DYNAMIC MANAGERIAL CAPABILITIES, COMPETITIVE ADVANTAGE AND BUSINESS PERFORMANCE: AN INTEGRATIVE MODEL, LITERATURE REVIEW AND RESEARCH PROPOSITIONS

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ABSTRACT

This research is an extension to the work conducted earlier by Chahal & Kaur in 2013. Furthermore, this study abridges the concept of dynamic managerial capabilities to analyze impact of marketing capabilities on competitive advantage as a moderator. According to the marketing environment, the current research should be conducted on marketing capabilities and its different types. The research aims to understand operational perspectives of marketing capabilities and examine its importance for increasing the competitive advantage and improvement in business performance. The literature of this research describes the impact of market orientation, culture and competitive advantage and indicates various research propositions about marketing capabilities which are used for the expansion of marketing capabilities and business performance relationship. Further, it has four perspectives that include intellectual capital, marketing mix, competition, and sensing, seizing and reconfiguring aspects of dynamic managerial capabilities which help for describing the concept of marketing capabilities.

Keywords: Marketing Capabilities; Market Orientation; Organizational Culture; Dynamic Managerial Capabilities; Competitive Advantage; Business Performance.

INTRODUCTION

In the modern competitive environment, an organization endeavors created significant and non-substitutable marketing capabilities for gaining competitive advantage and business performance (Vorhies et al., 2011). These marketing capabilities indicate that an organization needs to focus on customer satisfaction’ fulfill their needs and create good association among wholesalers, retailers and buyers which consequently increase the profitability of the organization (Tan & Sousa, 2015). Morgan & Slotegraaf (2012) indicates that the existence of marketing capabilities is a key to essential marketing capabilities e.g. Collection of data about different markets and focused to develop new techniques through which they can meet the needs of their targeted segments such as product, price, place, and promotion. Day (2011) also indicate that the marketing capabilities help the organizations to achieve their goals and attain a successful position in the market.
Although critical endeavors are made by marketing analysts yet particular activities are required to reconceptualize and experimentally approve the idea of marketing capabilities. Various specialists, for example, Reinartz et al. (2004); Morgan (2012); Evers et al. (2012) etc. indicates that a few researches are conducted on marketing capabilities and improvement in business performance, the idea has not yet gotten huge examination. A group of analysts, for example, Boso et al. (2013) & Gao et al. (2010) suggest that the researcher needs to find the different ways of how advertising capacities are arranged, created, estimated, and continued in an organization. Further, Wu (2013) and Ozkaya et al. (2015) likewise depicts that the importance of marketing capabilities focused on various capabilities that should develop the concept of marketing capabilities. Moreover, many researchers such as Vorhies & Yarbrough (1998) additionally propose comprehensive researches on different factors, for example, market orientation, differentiation strategies, hierarchical culture, industry setting, and knowledge of marketing capabilities which are the important factors for research. Ultimately, Nath et al. (2010) and Kotabe et al. (2002) describes some research works which were conducted on analyzing the impact of marketing capabilities upon organizational performance in contrast with with the influence of marketing capabilities upon other pertinent organizational factors such as R&D, operations but these were not sufficient.

According to Lindblom et al. (2008) competitive advantage plays a role to create significant relationship among marketing capabilities and business performance. Hence, the current study should be conducted to re-conceptualize the concept of marketing capabilities and explain its effect on competitive advantage and business performance which create significant relationship between them in the modern competitive environment. In the subsequent sections first, we explain the introduction of the study, Second, the review of literature, Third, describe antecedents, fourth present research model, fifth explain managerial implications, sixth suggestions and limitation for future research and at the end conclusion of the study.

**LITERATURE REVIEW**

**Concept of Marketing Capabilities**

Many researchers represent the concept of marketing capabilities and classify it under four perspectives: operational (Lu et al., 2010), marketing mix (Fang & Zou (2009); intellectual capital (Azizi et al., 2009) and competition (Morgan & Slotegraaf, 2012).

**Operational perspective**

In the marketing literature, some evidence proposes the good acknowledgment about operational concepts, which is an element of inner (back to front), outer (outside-in) and traversing (both inward and outer) capabilities. According to Day (2011), the dynamic changes in the environment have reconceptualized the ideas about marketing capabilities such as cautious market learning, versatile market experimentation are versatile and help the organizations to adopt new procedures and techniques which build its successful position in the market.

