



XVIII Annual International Conference of the Society of Operations Management (SOM-14)

## A resource-based view on marketing capability, operations capability and financial performance: An empirical examination of mediating role

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### Abstract

Using a resource - based view of firms, this study provides a new viewpoint to model functional capabilities of the firm. It also emphasizes that a firm with marketing capabilities leads to superior financial performance as compared to those, focusing solely on operational capabilities. This paper sets out to examine the relationships among marketing capabilities, operations, capabilities and financial performance of the firm. It also investigates the mediating role of competitive advantage and supply chain management (SCM) in the above mentioned relation. An approach based on the survey was considered to gather data. The conceptual model was tested empirically using structural equation modelling. The results support the research model and reveal that competitive advantage fully mediates marketing capabilities to the financial performance relationship. Among the operations capabilities and financial performance of a firm, SCM plays a role of a partial mediator. Moreover, both marketing as well as operations capabilities found significantly linked, and has a positive influence on financial performance. In addition, findings also depict that SCM significantly influences the firm competitive advantage.

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Peer-review under responsibility of the scientific committee of XVIII Annual International Conference of the Society of Operations Management (SOM-14).

**Keywords:** Marketing capabilities; Supply chain management; Operations capabilities; Performance; Competitive advantage

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## 1. Introduction

The resource-based view (RBV) ascribes better financial performance to the firm resources and capabilities (Bharadwaj, 2000; Wernerfelt, 1984). Firms possess different types of resource and capabilities, among them several will be strongly associated with better performance (Song *et al.*, 2007). These differences in the association are a result of efficiency that uses to translate firm resources in capability as well as in performance also (Liebermann and Dhawan, 2005). Capabilities generally described as “complex bundles of skills and accumulated knowledge that enable firms to coordinate activities and make use of their assets” (Day, 1990).

The center of attention in the marketing field, mainly laid down towards on customer’s demand creation. The operations literature, has stressed on how to manage supply so to realize customer demand. Among all the functional areas of an organization, marketing and operations contribute to value creation and addition, whereas the rest of them contribute only for the products and service delivery (Porter, 1985). A growing number of researchers have underlined marketing and operations functions integration as a mean to achieve firm performance (Hausman *et al.*, 2002; Malhotra and Sharma, 2002; Nath *et al.*, 2010; Roth and Vander Velde, 1991). Amazingly, there is no other empirical research that has investigated real association between marketing, operations capability and their influences on the firm’s financial performance, especially in India. Therefore, in this paper author makes an attempt to specify the linkage among these constructs. In this study, we use resource based view for developing theoretical background and to propose hypotheses. This RBV depicts how financial performance influenced through firm’s resources and capabilities (Wernerfelt, 1984).

This paper is organized in a sequence like it will begin with review of literature related to the main constructs of research model and their relationships in order to propose hypotheses. Then, discuss the method utilized in this paper. Thereafter, present the findings and at the last, we conclude the article with research implications, limitations and future research scope.

## 2. Theoretical background and hypotheses development

This section presents the proposed conceptual framework based on RBV theory and organized as follows. First, describe a brief overview of RBV in the context of resources, capabilities and firm performance. After that, the both functional capabilities, namely marketing and operations were described. The section also depicts the research model and proposed hypotheses.

Resource based view of a firm conjectures that competitive advantage derives from a business’s diverse and firm-explicit resources (Barney, 1991). RBV also believes that resources and capabilities are dissimilar (Teece *et al.*, 1997). Capabilities are primary to the success of the firm and as an organization process's resource are converting into values, which contribute to the competitive advantage (Dierickx and Cool, 1989).

The firm uses a competitive advantage modification like a yardstick of outcome (Day and Wensley, 1988). Pricing capability makes able to a firm utilizes pricing strategies to respond to changes. New product development capability enables a firm to produce new products and services so to fulfil customer’s requirements. Firm with Communication capability utilize marketing communication to convince customers regarding positive perception about products. Thus, all these marketing capabilities facilitate competitive advantage and increase performance. Consequently, we hypothesize that marketing capabilities and performance linkage is mediated by competitive advantage.

**H1:** Competitive advantages mediate the influence of marketing capabilities on firm’s financial performance.

Various studies have revealed a linkage among product design, development and supply chain management (McGinnis and Vallopra, 1999; Randall *et al.*, 2003). Capability to product development and design prove to yield various advantages for example synergies of operations (Palepu, 1985), generation of inimitable resources (Barney, 1991), and financial synergies. Gunasekaran and McGaughey (2003) have investigated linkage between supply chain and total quality management for instance operational flexibility and measurement of performance. Escrig Tena *et al.* (2001) proposed that “the relationship is the result of the unique resources and competencies generated by the implementation of total quality management. These competencies are viewed as sources of sustainable competitive advantage and therefore contribute to improved performance”.

Tan *et al.* (1998) investigated the linkage between operational practices, supply chain management and performance

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