



Achieving superior SME performance: Overarching role of marketing, innovation, and learning capabilities



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ABSTRACT

While most studies examine the effect of marketing, innovation, and learning capabilities (often separately) on performance, this study develops a unified model to investigate the combined effect of these capabilities on performance. This study further examines the complementary effect of these capabilities on performance. This study draws on the resource-based view theory to examine 171 manufacturing SMEs. The findings suggest that marketing, innovation, and learning capabilities are positively related to SME performance. In addition, these capabilities interact with one another to create great synergy in achieving SME performance.

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1. Introduction

Superior innovation capability is a key contributor to firm performance. The capacity to innovate can assist firms in the process of developing superior products to meet their customers' changing needs and demands (Verhees and Meulenber, 2004; Li and Mitchell, 2009; Rosenbusch et al., 2011) which is a requirement to succeed in the marketplace. Furthermore, firms must also possess superior marketing capability to bring their products to the marketplace faster and serve the customers better than their rivals (Vorhies and Morgan, 2005; O'Dwyer et al., 2009). However, in addition to innovation and marketing capabilities, firms must also possess superior learning capability to analyze their successful and unsuccessful activities in developing and launching the products as well as to acquire new knowledge so that improvement can be made and new ways of working more closely with customers are identified (Chaston et al., 2001; Prieto and Revilla, 2006). Building on these contentions, this study takes the view that innovation, marketing, and learning capabilities are the key capabilities for firms in their efforts to achieve superior performance. While these three key capabilities are potentially related in their contribution to firm performance, research that simultaneously investigates

their effects on firm performance is still scarce. More importantly, the literature is almost silent on their complementary nature and the possibility of their complementary effect on firm performance. This leaves an important source of advantage for firms largely unexplored (Newbert, 2007; Vorhies et al., 2009).

Using the Resource Based-View (RBV), this study addresses the current shortfall in the literature on complementary capabilities, internal capability deployment and firm performance in a unified framework. This study examines the individual effect of innovation, marketing and learning capabilities as well as their complementary effect on the performance of Small and Medium Enterprises (here after SMEs) in a single model. This study contributes to the literature by showing that simultaneously developing superior innovation, marketing, and learning capabilities provides SMEs with a complementary effect, which is a significant strategy to prevent competitors from imitating firms' capabilities and enhances marketplace outcomes.

2. Conceptual framework and hypotheses

The RBV has been widely used as a theoretical base for understanding how firms' resources drive performance (e.g., Barney, 1991; Crook et al., 2008). Many scholars, however, have argued that it is the firm's ability to deploy resources that better explain firm performance differentials (e.g., Newbert, 2007). A firm capability is defined as the bundle of interrelated processes for performing specific tasks (O'Cass and Sok, 2012). It is, as such, very

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important for firms to develop superior capabilities that enable them to achieve superior performance in specific markets.

There are arguments that firms need to develop varied sets of distinctive capabilities to compete in an environment of mounting global competition. It would be, of course, impossible to list them all; however, one may build on the premise of Drucker (1954) that marketing and innovation play the most significant role in the success of any firms. Importantly, marketing capability (e.g., Vorhies and Morgan, 2005; O'Dwyer et al., 2009; Vorhies et al., 2009) and innovation capability (e.g., Verhees and Meulenber, 2004; Li and Mitchell, 2009; Rosenbusch et al., 2011) have been put at the forefront of discussion and have appeared in many leading marketing and management journals. Scholars, for example, Chaston et al. (2001) and Prieto and Revilla (2006) have extended this view arguing that learning capability is another core capability in driving firm performance. It is because in the situation where the products and processes can be quickly imitated, the only real source of competitiveness is to promote and enhance learning capability (Chaston et al., 2001).

Existing literature often examine separately the impact of marketing capability (e.g., Vorhies and Morgan, 2005; O'Dwyer et al., 2009; Vorhies et al., 2009), innovation capability (e.g., Li and Mitchell, 2009; Rosenbusch et al., 2011), and learning capability (e.g., Chaston et al., 2001; Prieto and Revilla, 2006) on firm performance. Nonetheless, little effort, if any, has been put to investigating the simultaneous effect of marketing, innovation and learning capabilities and their complementary effect on firm performance, particularly SMEs. Based on this theoretical platform, this study develops the model presented in Fig. 1.

