on BP and impact of MO and MMC on MC.</td>
<td>Manufacturing/ Australia.</td>
<td>367 owners and managers.</td>
<td>Investigate the study in large firms and other countries.</td>
</tr>
</tbody>
</table>
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capability positively affects revenue growth rate but fails to affect margin growth rate. Even Lindblom et al. (2008) observe relatively weak positive effect of market sensing on growth whereas no effect on profitability of an organisation. Hooley et al. (2005) also find mixed influence of marketing capabilities (customer linking, market innovation, human resource, and reputational assets) on performance outcomes. They advocate that since products of a well-known organisation are easily accepted in the market, reputational assets, one of the marketing capabilities, shows positive impact on market performance. However, negative impact of reputational assets on customer performance is questionable. Eng and Jones (2010) express that since marketing capabilities development process requires investments; all the capabilities may not necessarily have positive effect on business performance. They exhibit positive relationship between marketing capabilities such as product development, channel management and marketing communication, and performance while comparatively weak relationship between market information management, pricing and selling, and performance. However, they put forth that interaction among these marketing capabilities results in positive impact on performance. Similarly, Ros et al. (2009) affirm direct, positive and significant impact of marketing capabilities on non-financial performance but overall weak impact on financial performance. They remark that superior marketing capabilities enable an organisation to provide high value to its customers which lead to the creation of ‘customer contact’ process. Further, this process also makes the employees feel comfortable while dealing with their customers and, this consequently results in employee satisfaction vis-a-vis customer satisfaction and thereby improves the performance of an organisation.

2.3 Antecedents

Number of studies has explored antecedents of marketing capabilities which include business strategy, organisational structure, market information processing capabilities, environmental turbulence, task routinisation, market orientation, entrepreneurial intensity, marketing knowledge management, and management capabilities. In the literature, market orientation is also considered as one of the key marketing capabilities (Fahy et al., 2000; Hooley et al., 1999). Morgan et al. (2009a) posit that the interaction between market orientation and marketing capabilities enable an organisation to adjust its resource deployments with the market environment better in comparison to competitors. They also suggest that market knowledge helps an organisation to develop marketing capabilities which, in turn, generates market intelligence that enhances market orientation. They remark that this complementary effect results in positive and significant relationship with business performance.

However, the role of environmental turbulence is criticised in the literature. For instance, Vorhies (1998) establishes that environmental turbulence and task routinisation do not contribute in developing marketing capabilities. Vorhies and Yarbrough (1998), on the other hand, advocate that an organisation with marketing capabilities perceive less environmental turbulence effect in comparison to its competitors. In this context, Song et al. (2005) put forth that high technological turbulence environment plays a significant moderating role in enhancing marketing capabilities and business performance relationship. Vorhies and Yarbrough (1998), Vorhies (1998), Vorhies et al. (1999) and Vorhies and Harker (2000) explicate that business strategy is a significant antecedent to marketing capabilities development. Further, Vorhies and Yarbrough (1998) also address that differentiation strategy, in comparison to cost-based strategy; facilitate an
organisation to develop superior marketing capabilities and performance. Furthermore, they suggest that such an organisation, by using differentiation strategy can also earn the benefits of cost-based strategy. The other antecedents such as organisational structure, market information processing capabilities (Vorhies, 1998), market orientation (Vorhies et al., 1999; Vorhies and Harker, 2000; Murray et al., 2011; Merrilees et al., 2011), entrepreneurial intensity (Weerawardena, 2003; Lee and Hsieh, 2010), marketing knowledge management (Tsai and Shih, 2004) and management capabilities (Merrilees et al., 2011) also show positive relationship with marketing capabilities.

While examining the role of factors that influence marketing capabilities – business performance relationship, Murray et al. (2011) underscore that competitive advantage partially mediates this relationship. The study represents that marketing capabilities (new product development and marketing communication capabilities) positively affect differentiation advantage which, in turn, impact all the three business performance (financial, product and strategic performance) measures. On the other hand, only marketing communication capability seems to significantly affect low cost advantage which subsequently influences financial and strategic performance. Further Weerawardena (2003) and Lee and Hsieh (2010) identified the mediating role of innovation in marketing capabilities-competitive advantage relationship. They discover that marketing capabilities affect technological and non-technological innovations and later create competitive advantage for an organisation. Weerawardena (2003) suggests that since marketing capabilities are critical to assess both customer needs and competition, they influence innovation in identifying new ways for doing business operations and as a result paves way to sustain competitive advantage.

3 Research model and propositions

Based on the aforesaid literature review, the study proposes research model (Figure 1) for exploring the role of marketing capabilities in enhancing business performance. The components along with various propositions are discussed as under.

