Integrating Operation and Marketing Capabilities: Resourced Based View Perspective

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Abstract

The study aims to explore the role of capabilities and integration among marketing and operation capability under RBV framework. Data were collecting from 60 organizations, Structural equation modelling was used to demonstrate model significance and relationship among variables. Using SEM, study identifies there is a positive relationship of dynamic capability on Marketing and operation capabilities, there exist a strong integration among MC and OC. However, no significant direct relationship exists between MC and FP. Provides practitioners with insights into how integration results in better firm performance.

Keywords:

Resource Based View; Marketing Capability; Operations Capability; Dynamic Capability.

Reference to this paper should be made as follows: Khan, Z., Khan, M.Y. (2018) ‘Integrating Operation and Marketing Capabilities:

Resourced Based View Perspective', *Asia Pacific Journal of Emerging Markets*, Vol. 2, No. 1, pp.85–95.

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1. Introduction

Different scholars have provided their point of views related to the theories of firm which have evolved over the last three decades. A firm's strategic nature has been explored under different theories i.e. "Transactional cost economies" (Williamson, 1981), "Core Competence of Corporation" (Prahalad & Hamel, 1990) and the "Resource Based Theory of the firm" (Barney, 1996). All the mentioned theories, with different traditional conditions, focus and revolve around two prospective i.e. demand of goods and services and the cost expertise of their resources. In other words, it can be said that the marketing and the operational aspects of the firm are focused. Therefore, for an organization to be successful, there must be coordination between the marketing and operational functions (Dixon et al., 2014). We examined the Resource Based View Prospective (RBV), according to RBV the firms performing within the same industry perform differently depend upon how the firms adopt the RBV. Superior Financial Performance can be achieved by an organization's resources and capabilities. RBV also explains the strategies to attain and sustain the competitive advantage. As per Song et al. (2007), competitive advantage is attained through distinctive capabilities which are utilized in their best way to achieve superior performance than others.

According to Grant (2002) specialized and distinct capabilities are categorized into boarder capabilities of operation management and marketing management. Many popular literatures of researchers have focused on inter-relationship between marketing and operations (Dixon et al., 2014; Yu et al., 2014). The literature which is related to Marketing have always focused on production and development of products and services which create value for its customers. Vorhies and Morgan (2005) describe that by improving the marketing capabilities a firm can enhance its financial performance. On the other hand, Terjesena, Patleb and Covin (2011) describe that a firm's success depends upon the effectiveness of the set of activities and processes which transform inputs into value added products. Inputs can be in the form of raw material, labor, energy, expertise etc. Overall the interaction between the operation and marketing capabilities seems to be necessary for a firm's performance and success.

The focus in this study is to explore the integration of marketing and operation by extended RBV to explore and check the effect of dynamic markets, known as Dynamic Capability View (Helfat, 2003). The study examines how the performance of an organization is affected by dynamic capabilities and explain the integration of marketing and operation. The objective of the study is to view dynamic capability as a competitive advantage, to integrate the marketing and operational capabilities and to measure firm performance under the lens of dynamic capability marketing and operation capability.

2. Literature Review

2.1. Resource Based View and Capability

Resource based view (RBV) considers the organization as a collection of resources and its capabilities which explain that the competitive advantage can be achieved by the best utilization of this collection (Corbet & Claridge, 2002). Generally, resources are referred to firm assets in tangible and intangible form which result in productive outcomes, whereas capabilities are defined as the firm's ability to use its resources in order to achieve a desired end (Amit & Schomaker, 1993). These resources go through processing and provide enhanced productivity in resources to the organization. When resources and capabilities are compared, capabilities are more firm specific as compared to resources and less transferable which results in competitive advantage (Peng, Schroreder & Shah 2008). Finally, the RBV argues that each firm has unique resources and unique capabilities level. There has been a wide use of RBV in marketing literature to understand the capabilities of marketing and their interaction with other capabilities related to functions so there exist a strong relationship between firm performance and functional capabilities.

2.2. Dynamic Capability and Competitive Advantage

When the RBV is extended it gives us the Dynamic Capability View (DBV), the RBV primarily addresses the resources a firm holds currently, the DMV emphasizes on the reconfiguration of the resources which are hold by a firm (Helfat & Peteraf, 2003). The dynamic capability refers to a process of integrating, re-allocating, acquiring and abandoning resources when a market change is observed. Interest in dynamic capabilities arise from the potential influence on competitive advantage which is the key outcome variable in dynamic capabilities theory (Teece, Pisano & Shuen, 1997). The approach used in this study is similar to the study of Teece, Pisano and Shuen (1997), according to this approach dynamic capability is the ability of a firm to adopt to changes in the surroundings/market and the ability to integrate, learn and integration of internal and external resources to tackle the market changes. Internal resources are generally the resources possessed by the firm and external resources are the resources which can be acquired by cooperative strategic alliance. (Amit & Schomaker, 1993) say that learning capability describes adoption to changes in the market through learning mechanism based on executive experiences.