“These new capabilities add experimental measurements in the market learning capability and presenting it in the ‘open’ market that coordinates the capabilities of system accomplices. With the help of these versatile capabilities, the current marketing capabilities become very receptive in stimulating the diversification of market conditions”. The brief
information of different researchers about the conceptualization of marketing capabilities shown in Table 1.

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Purpose</th>
<th>Area of Research</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day (1994)</td>
<td>To describe the concept of marketing capabilities and its importance for developing organizational strategies.</td>
<td>-</td>
<td>-</td>
<td>Identify relationship of different capabilities and marketing sensing.</td>
</tr>
<tr>
<td>Hooley et al. (1998)</td>
<td>To examine the linkage between resources and competitive positioning</td>
<td>Retailing and electronics/ Hungry, Poland, and Slovenia.</td>
<td>Representative of 1619</td>
<td>Identify effective marketing capabilities which are helpful for gaining multi-dimensional positioning</td>
</tr>
<tr>
<td>Hooley et al. (1999)</td>
<td>Understanding the concept of marketing capability and their association with BP.</td>
<td></td>
<td></td>
<td>Effective methods of operational capabilities and combination of marketing capabilities with other firm capabilities.</td>
</tr>
<tr>
<td>Day (2011)</td>
<td>To identify the reasons for increasing gap between market demand and firm capacity and find different ways to reduce this gap and achieve competitive position in the market.</td>
<td>-</td>
<td>-</td>
<td>Different approaches of adaptive marketing capabilities and understanding their main contingencies.</td>
</tr>
</tbody>
</table>

According to Song et al. (2005) marketing capabilities are the functional capabilities. They further comment that an organization ought to likewise strategic and operational capabilities for understanding the concept of marketing capabilities. Moreover, in 2008, they (Song et al., 2008) examine different marketing strategies like targeting & positioning which are consider important in conceptualizing marketing and operational capabilities.

**Marketing mix perspective**

Researchers, for example, Ruiz-Ortega et al. (2008); Khavul et al. (2010); Lisboa (2011) and soon have considered marketing mix measurements help to understand marketing capabilities. Other researchers also led to a progression of studies to conceptualize marketing capabilities through different ways. Cruz-Ros et al. (2010) considered that marketing capabilities have 4Ps and it help in manufacturing and service sector. Subsequently, along with 3Ps (excluding distribution) considered certain different factors, for example, marketing orientation, market planning, marketing cost reduction, etc. which help to determine marketing capabilities services sector.

Marketing management plays an important role for the implementation of marketing techniques, later (Corbin et al., 2008) describe that marketing capabilities also have other factors for example, market segmentation, targeting, managing marketing programs, etc.
The three new measurements (utilized in the past examination) incorporate with 4Ps and help for gaining competitive advantage. In the advancement of conceptualizing marketing capabilities, Wijewardena (2003) describes the important role of customer service system and establish new factors for developing marketing capabilities in the manufacturing sector. Further Dutta et al. (2005) have utilized various measurements yet their conceptualization can be considered very comparative for gaining competitive advantage. For example, according to researchers, all measurements are considered important for creating marketing capabilities. Both researchers’ conceptualizations are equally legitimate and significant for creating marketing capabilities. The different perspective of marketing mix perspective is shown in Table 2.

### Table 2
DIFFERENT PERSPECTIVE OF MARKETING MIX CAPABILITIES

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Aim/Objective</th>
<th>Area/Sector of research</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vorhies &amp; Yarbrough</td>
<td>Examine the effect of marketing capability on business strategy.</td>
<td>Service/US.</td>
<td>165 chief marketing executives.</td>
<td>Identify typologies, antecedents, and consequences of marketing capabilities.</td>
</tr>
<tr>
<td>(1998)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vorhies et al. (1999)</td>
<td>To present the set of effective marketing capabilities and its effect on</td>
<td>Manufacturing and Service/ Australia.</td>
<td>87 top marketing managers.</td>
<td>Examine the effect of brand image on research and development capabilities.</td>
</tr>
<tr>
<td></td>
<td>performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vorhies &amp; Morgan</td>
<td>To examine important marketing capabilities</td>
<td>Manufacturing and service/US.</td>
<td>230 top marketing executives.</td>
<td>Estimate marketing capabilities</td>
</tr>
<tr>
<td>(2005)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Intellectual capital and rivalry perspectives

The other two perspectives are intellectual capital and rivalry, play an important role observes in the literature. From an intellectual capital point of view, Lu et al. (2010) considered that a mixture of human, market and authoritative resources are the important components of marketing capabilities as compared to rivalry perspective, Wu (2013) indicate that the market orientation and time horizon of the association considered important for the improvement of marketing capabilities in the associations. The intellectual capital and rivalry perspective are shown in Table 3.

