

BUSINESS STRATEGY, MARKETING CAPABILITIES AND ORGANIZATIONAL EFFECTIVENESS: AN EMPIRICAL INVESTIGATION

*Douglas W. Vorhies, University of Wisconsin – Oshkosh
Michael Harker, Sunshine Coast University, Australia*

ABSTRACT

Creating a sustainable competitive advantage (SCA) is a major goal for most firms (Day 1994; Narver and Slater 1990). To do this, firms need to create value for their customers by determining customer needs, developing products (goods and services) designed to meet those needs, and communicating with customers about the need satisfying benefits of the product, pricing, quality, and availability (Day and Wensley 1988). This process seems relatively straightforward, yet the business press frequently documents companies that fail to develop these capabilities. It appears that much of this inability is related to a lack of understanding about how key internal processes work to enable an organization to develop enduring bases for supporting and maintaining the firm's competitive advantage (Narver and Slater 1990). One recently advocated approach for studying these internal processes is the capabilities approach (Day 1994; Grant 1991, 1996; Moller and Anttila 1987). As defined by Day (1994, p. 38), capabilities are "complex bundles of skills and collective learning, exercised through organizational processes that ensure superior coordination of functional activities." Recent theoretical research has focused on the idea that superior capabilities in marketing enables the firm to better generate information about customer wants and needs and to more effectively develop goods and services to meet those wants and needs (Day 1994). Furthermore, superior capabilities in marketing give the firm the ability to generate and act on information about competitor actions and reactions. This process of generating knowledge and applying it in ways that support delivering superior customer value helps the firm develop the basis for a competitive advantage (Bharadwaj, Varadarajan, and Fahy 1993; Narver and Slater 1990; Woodruff 1997). If successfully focused through the firm's business strategy, a firm with superior marketing capabilities can be expected to outperform its less capable rivals (Day 1994; Day and Wensley 1988; Kohli and Jaworski 1990; Narver and Slater 1990).

The Study

Business strategy and marketing capabilities form the foundation for developing a sustainable competitive advantage (Day 1994). To determine which of these factors had the most impact on organizational perfor-

mance, a study of firms with business operations in Australia was conducted. To collect data for the study, a survey was sent to Chief Marketing Executives of 400 relatively large firms with Australian operations. Each was sent a survey asking for data on the firm's major business unit. Questions were designed to collect data only for the major business unit selected for the study. In all, 87 useable responses were obtained for a 22 percent response rate.

Data analysis was performed by first analyzing the psychometric properties of the business strategy, marketing capabilities and performance measures via reliability analyses and confirmatory factor analyses. Having confirmed that the measurement properties of the scales were acceptable, a series of hypotheses were tested using multiple regression.

Results and Discussion

Nine hypotheses, representing the effect of the business strategy (degree of differentiation, cost-based advantage, and product-market breadth) and marketing capabilities (market research, product development, promotion, distribution, pricing, and marketing management) were regressed on each of four performance dimensions (business growth, profitability, adaptability, and customer satisfaction). Each of the four performance regressions demonstrated significant overall F statistics. Results indicate that differentiation, product-market breadth, market research capabilities (negative), product development capabilities, pricing capabilities and marketing management capabilities were significantly related to adaptability. Customer satisfaction was influenced by significant relationships with differentiation, product development capabilities, distribution capabilities, and marketing management capabilities. Growth was influenced significantly by product development capabilities, promotion (negative), distribution capabilities, marketing management capabilities. The factors impacting profitability were differentiation, product development capabilities, distribution capabilities, and marketing management capabilities. In each regression, type of market (business versus consumer) and organizational size were included in the independent variable list as control variables.

For further information contact:
Douglas W. Vorhies
Department of Marketing
College of Business
University of Wisconsin – Oshkosh
800 Algoma Blvd.
Oshkosh, WI 54901
Phone: (920) 424-0195
FAX: (920) 424-7413
E-Mail: Vorhies@uwosh.edu