2.1. Innovation capability

There has been a significant interest among scholars on the role of innovation capability in driving SME performance (e.g., Li and Mitchell, 2009; Rosenbusch et al., 2011). Innovation capability is defined in this study as the bundle of interrelated processes a firm has in place to facilitate and implement successful development, evolution, and execution of product innovation (O'Cass and Sok, 2012). According to scholars such as Li and Mitchell (2009) and Rosenbusch et al. (2011), among others, SMEs with strong innovation capability will gain a competitive edge against competitors,

enabling them to achieve superior performance. Even SMEs generally face considerable resource scarcity (Terziovski, 2010), they are often successful innovators (Verhees and Meulenber, 2004; Rosenbusch et al., 2011). It is because SMEs are small and nimble, thus enabling them to be flexible and can introduce new products quickly to the marketplace to satisfy the customer's constant changing needs. Therefore,

H1. Innovation capability has a positive relationship with SME performance.

2.2. Marketing capability

The role of marketing capability in driving SME performance has also been of significant interest to scholars (Doole et al., 2006; O'Dwyer et al., 2009). This study defines marketing capability as the bundle of interrelated processes a firm has in place to facilitate successful development, evolution and execution of marketing mix strategies against competitors (O'Cass and Sok, 2012). In the SME context, marketing capability is often faced with poor resources such as cash flow and market expertise as well as tactical and strategic customer-related issues (Doole et al., 2006; O'Dwyer et al., 2009). Even though such constraints exist among SMEs, O'Dwyer et al. (2009) argue that SMEs always place an emphasis on marketing capability as the key for competitiveness. Being small size, nimble and targeting small market segments, SMEs can afford to pay great attention, offer friendly and outstanding services as well as provide tailored products to the specific needs of customers, all of which serve as the bases to achieve SME performance. Therefore,

H2. Marketing capability has a positive relationship with SME performance.

2.3. Learning capability

The role of learning in relation to SME performance has become a major research focus (e.g., Garcia-Morales et al., 2006). This study defines learning capability as the bundle of interrelated processes a firm has in place to diagnose staff training needs, to analyze the

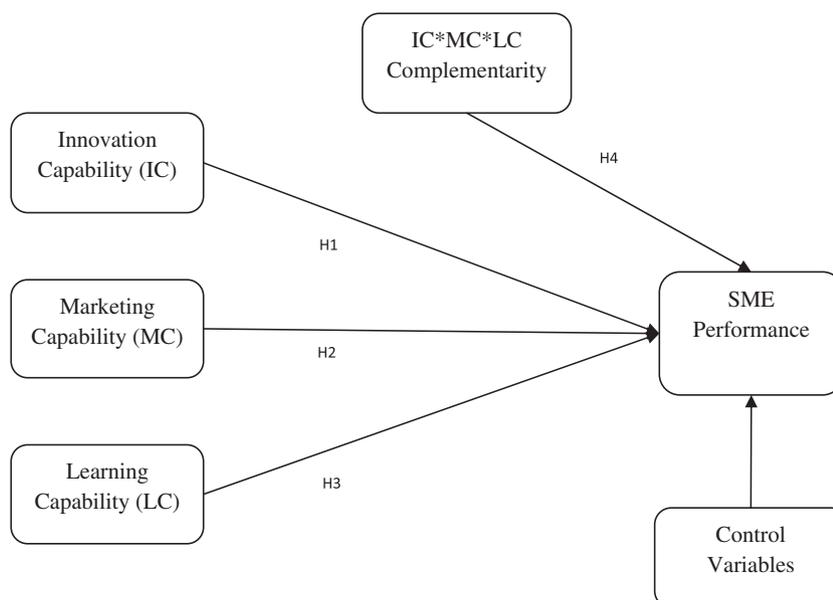


Fig. 1. Framework of the study.

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