### Table 3
DIFFERENT INTELLECTUAL CAPITAL AND RIVALRY PERSPECTIVES

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Aim/purpose</th>
<th>Area of research</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Möller &amp; Anttila (1987)</td>
<td>To identify marketing capabilities and their association 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 examine the relationship between marketing capability and its effect on BP.</td>
<td>Retailing and electronics/Hungary, Poland, and Slovenia.</td>
<td>1619 representatives.</td>
<td>effect of macro environments on resource configurations</td>
</tr>
</tbody>
</table>
Marketing Capabilities and Business Execution

Many marketing researchers, for example, Murray et al. (2011) and Xiong & Bharadwaj (2013) describe the relationship between marketing capabilities and business execution. However, they observe different outcomes and significant relationship between marketing capabilities and business execution. Ngo & O’Cass (2012) suggest that an association with marketing capabilities can outflank its rivals regarding profitability, development, consumer loyalty, and adaptability considering vigorous statistical surveying. Blesa & Ripolles (2008) supported these identified results. (Eng & Jones, 2009) provide that because of continued learning processes, marketing capabilities (marketing correspondence, arranging, and execution alongside 4Ps) of an association and create hindrances in competitive imitation and procurement, consequently bringing about predominant execution.

Azizi et al. (2009), in a far-reaching way, set up highly profitable outcomes of marketing capabilities for business execution and financial execution, in contrast with non-financial execution. They comment that marketing capabilities provide different ways for utilization of marketing tools and through these associations also make innovative marketing strategies and thoughts which increase the profitability of the organization. Additionally, Ren et al. (2015) indicate the significant relationship yet it also noticed the effect of marketing capabilities on business execution due to the factor of effectiveness. They contend that an effective association has a better capacity to modify assets into abilities which conclusively increase its execution and profitability ratio as compared to its rivals. According to different researchers, its show in Table 4.

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Purpose</th>
<th>Sector/Area of Research</th>
<th>Sample</th>
<th>Future research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cruz-Ros et al. (2010)</td>
<td>To analyze the association between MC and BP.</td>
<td>Service/Spain.</td>
<td>152 CEOs.</td>
<td>Effect of market knowledge capabilities on brand positioning.</td>
</tr>
<tr>
<td>Murray et al. (2011)</td>
<td>To identify the impact of marketing capability and competitive advantage on brand positioning.</td>
<td>Retailing and electronics/ Hungary, Poland, and Slovenia.</td>
<td>491 senior managers.</td>
<td>Identify the role of experiential and financial resources of marketing capability with other firm capabilities.</td>
</tr>
</tbody>
</table>

Antecedents

In the study of different marketing capabilities, many researchers observed antecedents like hierarchical structure, market orientation, entrepreneurial intensity, and management capabilities. According to Lee & Hsieh (2010) and Tan & Sousa (2015) explain that business methodology is noteworthy antecedent for the creation of marketing capabilities.

Further, Murray et al. (2011); Swampy et al. (2015) indicate that the market orientation is one of the essential determinants that marketing capabilities encompass which develops a
relationship among market orientation and marketing capabilities and help the associations to adopt different techniques according to current market condition. However, in literature the examination of different factors effects the association among marketing capabilities and business execution. Weerawardena (2003) and Viand, et al. 2012 emphasize that competitive advantage partially mediates this relationship. Further Dutta et al. (1999) and Mariadoss et al. (2011) identified that the innovation plays a mediating role in relationship between marketing capabilities and competitive advantage. They found the impact of marketing capabilities on technological and non-technological innovations. Chen et al. (2014) suggest that every organizations need to gain satisfaction of their customers through fulfill their needs and wants by this way they can achieve competitive advantage and obtain successful position as compared to its rivals.

Research Model and Propositions

According to the previous studies, we present the research model for investigating the role of marketing capabilities, and its components along with various propositions shown below in Figure 1.