Figure 1 Conceptual framework (model)
3.1 Marketing capabilities

Marketing capabilities stress on the integration of human resources capabilities with the organisational resources to understand the market-related needs to earn superior performance benefits. Marketing scholars (e.g., Day, 1994; Hooley et al., 1998; Greenley et al., 2005) have shown interest in understanding the role of outside-in, inside-out and spanning capabilities (operational perspective) to comprehend marketing capabilities. Outside-in capabilities (such as market sensing, customer linking) help an organisation in identifying and understanding the market needs (Day, 1994; Greenley et al., 2005). In contrast, inside-out capabilities focus on organisation’s internal resources which are activated by market requirements, competitive challenges, and external opportunities (Day, 1994). The spanning capabilities, on the other hand, integrate outside-in capabilities with inside-out capabilities to competitively deliver services as per customers’ requirements. Day (1994) in his paper underscores that:

“The purpose of outside-in capabilities is to connect the processes that define the other organisational capabilities to the external environment and enable the business to compete by anticipating market requirements ahead of competitors and creating durable relationships with customers, channel members, and supplier” (p.41).

Alternatively, this reflects that outside-in capabilities are more important in understanding the needs of target customer segments and in creating marketing capabilities. He further adds that “outside-in capabilities deliver superior insights that inform and guide both spanning and inside-out capabilities” (p.41). However, Greenley et al. (2005) establish significant role of all the three marketing capabilities for managers emphasising on market multiple stakeholder orientation profile (MSOP) in comparison to employees/shareholders MSOP managers. While examining the differences among the three marketing capabilities, Greenley et al. (2005) also find the role of outside-in to be more significant than the other two marketing capabilities that is, inside-out and spanning. Therefore, we propose the following:

P1a Outside-in, inside-out and spanning capabilities are significantly related to marketing capabilities development.

P1b Outside-in capabilities are strongly associated with marketing capabilities than inside-out and spanning capabilities.

3.2 Antecedents to marketing capabilities

As discussed previously, various marketing researchers have identified different antecedents that influence the marketing capabilities in different contexts and settings. Some of these antecedents include organisational structure, organisational culture, market information processing capabilities, task routinisation, market orientation, entrepreneurial intensity, marketing knowledge management and management capabilities. Majority of the researchers find market orientation and organisational culture as the major antecedents to the marketing capabilities.

The variables such as marketing knowledge management, market information processing, task routinisation, organisational structure, entrepreneurial intensity, management capabilities, although play significant role in the development of marketing capabilities, are associated indirectly with market orientation and organisational culture.
For instance, marketing knowledge management (Tsai and Shih, 2004) and market information processing (Vorhies, 1998) are related with generation, dissemination and communication of information within and between departments, and can be judged through market orientation. Similarly, task routinisation and organisational structure are deemed to be associated with organisational culture. Further, entrepreneurial intensity (comprising innovative, proactive, and risk taking abilities of top management) and management capabilities (market support capabilities) are also indirectly linked with market orientation and organisational culture, since the availability of such skills in an organisation will enhance market orientation and its marketing capabilities. This is empirically supported by researchers such as Vorhies and Harker (2000), Hooley et al. (2005), Murray et al. (2011), Merrilees et al. (2011), Ngo and O’Cass (2012). They demonstrate that the marketing capabilities of a market-oriented organisation are more valuable as it focuses extensive attention on understanding customer needs and building relationship. In this context, Murray et al. (2011) further remark that marketing capabilities develop, combine and transform resources into value offerings for customers on the basis of information generated by market orientation activities. Further, Vorhies and Harker (2000), Hooley et al. (2005), Murray et al. (2011), Merrilees et al. (2011) and Ngo and O’Cass (2012) observe that market orientation positively and significantly influence marketing capabilities. On the other hand, Morgan et al. (2009a) suggest complementary role of market orientation and marketing capabilities in achieving superior business performance. Since the present study considers market orientation as the significant antecedent of marketing capabilities, we propose that:

P2a Market orientation is significantly related to marketing capabilities development.

Akin to market orientation, the role of organisational culture in influencing marketing capabilities is advocated by various scholars (Day, 1994; Vorhies, 1998; Vorhies and Yarbrough, 1998). Day (1994) remarks on the importance of the values, beliefs and behaviours of the employees of an organisation (i.e., organisational culture) to develop and productively utilise marketing capabilities. Researchers such as Fey and Denison (2003) and Carmeli and Tishler (2004) also find the direct positive relationship between organisational culture and business performance. Therefore, we argue that since market orientation help the organisation to attain business performance, organisational culture can act as a supporting mechanism that further enhances marketing capabilities and ultimately lead to the achievement of superior business performance. Moreover, Jaworski and Kohli (1993) advocate that organisational system based on formalisation, departmentalisation, rules and centralisation impacts market orientation inversely whereas inbuilt and informal value system impacts the market orientation positively. Hence, following propositions are formulated:

P2b Organisational culture is significantly related to marketing capabilities development.

