Intern. J. of Research in Marketing 30 (2013) 36–45

Contents lists available at SciVerse ScienceDirect

Intern. J. of Research in Marketing

journal homepage: www.elsevier.com/locate/ijresmar

Marketing capabilities, institutional development, and the performance of emerging market firms: A multinational study

Jie Wu *

Faculty of Business Administration, University of Macau, Avenida Padre Tomás Pereira, Taipa, Macau, China

ARTICLE INFO

Article history:
First received in 23, June 2011 and was under review for 6 months
Available online 5 October 2012

Keywords:
marketing capabilities
performance
institutions
economic growth
legislative systems
individualism
emerging economies

ABSTRACT

Data on 19,653 firms from 73 emerging economies on four continents were analyzed to examine how a firm's marketing capabilities affect its performance. The results show that the relationship is systematically moderated by the level of institutional development in an emerging market. Economic conditions, legislative institutions and social values all have an impact. Superior marketing capabilities have a stronger performance impact in countries with higher levels of economic development and in individualistic societies. These capabilities have a weaker impact in countries with strong legislative systems.

© 2012 Elsevier B.V. All rights reserved.

1. Introduction

In recent decades, there has been an unprecedented interest in capabilities and their effect on a firm's competitive advantage. Capabilities are the accumulated, complex bundles of skills and knowledge embedded in organizational processes (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003). Previous scholarly research has identified technological capabilities (e.g., Song, Droge, Hanvanich, & Calantone, 2005), operational capabilities (e.g., Worren, Moore, & Cardona, 2002), marketing capabilities (e.g., Kotabe, Srinivasan, & Aulakh, 2002) and management capabilities (e.g., Desarbo, Di Benedetto, Song, & Sinha, 2005) as important. That work has shown empirically that all such capabilities can significantly affect a firm's performance (e.g., Krasnikov & Jayachandran, 2008).

In spite of the growing consensus that capabilities are critical sources of superior firm performance, the previous research has two important deficiencies. First, most studies have been conducted in developed markets, and only a few were undertaken in emerging markets (Burgess & Steenkamp, 2006). This lacuna is surprising because emerging markets offer a fertile ground for establishing the generalizability of the research findings obtained from developed markets and to assess the extent to which they are specific to the institutional context (Steenkamp, 2005). Emerging markets not only provide a natural laboratory for testing theories and developing new ones, but they also offer practical relevance because success in emerging markets is crucial to the future of many companies (Burgess & Steenkamp, 2006).

The second problem with the body of scholarly work to date has been inattention to the role of institutional environments in shaping the effects of capabilities. Researchers have long recognized that the utility of capabilities is likely to vary with the nature of the market and the social environment (Eisenhardt & Martin, 2000), but previous studies have nevertheless overwhelmingly focused on developed markets where the institutional context can be assumed to vary relatively slightly. This focus represents a serious limitation because institutions in emerging markets normally differ markedly from those typical of developed markets (Burgess & Steenkamp, 2006). Compared with developed markets, emerging markets are characterized by rapid changes in their economic, political and social institutions (Hoskisson, Eden, Lau, & Wright, 2000; Peng, 2003). This volatility renders it less obvious whether firms operating in an emerging market should build market-based capabilities to achieve competitive advantage, considering how fast the institutional environment can change (Kim, Kim & Hoskisson, 2010; Peng, Wang, & Jiang, 2008). It is important, therefore, to look at the hidden assumptions and examine how institutional variations condition the role of firm capabilities.

To address these gaps, this study was designed to link marketing capabilities with firm performance and to examine how the role of marketing capabilities varies among different institutional environments. The study hypothesized that marketing capabilities have a stronger performance impact in more developed countries and in individualistic societies and have a weaker impact in countries with stronger legislative systems. These hypotheses were tested using comprehensive survey data on

* Tel.: +853 8397 8887; fax: +853 2883 8320.
E-mail address: jiewu@umac.mo.

0167-8116/$ – see front matter © 2012 Elsevier B.V. All rights reserved.
http://dx.doi.org/10.1016/j.ijresmar.2012.07.001

19,653 firms from 73 emerging economies. The contribution of this study is threefold. First, this study develops a contingent, institution-based perspective on firm capabilities. This study extends prior academic work to emerging markets and examines to what extent and within what limits capabilities matter in emerging markets. Second, this study contributes to an institution-based view of capabilities by theoretically arguing and empirically showing the moderating effect of economic, legislative and social institutions on the utility of a firm's capabilities. Third, the findings provide empirical evidence relating capabilities and institutional factors with firm performance in a large number of emerging economies, which generalizes the findings to a broader context.

2. Theoretical development and hypotheses

2.1. Marketing capabilities in emerging markets

Marketing capabilities have long been recognized as one of the key capabilities firms rely on to outperform their competitors and provide superior value to customers (Day, 1994). Compared with technological, operational and other such capabilities, marketing capabilities are less susceptible to imitation and replication due to the tacit and idiosyncratic knowledge involved and its imperfect mobility (Krasnikov & Jayachandran, 2008; Simonin, 1999). Superior capabilities are difficult to observe from the market, difficult to acquire elsewhere and difficult to imitate (Krasnikov & Jayachandran, 2008). These capabilities can thus support a sustainable market advantage (Morgan, Vorhies, & Mason, 2009; Vorhies, Morgan, & Autry, 2009).