FIGURE 1
CONCEPTUAL FRAMEWORK MODEL FOR CREATING MARKETING CAPABILITIES

Marketing capabilities

Advertising capabilities point out that the combination of human resources capabilities and authoritative resources help to gain prevalent execution benefits. Many marketing researchers (e.g., Eisend et al., 2016) have indicated enthusiasm for understanding the concept of different capabilities which help to grasp marketing capabilities. Outside-in capabilities help an association in recognizing and understanding demands of people in the markets (Kaleka & Morgan 2019). Conversely, inside out capabilities focused the association's inward resources which are enacted by marketing prerequisites and outside resources (Feng et al., 2017). The
spamming capabilities, then again, coordinate outside-in capabilities with inside out capabilities provide several benefits according to customers' prerequisites. Boso et al. (2013) said that:

“The aim of outside-in capabilities is to interface the procedures that characterize authoritative abilities to the outside environment and empower the business to contend by foreseeing prerequisites of markets in front of contenders and making strong associations with buyers and providers”.

In other words, it plays a significant role for fulfill the requirements of targeted markets and help to introduced new marketing capabilities. Along with these findings, we presented the following hypotheses:

\[ H_{1a} \quad \text{Outside-in, inside-out and spamming capabilities are significantly related to marketing capabilities} \]

\[ H_{1b} \quad \text{Outside-in capabilities are more significantly related to marketing capabilities than inside-out and spanning capabilities.} \]

**Antecedents to marketing capabilities**

According to the discussion in previous research, different marketing analysts have distinguished various antecedents and its impact on marketing capabilities in different frameworks and perspectives. A few antecedents contain authoritative system, hierarchical culture, market orientation, task routinization, entrepreneurial intensity, and the executive's abilities. Most researchers found that market orientation and hierarchical culture are considered significant antecedent for marketing capabilities.

There are some variables which contribute important role for the existence of marketing capabilities, such as management of marketing knowledge, organisational system, etc. they are indirectly associated with market orientation and hierarchical culture.

Alternatively, Lisboa et al. (2011) propose a corresponding contribution of market orientation and marketing capabilities in accomplishing predominant business execution. According to the current analysis, market orientation considered an important antecedent and perform significant role in the market. So, we considered that:

\[ H_{2a} \quad \text{Market orientation perform important role in the development of marketing capabilities.} \]

Similarly, the study about market orientation, the role of hierarchical culture and its impact on marketing capabilities are supported by different researchers (Murray et al., 2011) comments for the importance its quality, convictions, and practices as a representative of an association (i.e., hierarchical culture) create and effectively use marketing capabilities. Researchers, for example, Khavul et al. (2010) and Ngo & O’Cass (2012) identify a positive association between hierarchical culture and business execution. In this manner, we contend that the market orientation helps the association to improve business execution and hierarchical culture. Besides, Lages et al. (2009) indicate that the authoritative framework dependent on formalization, departmentalization, and centralization of the impact of market orientation while the framework of casual value significantly impact on market orientation. Thus, the following hypotheses are proposed:

\[ H_{2b} \quad \text{Organizational culture is strongly associated with marketing capabilities development.} \]

\[ H_{2c} \quad \text{Higher the organisational culture, stronger will be market orientation and marketing capabilities.} \]
Impact of marketing capabilities

Competitive advantage

The previous researches prove that the association of different marketing capabilities helps in gaining a competitive advantage (Lu et al., 2010). A competitive advantage is a form of resource which is beneficial for the organizations to attain a successful position in the market (Blesa & Ripolles, 2008; Boso et al. 2013), building networks (Morgan & & Slotegraaf, 2012) and industry system (Gao et al., 2010) is entrenched to the previous researches. Since the association of different marketing capabilities considered important, non-substitutable and supreme qualities, which provide competitive advantage with the help of viable marketing capabilities. Wijewardena (2003) likewise indicates that the positive linkage among marketing capabilities and competitive advantage. He put forward that an organization should construct and support marketing capabilities until they become, they can achieve their competitive advantage. Subsequently, it is suggested that:

\[ H_3 \quad \text{Marketing capabilities are significantly related to organization’s competitive advantage.} \]

Business performance

Marketing capabilities empower organizations to create proper techniques and strategic responses for effective business execution (Rust et al., 2004). Different researchers, for example, Kaufmann & Roesch (2012); Khavul et al. (2010) shows that an organization’s financial performance is more fundamentally affected by marketing capabilities other than utilitarian capacities, for example, tasks capacities etc. Fang & Zou (2009) additionally termed marketing capabilities as factors which are not only pivotal for success but also keep an association in front of rivals while R&D and task capacities may also be viewed as abilities that help in avoiding failures which is also essential for an organization’s existence.

Moreover, Azizi et al. (2009) noticed the overall positive relation of marketing capabilities, financial and non-financial performances. They comment that marketing capabilities lead to creating effective marketing procedures in an organization and subsequently, this outcome in better execution. In this way, we proposed that:

\[ H_4 \quad \text{There is a significant relationship between marketing capabilities and business performance, both in general, financial and non financial outcomes.} \]

Mediating role of competitive advantage

Many researchers describe the mediating role, for example, Eisend et al. (2016); Ozkaya et al. (2015); Wu (2013); Zhou et al. (2012), it indicates that the competitive advantage help to enhance the relationship between marketing capabilities and business execution. Leonidou et al. (2011) identify that an association that creates marketing capabilities considered beneficial for new developments and attain successful position as compared to its rivals. Additionally, Matanda & Ewing (2012) noticed that the cost differentiation techniques perform an important role in expanding marketing capabilities – business execution relationships. Therefore, pricing capability permits an organization to utilize pricing tactics in the response of modification and acquire higher income. Thus, marketing communication capability empowers organizations to convince the customers to create positive perceptions about products. This subsequently prompts
the differentiated brand image and the organizations achieved competitive advantage and improvement of business execution. Subsequently, we present that:

\[ H_5 \quad \text{Organization’s competitive advantage mediates the relationship of marketing capabilities and business performance.} \]

**Moderating role of dynamic managerial capabilities**

According to the modern environment, an organization which are using effective techniques create a capricious market and new innovative modifications in products are considered an important element of a successful organization. Additionally, marketing capabilities combined with the feature of controlled capability which helps to gain competitive advantage. The organizations which establish effective marketing capabilities, by recognizing market changes, such as sensing, seizing, and reconfiguring enjoys competitive advantage as compared to its rival. Subsequently, we present that:

\[ H_6 \quad \text{Dynamic managerial capabilities are considered as an important moderating factor for strengthening the relationship between organization’s marketing capabilities and competitive advantage.} \]

**Managerial Implications**

This research explains the brief concept of market capabilities. In the literature, with the help of 4 perspectives, this paper provides new awareness techniques about marketing theory. This research focuses on the operational aspect of marketing capabilities and it is further divided into three parts: outside-in, inside-out, and spanning. The paper’s literature, discusses the concept and different factors of marketing management like market orientation and hierarchical culture which are considered important to create effective marketing capabilities for the organization. Contrarily, an organization which targets to build a strong relationship with its employees and focuses on the important elements of culture like shared beliefs and consistency etc. may become successful in creating marketing capabilities that can enable an organization to achieve a few advantages over its rivals.

**Limitations and Suggestions for Future Research**

This research has the following limitations. Although this research adds to the understanding of the earlier work done by Chahal & Kaur in 2013, the main limitation is that it only focused on an operational perspective. Moreover, it describes only marketing and organizational capabilities which plays an important role in the improvement of business performance and considered important for future research. It indicates that the market orientation and organizational culture is beneficial for the organizations for development of marketing capabilities and other variables also considered important for the existence of marketing capabilities e.g. business strategy, innovation, dynamic managerial capabilities of sensing, seizing and reconfiguring opportunities and organization’s efficiency, etc. According to the comprehensive review of literature, this research indicates different suggestions like environmental dynamism used as a moderating component for strengthening the relationship between marketing capabilities, competitive advantage, and business performance.
CONCLUSION

This study concludes by proposing an extensive system for re-conceptualizing and beneficial marketing capabilities. From operational point of view, marketing capabilities have four perspectives, marketing mix, dynamic managerial capabilities, intellectual capital, and competition which demonstrate administrative implications. Furthermore, the article justifies the existing hypotheses of marketing capabilities, market creation as well as competitive advantage. Dynamic managerial capabilities as a moderator play an important role for expanding the relationship between marketing capabilities, competitive advantage, and business performance.

REFERENCES