P2c Higher the organisational culture, higher will be the market orientation and higher will be the marketing capabilities.

3.3 Impact of marketing capabilities

Competitive advantage: The literature authenticates that marketing capabilities of an organisation pave way for competitive advantage (Day, 1994; Weerawardena,
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Competitive advantage in the form of resource utilisation (Barney, 1991; Newbert, 2008), relationship building (Iuliana et al., 2008) and industry structure (Ankli, 1992) is well-established in the literature. Since marketing capabilities of an organisation are associated with valuable, non-substitutable and inimitable characteristics, competitive advantage can be considered as an effective marketing capabilities’ outcome. Weerawardena (2003) also remarks on positive relationship between marketing capabilities and competitive advantage. He put forth that an organisation should build and nurture marketing capabilities to a point till they become the basis for competitive advantage. Thus, it is proposed that:

P3 Marketing capabilities are positively related to competitive advantage.

Business performance: Since marketing capabilities enable an organisation to develop appropriate strategies and tactical responses; marketing capabilities based organisation relatively enjoys better business performance (Tsai and Shih, 2004). Researchers such as Nath et al. (2010) and Krasnikov and Jayachandran (2008) demonstrate that organisation’s financial performance is more significantly influenced by marketing capabilities than other functional capabilities such as operations capabilities, R&D. Krasnikov and Jayachandran (2008) also remark that marketing capabilities are in fact ‘success-producing capabilities’ that keep an organisation ahead of its competitors whereas R&D and operations capabilities can be seen as ‘failure prevention capabilities’ which are essential for its survival. Ros et al. (2010) identify direct relationship between marketing capabilities and non-financial performance measures (stakeholder satisfaction) in service sector. They put forth that marketing capabilities facilitate an organisation to produce satisfying services both for customers and employees, which enhanced stakeholder satisfaction. The study further establishes indirect relationship between marketing capabilities and financial measures through non-financial measures. Azizi et al. (2009) also observe positive relationships of marketing capabilities with overall, financial and non-financial performances. They remark that marketing capabilities lead to develop effective marketing techniques in an organisation and hence, this results in better performance. Thus, we propose that:

P4 There is positive relationship between marketing capabilities and business performance, in general and non-financial and financial performance, in particular.

3.4 Mediating role of competitive advantage

Studies such as Vorhies and Yarbrough (1998), Hooley et al. (1999), Murray et al. (2011) establish the mediating role of competitive advantage in strengthening the marketing capabilities – business performance relationship. Vorhies and Yarbrough (1998) found that an organisation which develops marketing capabilities is more efficient in achieving growth, market position, and ROA than its competitors. More recently, Murray et al. (2011) observe cost and differentiation strategies to play important role in enhancing marketing capabilities – business performance relationship. For instance, pricing capability allows an organisation to use pricing tactics to respond to changes and earn higher revenue. Similarly, marketing communication capability enables an organisation to persuade customers in building positive perception of the product. This consequently leads to the development of differentiated brand image and thus results in achievement of
competitive advantage and enhancement of business performance. Hence, it is proposed that:

P5 Competitive advantage mediates the effect of marketing capabilities on business performance.

3.5 Moderating role of environmental turbulence

It is well accepted fact that an organisation that develops appropriate strategies to cater to frequent and unpredictable market, competitive, and technological changes possesses the characteristics of a successful organisation. Further, marketing capabilities coupled with controlled capability feature can be comparatively more effective in harnessing competitive advantage. Vorhies and Yarbrough (1998) contemplate that an organisation that develops high degree of marketing capabilities, by acknowledging market changes such as market turbulence, competitive intensity, and technological turbulence enjoys competitive advantage in comparison to its competitors. Therefore, we propose the following:

P6 Environmental turbulence is a significant moderating factor in enhancing marketing capabilities-competitive advantage relationship.