Marketing capabilities can be studied in terms of their utility for adaption and integration. The adaption perspective focuses on how marketing capabilities help a firm adapt to the evolving requirements of customers and markets. For example, Day (1994) has emphasized an outside-in process that connects "…organizational processes to the external environment and [enables] the business to compete by anticipating market requirements ahead of competitors [while] creating durable relationships with customers, channel members, and suppliers" (1994: 41). A firm with strong marketing capabilities is better able to target and position its products, identifies customers' needs better and understands better the factors that influence customer choice (Dutta, Narasimhan, & Rajiv, 1999). The integration perspective on marketing capabilities, conversely, focuses on "the combinative capabilities that derive from the integration of embedded marketing routines and practices" (Vorhies et al., 2009: 1316). Grant (1991) has suggested that reconfiguring and re-integrating internal routines plays an important role in exploiting external opportunities and that both are essential if a firm's capabilities are to be distinctive. Integrating marketing capabilities will lead to better performance because "…such integration reconfigures competencies, reduces the resources deficiency, and generates new applications" (Song et al., 2005: 262).

A defining feature of emerging markets is the rapid changes in their economic, political, and social institutions (Burgess & Steenkamp, 2006; Hoskisson et al., 2000). A fundamental challenge for firms operating in such environments is to predict the changes and respond to them, which would appear to make the adaption perspective particularly relevant in emerging markets. Consistent with that perspective, the marketing capabilities of the firms examined in this study were defined in terms of their ability to decipher the trajectory of customer needs through effective information acquisition and to respond through marketing planning, investment and execution. To a large extent, this conceptualization reflects a firm's ability to use its accumulated knowledge regarding the market and customers' needs to anticipate and respond to events and trends ahead of competitors (Day, 1994). A firm accumulates its market knowledge through learning and experimentation over time. Such market knowledge is distributed across groups and business units within the organization. Therefore, a substantial part of market knowledge, which is tacitly held, is difficult to replicate and supports a market position that is hard to match (Krasnikov & Jayachandran, 2008).

2.2. The role of the institutional environment

The institution-based view of the firm (IBV) has emerged as a useful paradigm for explaining firms' strategies and competitive advantages in emerging markets (Peng et al., 2008). The IBV suggests that an economy's institutional environment significantly shapes how firms operate and their performance (Peng et al., 2008; Scott, 1995). As market-supporting institutions develop in emerging economies, firms can rely less on network-based, personal relations-oriented strategies and more on arm's-length contracts and capability-based strategies (Peng, 2003). The importance of marketing capabilities, therefore, depends on the institutional context in which a firm is operating.

In the same vein, Burgess and Steenkamp have noted that "institutional contexts in emerging markets present significant socioeconomic, demographic, cultural, and regulative departure from the assumptions of theories developed in the Western world and challenge our conventional understanding of constructs and their relations" (2006: 338). Drawing on Scott's (2001) and North's (1990) work, Burgess and Steenkamp distinguished three distinct but interrelated institutional subsystems—socioeconomic, cultural, and regulative—each of which is important in emerging markets (see also Etzioni & Lawrence, 1991). Following this stream of research, this study focused on economic, legislative, and social institutions and examined how they moderate the relationship between marketing capabilities and firm performance.

2.2.1. Economic development

Economic development is usually indicated by an economy's annual GDP per capita (Berry, Guillén, & Zhou, 2010). In economies with low levels of economic development, customers' purchasing power is usually limited. With limited purchasing power, customers prefer affordable products that offer basic functionality over products with new features at a premium price (Burgess & Steenkamp, 2006; Day & Wensley, 1988). To succeed, a company must minimize its costs of labor, advertising, sales and much else. Marketing capabilities are therefore less influential when the market's economic development is low.

As the economy progresses, customers' purchasing power increases, and customers' preferences diversify. Customers come to prefer better-quality products that address their unique preferences. In such conditions, firms must accurately sense the needs of particular market segments and quickly respond to them. Superior marketing capabilities enable firms to acquire and decipher market information and predict the trajectory of customer preferences better. A firm can accordingly anticipate market requirements ahead of competitors and respond better to customers' evolving demands (Roth & Jackson, 1995).

Hypothesis 1. *Marketing capabilities have a stronger effect on firm performance in more developed countries.*

2.2.2. Legislative institutions

A market's "legislative institutions" refers to the structures, processes, and legal rules that regulate the market. The legal system defines the formal structure of rights and obligations in an exchange. An inadequate legal system makes market transactions costly because time and resources (including management attention) must be devoted to gathering information concerning such factors as the financial condition of potential buyers and suppliers, the rationality of competitors, police protection, and security systems, all of which entail substantial costs (Khanna & Palepu, 1997; North, 1990; Wu & Chen, 2012). The quality of a market's legislative institutions also involves the extent to which legislation and regulations are effectively enforced (Rodriguez, Uhlenbruck, & Eden, 2005). In emerging markets, despite the existence of legal codes, inconsistent and unpredictable legal enforcement can result in the prevalence of unethical or even unlawful behavior (e.g., cheating, false advertising, counterfeiting), which creates high levels of uncertainty in market transactions (Sheng, Zhou, & Li, 2011). Firms operating in an economy with

متن کامل مقاله

دریافت فوری

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات