

Effect of Strategic Attitudes on Marketing Capabilities in Small and Medium Enterprises (SMEs)

by

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ABSTRACT

Modern organizations need to use strategies and strategic thoughts to be successful in different and continuous challenges. Regarding the development and importance of strategic issues and their relationship with marketing activities of an organization, the present paper is going to investigate the effect of strategic attitudes on marketing capabilities in active SMEs in detergents and cleaning products. To do so, a standard questionnaire was designed and the data which have been gathered from 130 managers in active companies of this industry had been studied accordingly. The data were analyzed by the structural equation method and Lisrel software. The results showed the meaningful and positive effect of customer-orientation on Specialized Marketing Capabilities and Architectural Marketing Capabilities; meaningful and positive effect of competitor-orientation on Specialized Marketing Capabilities and Architectural Marketing Capabilities; and positive and meaningful effect of innovation-orientation on Specialized Marketing Capabilities with 95% certainty. But the effect of innovation-orientation on Architectural Marketing Capabilities was not meaningful on 95% certainty level.

Key Words: *strategic tendencies, marketing capabilities, SMEs, marketing*

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Introduction

Managers of different companies use different strategic preparation behaviors and choose strategic attitudes, which are dependent to what they tend to do (Olson et al; 2005); for example the powerful customer-oriented companies, which emphasise on creation and maintenance of customer value. Most of the competitor-oriented companies promote rival goals and cost oriented-companies follow efficiency in their value chain (Day; 1990, Porter; 1985). Strategic attitude is one of the cultural aspects of an organization (Deshpande et al; 1993, Hurly & Hult; 1998, Narver & Slater; 1990).

The weaknesses of marketing in creation of competitive advantage attracted researchers' attention and promoted them to study organizational capabilities and compound it with marketing (Morgan et al; 2009) and other strategic attitudes (Chen et al; 2012, Theodosiou et al; 2012) to strengthen performance. While organizational capabilities are deeply rooted in organizational activities and they are not incontrovertible; they can be the basis of competitive advantage. The strategic attitudes, which have been studied in this research, include customer-orientation, competitor-orientation and innovation-orientation. Real expansion of strategic attitudes in a competitor-oriented or customer-oriented company can persuade marketing capabilities on that company (Morgan et al; 2009)

In the modern era, having the best marketing performance becomes the most fundamental concern of production company managers. They use different techniques to reach best performance and in this regard marketing capabilities are effective factors in developing competition advantage and best performance for the companies. Because of the continuous environmental changes and concise competition between cleaning products, technology changes and market-oriented or customer-oriented industries, the presented paper was based on the detergent and cleaning industry. In this regard we studied strategic attitudes of this industry which guide the behavior of an organization in the market and which have the potential to create favored performance. Also the results illustrated the importance of marketing capabilities' existence as an operational mechanism for real implementation of strategic attitudes. As the senior managers are responsible for implementation of organizational strategies, this research was conducted on the senior managers' level.

Theoretical foundation

Strategic attitude

Strategic attitudes are the principals which influence marketing activities and strategy composition of the organization. The strategic attitudes are used for creation of proper behaviors which consequently will cause better performance (Theodosiou et al; 2012). Competition and continuous changes are two sides of a coin which pushes companies to face complicated conditions which highlights more need to strategic and long term plans. In a designed strategy for the organization, one should pay attention to preparations of this strategy. In other words, process of strategic development is influenced by some factors. Strategic attitude is one of these preparations, which is a guide in the strategic planning and strategic development process. Commercial strategy or competitive strategy covers this context which tells how a company should compete to be able to reach its goals and maintain her competitor advantage

(Fred; 2000). According to Voss & Voss (2000) three elements were included in strategic attitudes: customer-orientation, competitor-orientation and innovation-orientation which will be explained as follows:

Customer orientation: proper understanding of target customer to create higher and continuous value for him (Narver and Slater; 1990). In other words, satisfaction of needs and demands of the target market via designing, communication, fair price, on time delivery and competitive offers (Kohli and Jaworski; 1990)

Competitor orientation: competitor orientation means that a salesman knows short term weaknesses and strengths and also long term capabilities and strategies of their main potential and present rivals (Narver and Slater, 1990)

Innovation- orientation: innovation is a manifested creativity which yields blossom and a creative thought which should be achieved and an application which will cause improvement in process and product. Tendency toward innovation is a strategic behavior which shows an open and active space for new ideas and a searching place for those ideas (Olson et al; 2005).

Marketing capabilities

Marketing capabilities are coherent and integrated processes which are designed to apply social skills, knowledge and resources of the company and help to identify market needs and also improve value of merchandises and services. A company with the help of these capabilities is able to adjust herself with the changing conditions of the market and use the market opportunities to cope with competitive threats (Vorhies, 1998). Marketing capability can be considered as a process to share the intangible (i.e. knowledge oriented) and tangible resources together to create valuable results. This capability is like a group of people (for example staff) who combine their knowledge and skills via pervious experiences like sales and development of a new product and its distribution (Griffith et al 2000). Vorhies and Morgan (2003) divided marketing capabilities according to expertise and structure. Specialized Marketing Capabilities reflect marketing activities, while structural capabilities provide planning and cooperation mechanism to secure the effective use of marketing activities.

Specialized Marketing Capabilities: these capabilities show related activities to medley marketing ; and medley marketing in this research means set to product development elements, pricing, marketing communication, personal sales and distribution channels management (Vorhies and Morgan; 2003)

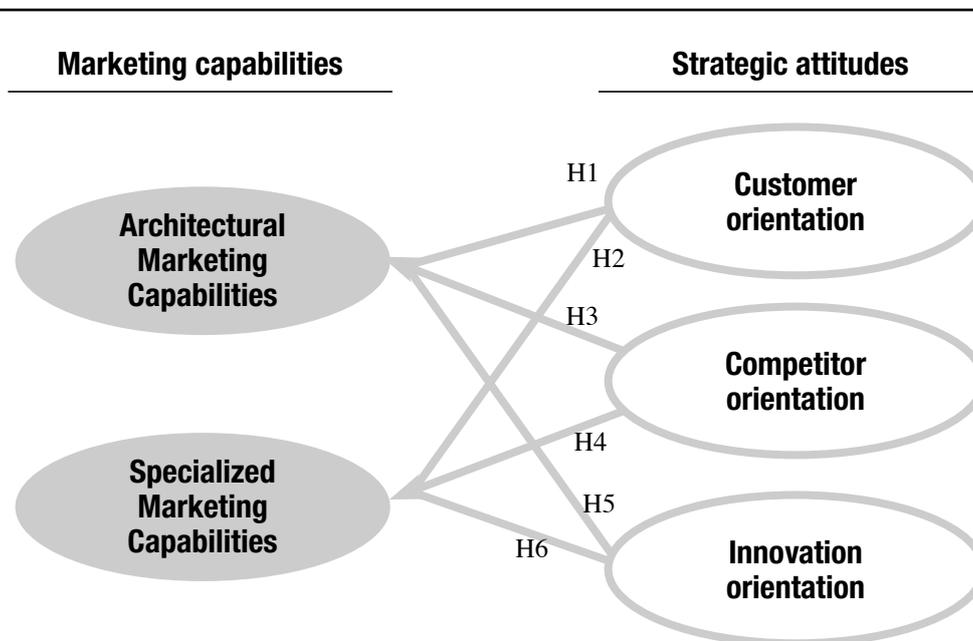
Architectural Marketing Capabilities: these capabilities are mostly related to strategic activities and concentrate on designing and management of Specialized Marketing Capabilities and its activities influence Specialized Marketing Capabilities. By Architectural Marketing Capabilities we mean set to management of marketing information elements, marketing design and marketing implementation (Vorhies and Morgan; 2003)

Conceptual model and hypothesis

The conceptual model of this research shows a relationship between strategic attitudes and

marketing capabilities. This model is a compound model resulted from mixing Voss and Voss's model (2000) for strategic attitudes & Trez and Bins Luce's (2012) model for marketing capabilities. Figure 1 illustrates the conceptual model.

Figure 1. Research conceptual model



According to the conceptual model, the hypotheses of this research are as follows:

- H1. Customer orientation has meaningful effect on Architectural Marketing Capabilities
- H2. Customer orientation has meaningful effect on Specialized Marketing Capabilities
- H3. Competitor orientation has meaningful effect on Architectural Marketing Capabilities
- H4. Competitor orientation has meaningful effect on Specialized Marketing Capabilities
- H5. Innovation orientation has meaningful effect on Architectural Marketing Capabilities
- H6. Innovation orientation has meaningful effect on Specialized Marketing Capabilities

Methodology

The present research is an applied descriptive survey. We used structural equation method and Lisrel software to analyze data.

Population and sampling

This research was conducted for the active companies in detergent and cleaning industry and the population was the managers of active companies in detergent and cleaning industry in Tehran city. It should be noted that passive companies in this industry were those companies who could not compete with other companies for different reasons and subsequently have been closed. We used Morgan and Jersey's table to choose 130 managers from these companies as our sample group. The sample group has been chosen by the random sampling method.

Questionnaire, validity and stability of tools

While we used library and internet resources to complete the theoretical part of this research, our most important tool for gathering data was a questionnaire. This questionnaire was designed to investigate three variables: strategic attitudes, Specialized Marketing Capabilities and Architectural Marketing Capabilities. We used face validity and conformity factor analysis to examine the validity of this questionnaire. For face validity, we distributed the questionnaire between 16 university professors and experts and asked their opinion about it. These opinions had been used to improve the questionnaire. Then, while examining the research structures we have found that when the effect of each factor in three structures was more than 0.5; they have good validity. We used Cronbach's Alpha coefficient to examine the stability and the results are shown in table 1.

Table 1. Measurement reliability of questionnaire

| Cronbach's Alpha | No. question | Source | Dimension | Structure |
|------------------|--------------|------------------------------------|--|---------------------|
| 0.833 | 5 | Narver, Slater & MacLachlan (2004) | Customer-orientation | Strategic attitudes |
| 0.887 | 8 | Narver & Slater (1990) | Competitor-orientation | |
| 0.853 | 5 | Hurley & Hult (1998) | Innovation-orientation | |
| 0.932 | 7 | Bins Luce & Trez (2012) | Specialized Marketing Capabilities | |
| 0.886 | 6 | Bins Luce & Trez (2012) | Marketing capabilities related to the organizational structure | |

As you can see in table 1 all the Cronbach alphas are bigger than 0.7. Therefore the questionnaire has a proper stability

Goodness of fit test

To determine the fitting of the presented experiment, we used confirmatory factor analysis to consider "fitting indexes" which are shown in table 2. Generally, each of the indexes alone is not the reason of fitting or lack of fitting in the model, but they should be analyzed and described all together. The indexes shown in table 2 are the most important ones and they illustrate that the pattern has a good condition to explain and fit the model. All the indexes confirm the appropriateness of the model for the observed data.

Table 2. Indexes of the fitting of the model (result: proper fitting and acceptable model)

| Index | Proper degree | Observed degree |
|-------|----------------|-----------------|
| RMR | Near to Zero | 0.014 |
| SRMR | Near to Zero | 0.007 |
| GFI | 0.9 and higher | 0.97 |
| NFI | 0.9 and higher | 0.93 |
| NNFI | 0.9 and higher | 0.96 |
| IFI | 0.9 and higher | 0.97 |
| CFI | 0.9 and higher | 0.97 |
| RMSEA | 0.1 and less | 0.078 |

Testing hypothesis

The results of testing the hypotheses are as follows:

Figure2. The model for meaningful coefficients

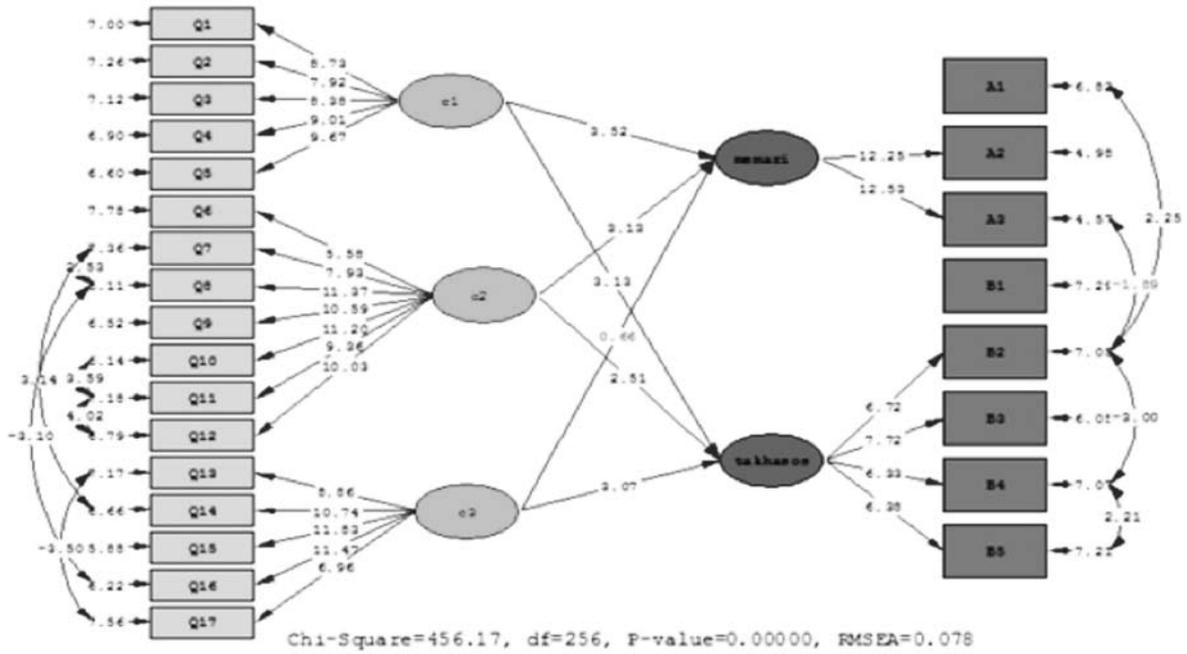
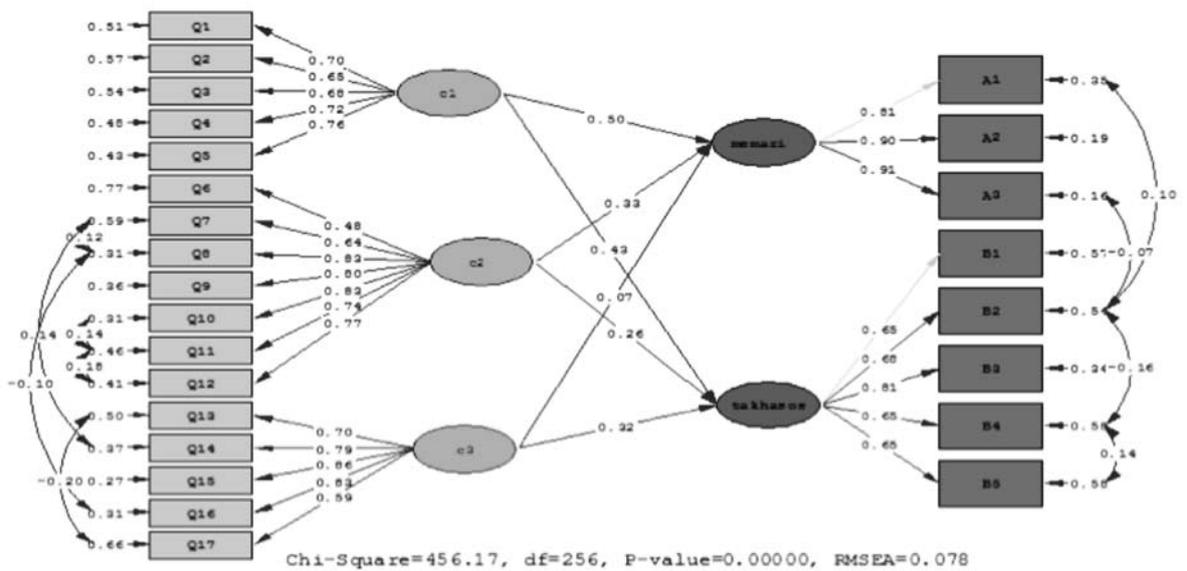


Figure3. The model for estimation of direction coefficients



According to the figure 2 and figure3 we confirmed or rejected the hypotheses:

H1. Customer orientation has meaningful effect on Architectural Marketing Capabilities.

As it was shown the effect of customer orientation on Architectural Marketing Capabilities is equal to 0.50 ,and t is equal to 3.52 which is bigger than 1.96. Therefore customer orientation has meaningful effect on Architectural Marketing Capabilities.

H2. Customer orientation influences Specialized Marketing Capabilities.

As it was shown the effect of customer orientation on Specialized Marketing Capabilities is equal to 0.43, and t is equal to 3.13 which is higher than 1.96. Therefore customer orientation has meaningful effect on Specialized Marketing Capabilities.

H3. Competitor orientation influences Architectural Marketing Capabilities

As it was shown the effect of competitor orientation on Architectural Marketing Capabilities is equal to 0.33 and t is equal to 3.13 which is higher than 1.96. Therefore competitor orientation has meaningful effect on Architectural Marketing Capabilities.

H4. Competitor orientation influences the Specialized Marketing Capabilities

As it was shown the effect of competitor orientation on Specialized Marketing Capabilities is equal to 0.26 and t is equal to 2.56 which is higher than 1.96. Therefore competitor orientation has meaningful effect on Specialized Marketing Capabilities.

H5. Innovation orientation influences Architectural Marketing Capabilities

As it was shown the effect of innovation orientation on Architectural Marketing Capabilities is equal to 0.07 and t is equal to 0.66 which is less than 1.96. Therefore innovation orientation does not have meaningful effect on marketing capabilities related to the organizational structure.

H6. Innovation orientation influences Specialized Marketing Capabilities

As it was shown the effect of innovation orientation is equal to 0.32 and t is equal to 3.07 which is higher than 1.96. Therefore innovation orientation has meaningful effect on Specialized Marketing Capabilities.

Discussion and conclusion

In modern society, it is not possible for companies to just look at today and see present benefits as the essence of their long term existence and survival. They need much more if they want to survive. Hence each company tries to use techniques and procedures to secure its existence and profitability. Small and medium enterprises face this problem more because many of these enterprises are newly established and they should pass a long way to be able to become a big company and if they cannot face this increasing competence they will diminish. Strategic techniques and attitudes and marketing are two main factors in the success of companies in modern challenging markets. Of course, usage of these two factors brings changes to the companies. As marketing and strategic attitudes are important in a company's success, the present research studied the effect of strategic attitudes on marketing capabilities of active SMEs in detergent and cleaning industry. To do so, we used data gathered from 130 managers in companies located in Tehran city and then we analyzed them.

The results of analyzing 6 hypotheses showed that with 95% certainty 5 hypotheses are confirmed and 1 hypothesis is rejected. It means that with 95% certainty, the effect of customer orientation was meaningful on Specialized Marketing Capabilities and Architectural Marketing Capabilities. With 95% certainty, the effect of competitor orientation was meaningful on Specialized Marketing Capabilities and Architectural Marketing Capabilities. Also with 95% certainty, innovation orientation has meaningful effect on Specialized Marketing Capabilities. But the effect of innovation orientation on Architectural Marketing Capabilities has not been confirmed on 95% certainty.

One can assume the reason for rejecting this hypothesis is that there is no use of innovation in complex marketing processes. Unfortunately, as active organizations in detergent and cleaning industry do not use innovation in pricing, product development, distribution, etc., this factor has no effect on capabilities related to the organizational structure.

According to the results, active companies in the detergent and cleaning industry should carefully move toward innovation-orientation, customer-orientation and competitor-orientation to develop and improve the organizational Specialized Marketing Capabilities. Via using the tools and details of each of these three orientations, these companies are able to improve their marketing capabilities. But to improve Architectural Marketing Capabilities, active companies in detergent and cleaning industries should pay attention to customer-orientation and competitor-orientation and they should strengthen customer-orientation and competitor-orientation via completing these tasks and developing plans for their companies.

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