4 Managerial implications

The study makes number of academic and managerial contributions. The study advances an in-depth understanding of the significance of marketing capabilities in attaining business performance in the following manner. First it presents comprehensive view of marketing capabilities concept. It offers new insight into marketing theory by identifying four perspectives of marketing capabilities, from the literature, which include operational, marketing mix, intellectual capital and competition. This study discussed marketing capabilities from a broader aspect that is operational, which is further classified as outside-in, inside-out and spanning. These capabilities empower managers with competitive skills and knowledge to capture information about the customers’ requirements (both internal and external) and the competitors. Second, the study contributes to marketing management literature by highlighting on the factors such as market orientation and organisational culture that are required to develop marketing capabilities in an organisation. These antecedents function as the marketing support capabilities that expedite the development of marketing capabilities. For instance, market intelligence about the customers and competitors’ activities generated by market orientation helps an organisation to develop outside-in capabilities. Further, dissemination of such intelligence improves the inside-out capabilities, and when an organisation responds promptly to this intelligence, it enables in the development of spanning capabilities. On the other hand, an organisation which focuses on culture that integrates member’s involvement, shared beliefs, consistency and a sense of mission, is more thriving in developing marketing capabilities because such an organisation emphasises more in maintaining healthy relationship with its employees. Coupled with this, marketing capabilities based organisation with proper monitoring capabilities over turbulent environment and uncertainties will be more effectual in achieving competitive
impact of marketing capabilities on competitive advantage. Further, marketing capabilities developed and nurtured through learning (market knowledge about customer needs) and experimentation (past experience in forecasting and responding to customer needs) can enable an organisation to generate several benefits over its competitors. For instance, marketing capabilities facilitate not only an organisation in satisfying and retaining customers but also in enhancing and maintaining long-term relationship with them by delivering customised and superior services. This in turn paves way for increased customer base and enhanced performance in terms of net growth, profitability, ROI, ROA, etc. in comparison to its competitors. To add, competitive advantage created through deployment of such marketing capabilities is more likely to be sustainable.

5 Limitations and directions for future research

The study suffers from various limitations. Firstly, the conjectural nature of the study that too only from operational perspective is its major limitation. The research propositions formulated need to be empirically tested across various sectors. Further, comprehending marketing capabilities from other three perspectives that is intellectual capital, marketing mix, and competition and identifying which perspective is more comprehensive in grasping the concept of marketing capabilities and attaining business performance could be an important basis for research. Furthermore, since the study has focused only on marketing capabilities, the other organisational capabilities such as technology, R&D, operations, financial etc. may have stronger impact on business performance. Thus, which capabilities that is, marketing or other organisational, contribute more towards business performance could also prove to be an interesting line for future research. The study stresses on the significant role of market orientation and organisational culture in the development of marketing capabilities and other variables such as business strategy, innovation, marketing employee development capabilities, organisation’s efficiency etc. on marketing capabilities-business performance relationship could be examined for further development of marketing capabilities concept.

6 Conclusions

The study provides comprehensive framework for re-conceptualising and comprehending marketing capabilities from operational perspective which is found to be broader than the rest three perspectives- marketing mix, intellectual capital and competition. The study also highlights on the managerial implications. The study is perhaps among the few that has identified four different perspectives of apprehending marketing capabilities. It provides support to the emerging theories of marketing capabilities (which are built through internal and external organisational resources) and the role they play in facilitating an organisation in attaining and sustaining competitive advantage. Based on the extensive review of literature, the study offers a series of propositions regarding the role of market orientation and organisational culture as two antecedents, environmental turbulence as a moderating factor in enhancing marketing capabilities-competitive advantage-business performance relationship.
References


Impact of marketing capabilities on competitive advantage


### List of abbreviations (mentioned in the tables)

<table>
<thead>
<tr>
<th>AE</th>
<th>Adaptive experimentation</th>
<th>OPC</th>
<th>Operations capabilities</th>
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<tbody>
<tr>
<td>BP</td>
<td>Business performance</td>
<td>MC</td>
<td>Marketing capabilities</td>
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<td>BM</td>
<td>Brand management</td>
<td>MM</td>
<td>Marketing mix</td>
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<td>CA</td>
<td>Competitive advantage</td>
<td>MO</td>
<td>Market orientation</td>
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<td>CLC</td>
<td>Customer linking capability</td>
<td>MIM</td>
<td>Marketing information management</td>
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<td>Channel management</td>
<td>MKC</td>
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<tr>
<td>CRM</td>
<td>Customer relationship management</td>
<td>MKM</td>
<td>Marketing knowledge management</td>
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<td>DS</td>
<td>Diversification strategy</td>
<td>MMC</td>
<td>Marketing management capability</td>
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<td>IT</td>
<td>Information technology</td>
<td>MSC</td>
<td>Market sensing capability</td>
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<td>Technological turbulence</td>
<td>PD</td>
<td>Product development</td>
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<td>OC</td>
<td>Organisational culture</td>
<td>TC</td>
<td>Technological capabilities</td>
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<td>OM</td>
<td>Open marketing</td>
<td>VML</td>
<td>Vigilant market learning</td>
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