Pergamon

European Management Journal Vol. 24, Nos. 2–3, pp. 236–245, 2006

0263-2373 $32.00

doi:10.1016/j.emj.2006.03.013

Marketing Resources and Firm Performance Among SMEs

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According to the resource-based view (RBV) of the firm, strategically relevant resources are the basis for organizational performance. This paper examines the link between seven marketing resources associated with customer orientation and performance. Results suggest that two resources—a customer orientation philosophy and a structure that supports coordination among departments and divisions—are most critical in fostering superior firm performance.

Keywords: Marketing, Strategy, Culture, Customer orientation, Firm performance, SMEs

The literature is replete with studies that identify associations between a firm's competitive and marketing strategies and its performance. Indeed, the measurement of both sides of the linkage—strategy and performance—has been an issue of great concern in recent years (Ketchen & Shook, 1996). Although the majority of studies around one key factor ostensibly related to performance—market orientation (MO)—have focused on large firms in the United States, small and medium sized enterprises (SMEs) comprise a majority of the businesses in the U.S. and throughout the world. Hence, there is a need to explore the role of marketing orientation in SMEs as a distinct group of organizations (O'Regan & Ghobadian, 2004).

Specifically, the relationship between organizational resources associated with market orientation and firm performance among SMEs is a topic deserving greater research attention. This paper seeks to fill this gap by examining the relationship between marketing orientation and performance among SMEs.

Review of the Literature

The marketing concept reflects a customer philosophy that identifies consumer needs and integrates marketing activities with all functional areas in the organization to attain corporate goals by satisfying those needs. The marketing concept is generally defined as a philosophy or approach that maneuver the allocation of resources and formulation of strategies for an organization. Market orientation can be viewed as the organization-wide generation of market intelligence pertaining to current and future customer needs, the dissemination of the intelligence across departments, and organization-wide responsiveness to that intelligence (Kholi & Jaworski, 1990); MO is an expression of actions concerned with the implementation of the marketing concept and has received considerable attention in the literature (Day & Wensley, 1988, Kohli & Jaworski, 1990; Ruekert, 1992; Wong & Saunders, 1993, Greenley, 1995). Derived from a widespread review of the literature on sustainable competitive advantage and marketing strategy, Narver and Slater (1990) put market orientation in measurable terms by identifying three cultural dimensions—customer orientation, competitor orientation, and inter-functional coordination.

Understanding the customer and keeping the rest of the organization informed about customer changes so that superior value can be delivered is a major function of the marketing as a management function. Businesses develop long-term commitments in order to maintain the relationship through quality, service, and innovation. As a result, market orientation has been assumed to be a precondition to success and profitability for most companies (Kohli & Jaworski 1990).

Market intelligence not only relates to examining customers' needs and preferences, but it also consists of an analysis of how consumers may well be influenced by environmental forces factors such as government regulation, technology, competitors. Environmental scanning activities are subsumed under market intelligence generation. As such, intelligence dissemination relates to the communication and transfer of intelligence information to all departments and individuals within an organization through both formal and informal channels. Responsiveness is the actual implementation of a strategy or tactic in response to the intelligence that is generated and disseminated. Without the response of an organization to information, it is impossible to make any progress in countering the competition (Kara, Spillan, & DeShields, 2004).

Strategy and Marketing Orientation

For four decades academics and practitioners have acknowledged marketing orientation as a successful business strategy (Horng and Chen, 1998). Market orientation is the characteristic of an organization's culture that encourages employees throughout the organization to put emphasis on profit creation and maintenance of superior customer value as major goals to accomplish. It creates norms for behavior about the organization-wide development of and responsiveness to information about customers and competitors both current and potential (Slater, 2001). Market oriented businesses possess a competitive advantage in both the speed and effectiveness of their responsiveness to opportunities and threats. A business culture is a basis for competitive advantage only when it is indispensable, and difficult to imitate (Barney, 1991; Slater, 2001).

Market orientation refers to more than market segmentation. In effect, it involves more than the marketing department because it is an organization-wide concept. Moreover, it is an inter-functional concept that can promote the coordination and responsibility sharing between the marketing department and other departments in the firm (Kohli and Jaworski, 1990).

The inter-functional co-ordination aspect of market orientation pledges involvement of the firm's departments in the creation of value for the targeted market segments and the rapid response to the consumers' demands (Porter, 1985). Inter-functional co-ordination is an important component as it makes possible the transmission of experience and promotes organizational learning. Inter-functional coordination is also a channel to communicate the market expectations to the appropriate departments that can effectively develop products/service delivery in a timely manner. The strategic actions, which the firm presents to its markets, competitors and macro environment is a consequence of the inter-functional co-ordination, established from market intelligence. These actions focus on meeting the market needs in addition to the firms needs (Sinkula, 1994).

Because marketing is an adaptive, boundary-spanning business function, market orientation can be considered an offensive strategy that can be used to capture market share and expand a firm's position in the marketplace. By its own definition, MO supports activities and the coordination of various functional areas in an organization to satisfy customer's needs and oversee competitive actions focused at gaining market share and advancing a firm's level of performance (Tse, Sin, Yau, Lee & Chow, 2004). The relationship between competitive and marketing strategies and performance has been studied for several decades (Dess and Davis, 1984; Fiegenbaum, McGee, & Thomas, 1988; Hambrick, 1983; Hatten and Schendel, 1977; Hatten, Schendel, & Cooper, 1978; Hergert, 1983; Newman, 1973; Porter 1973, 1980, 1981).

Strategy and Performance

Links between strategy and performance have been substantiated at firm and functional levels, although there is often overlap between the two. At the business level, strategy typologies—also referred to as gestalts, frameworks, and archetypes—identified several generic strategic approaches and were developed and utilized as a theoretical basis for identifying strategic groups in industries. Porter's (1985) generic strategy typology also infers competitive and marketing dimensions and has been widely tested. According to Porter, a business can maximize performance either by striving to be the *low cost* producer in an industry or by *differentiating* its line of products or services from those of other businesses; either of these two approaches can be accompanied by a *focus* of organizational efforts on a given segment of the market. Presumably, differentiated businesses should emphasize marketing as a means of distinguishing their products and services from those of their rivals. Likewise, Porter's focus orientation is consistent with the marketing themes of product positioning and target marketing.

Desiring a greater emphasis on the individual firm, many business and marketing strategy researchers began to focus more intently on idiosyncratic firm resources as the foundation for firm strategy (Barney, 1986, 1991; Camerer & Vepsalainen, 1988; Collis, 1991; Grant, 1991; Hatch & Dyer, 2004). The resulting paradigm, the resource-based view (RBV), drew from the earlier work of Penrose (1959) and Wernerfelt (1984) and emphasizes unique firm capabilities, competencies, and resources in strategy formulation, implementation, and performance (Dutta, Narasimhan, & Rajiv, 2005; Kor & Mahoney, 2005; Mahoney & Pandian, 1992). A growing body of empirical literature supports links between firm-specific resources