2.3. Marketing Capability:

Marketing capability is a process consisting of all the tangible and intangible resources that are utilized to understand consumer needs and achieve product differentiation and brand equity (Song et al., 2007). Marketing capabilities include the knowledge of customers, competition level and the skills in segmenting and targeting as well. Marketing capabilities are developed by a firm when the knowledge of employees and their skills are combined with the available resources (Vorhies & Morgan, 2005). Firms can enhance their ability of sensing marketing change by devoting efforts and resources to connecting with its customers. In this way, marketing capabilities are considered as important source of competitive advantage. Marketing Capabilities allows the firm to obtain retain the customers by providing them with their needs and satisfying them.

2.4. Operations Capability:

Operation Capability is a mix of different sets of tasks which a firm performed to enhance the output with the utilization of all available resources in efficient way. Operation Capabilities are the fundamental milestones which allow the firm to achieve production related goals. These goals can be cost reduction, volume and product flexibility, speed and product quality (Tejersena et al 201; Boyer & Lewis, 2002). Operation capabilities are considered as source of creating competitive advantage. Competitive advantage can be achieved by smartly utilizing the assets, efficient material flow handling process and acquiring the superior knowledge process (Tan, Kannan & Narasimhan, 2007).

3. Theoretical Framework:

3.1. Dynamic Capability and Marketing Capability:

The connection of marketing capabilities with market conditions is supported by the Dynamic capabilities (Prtogerou et al., 2012) which can result in differential performances. Interest in dynamic capabilities stem from their potential influence on competitive advantage which are the key outcome variables in theory of dynamic capabilities (Teece, Pisano & Shuen., 1997). Dynamic capabilities include specifying and exploring new configurations of capability which can establish marketing and operational capabilities to get competitive advantage for a firm. With help of the above arguments, the proposed hypothesis is as follow

H1. Dynamic capability has a positive impact on marketing capability.

H2. Dynamic capability has a positive impact on operation capability.

3.2. Marketing capability and Firm Performance:

Marketing capability is considered to be one of the most important sources of competitive advantage (Nath et al., 2010). The marketing literature suggests that firms use capabilities to transform resources into outputs based on their marketing mix strategies and such marketing capabilities is related to their business performance. Song et al. (2007) argued that marketing capability helps a firm build and maintain long term relationship with customers and channel members. Empirical studies have found a significant relationship between marketing capability and financial performance (Song et al., 2007; Nath et al., 2010). For instance, Nath et al. (2010) found that marketing capability has a significant influence on business performance. So we propose that

H3. Marketing capability has a positive impact on firm performance.

3.3. Operation Capability and Firm Performance:

Research has shown that firm's performance and strategic goals are affected by the different operational technologies such as quality maintenance. However, the studies which show the impact of operational capability as a whole on a firm's performance are a few. Research suggests that a firm's ability to handle complex manufacturing and logistics systems is firm's key competency and it has a significant impact on the performance. Using the above arguments, the hypothesis proposed is:

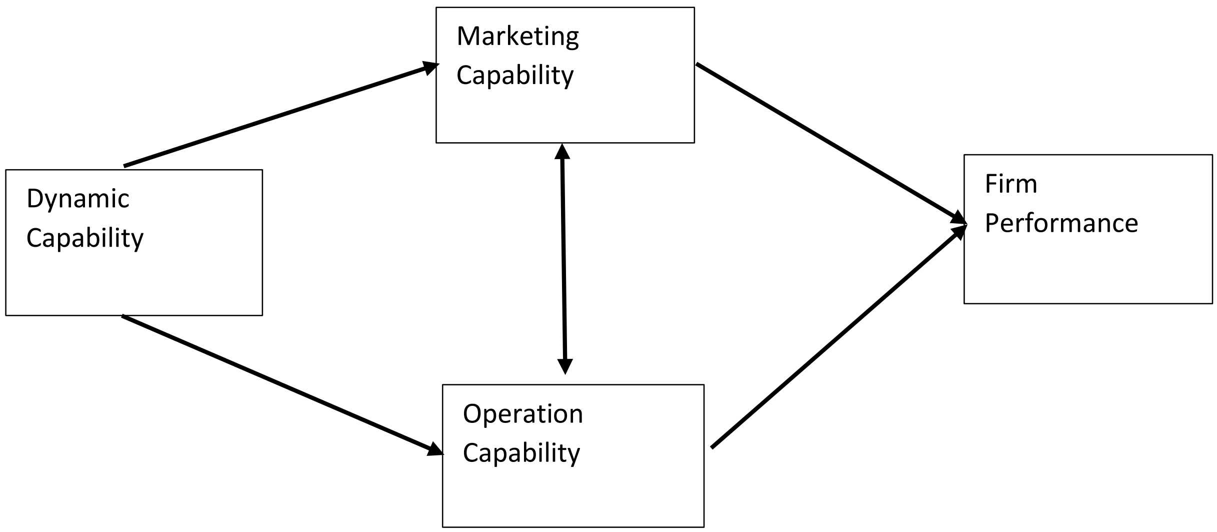
H4: Operational capability positively affects firm performance.

3.4. Marketing and Operational Capability:

Scholars in both the marketing and operations managements, in recent years, have started to empirically test most of the theories which are constructed and related to marketing-operations coordinated strategies formulation. Interestingly, Nath et al. (2010), using the RBV of firm as theoretical framework, showed that the firm which focuses solely on operational capabilities have lesser business performance as compared to those which are market-driven. Keeping the above argument in consideration, the hypothesis proposed is:

H5: Marketing capability has a positive influence on operational capability and vice versa

Figure: 1: Relationship among variables



4. Methodology:

This study is a cross sectional study. We collect data at once and analyse relationship among variables. It is a causal investigation while unit of analysis is firm. The population of the study is the firms listed at Pakistan stock exchange. 300 questionnaires were sent to Executives out of which 60 completed surveys were received with response rate of 20%. For selection of firms we developed some criterion so that theoretical model can be more explorative. Firms chose in study are operating in Pakistan from more than 10 years and should be a bigger organization having number of employees greater than 500 (see Table 1). CEO or upper management employees who introduce new product / service in their tenure are selected to fill the survey.

Table 1: Firms' Profile

	No of Firms	Percentage
Sector		
Product	28	47
Service	19	32
Both	13	21
Firm's age (years)		
20-Jan	57	95
20-40	3	5
No of employees		
250-1000	39	65
1000-2000	15	25
More than 2000	6	10

5. Results

The hypothesized links proposed the conceptual framework of study was tested using the structural equation modeling (SEM). The results of structural model using AMOS are reported. The structural model fits are overall good, with CFI, IFI and TLI, showing well above the threshold recommended i.e. 0.90 (Hu & Bentler, 1999), the RMESA less than 0.10 (Kline, 1998). Two models namely model A and model B were developed, to describe the difference of integrating marketing and operational capabilities. The results suggest that model B is more influential as to model A regarding integration of marketing and operational capabilities.

Table 2: Models A and B were developed, to describe the difference of Integrating Marketing and Operational Capabilities.

	Model A	Model B
Chi-square/df	2.414	3.321
GFI	0.911	0.932
RMSEA	0.031	0.056
Incremental fit indices:		
IFI	0.919	0.972
CFI	0.922	0.968
TLI	0.939	0.981

As for as the hypotheses of the study are concerned strong support was shown for hypothesis 1,2,3 and 4 by our structural model. Therefore, we can say that marketing capability and operational capability is significantly affected by the dynamic capability and the financial performance and operational capability are directly related and positively associated. However, financial performance and marketing capability has no direct relation. This finding suggests that operations capability works as a middle-man between marketing capability and financial performance (see Table 3).

Table 3: Relationship between the Dependent and Independent Variables

Hypothesized Path	Path Coefficient
DC $\rightarrow$ MC	0.421***
DC $\rightarrow$ OC	0.233 ***
MC $\rightarrow$ OC	0.261***
OC $\rightarrow$ MC	0.291***
MC $\rightarrow$ FP	0.008
OC $\rightarrow$ FP	0.326***

6. Conclusion

First, this study integrated the dynamic capability view with marketing capability research. We find that the dynamic capabilities have a positive impact on marketing capability and which in turn have a positive impact on operation capability. When the proposed hypothesis is empirically tested, this study aids to research on marketing and operation capabilities, as well as dynamic capabilities, because there are difficulties associated with measuring dynamic capabilities and their effects. One of the few, this study examines the association of dynamic capabilities with marketing and technological capabilities. Secondly, this study contributes the understanding of how organizations utilize marketing capabilities to attain competitive advantage, it examines, conceptually and empirically, the relation between marketing and dynamic capabilities. In doing so, this study confirmed arguments that operational capabilities are valuably affected by dynamic capabilities.

Although values of both the marketing and operation capability have been looked upon (e.g. Nath et al., 2010; Song et al., 2007), but few empirical studies have tried for the actual association between these two functional capabilities and their impact on the performance of the firm. The structural path analysis of this study shows that marketing capability boosts the operational capability and in turn leads to improved firm performance. Marketing capability of a firm depends on the ability of the firm to understand customer needs and to gain customer loyalty. A firm can, with help of its unique marketing capability, devote and utilize the marketing resources to create superior customer value. With globalization and the increased competition among the businesses, the more marketing capabilities more will be the advantage over competitors i.e. cost reduction, better quality, lower prices etc. The findings of this study are consistent with the predictions of RBV and previous studies (e.g. Nath et al., 2010; Terjesena, Patleb & Covin., 2011).

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