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Market orientation, marketing capability, and new product performance: The moderating role of absorptive capacity☆

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ABSTRACT

The recent marketing literature identifies market orientation and marketing capabilities as key concepts that firms should use to achieve their competitive advantages. Previous research also confirms cross effects of these dimensions in firms' performance. The present study extends the literature on this subject by introducing absorptive capacity (AC) as a moderator of the relationship among market orientation, the interaction of market orientation and marketing capability, and firms' new product performance. This study empirically examines the research model using survey data from 188 manufacturing firms in Sweden. The findings confirm previous studies that claim a positive relationship among market orientation, marketing capability, and new product performance. More importantly, the results indicate that AC positively moderates the relationship between market orientation and firms' new product performance. Furthermore, the findings suggest that experts should consider AC as a competitive factor in line with the complimentary effect of market orientation and marketing capability. This consideration would contribute to explain better firm-related performance, such as new product performance.

1. Introduction

The dynamic capability (DC) literature consistently focuses on the importance of marketing capabilities (MCs), which the literature defines either as the sum of mid-level marketing activities (Vorhies & Morgan, 2005) or as higher-level marketing capabilities (Merrilees, Rundle-Thiele, & Lye, 2011). MC can significantly affect the effectiveness of the marketing strategy implementation (Morgan, Katsikeas, & Vorhies, 2012) and thus overall firms' performance (Vorhies & Morgan, 2005). In this regard, Day's (2011) conceptual address of the subject suggests a widening gap between market complexity and organizations' marketing capabilities, and calls for a redefinition of these capabilities to add new adaptive capacities to anticipate market changes and become more responsive to them. To avoid rigidity, organizations should enhance such capabilities to acquire new and future-looking intelligence from the market and develop higher-level capabilities such as market sensing and customer-linking capabilities. The potential source of such intelligence is market orientation (MO), which the firm primarily deploys to scan and acquire market intelligence (Vorhies, Orr, & Bush, 2011).

On the other hand, MO, which is the process of generating and disseminating market intelligence to create and offer better value to the customer (Kohli & Jaworski, 1990), is a source of advantage for the firm (Kirca, Jayachandran, & Bearden, 2005; Zhou, Brown, & Dev, 2009). MO is “inherently a learning orientation” (Hurley & Hult, 1998, p. 42). In contrast, Morgan, Vorhies, and Mason (2009) argue from a DC perspective that MO as a resource can only be effective to firm's performance objectives with the support of complementary market-related organizational capabilities. This study concurs with the above resource-oriented arguments, which suggest a complementary relationship between MO and MC, as well as a combined effect of the two in enhancing firm performance (Morgan, Vorhies and Mason, 2009). However, this study proposes that these recent views cannot fully explain the DC-oriented marketing approach to competitiveness without considering the role and effect of another type of organizational capacity: absorptive capacity (AC). This capacity consists in absorbing and deploying knowledge in the organization; DC literature refers to AC as organizational DC (Floyd & Lane, 2000; Zahra & George, 2002).

MO is a learning orientation, or as Slater and Narver (1994) suggest, the combination of MO with a learning orientation results in better organizational performance. Slater and Narver (1994) equate MO with the process of learning, behavior change, and performance improvement. One of the components of MO is inter-functional coordination

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(Lukas & Ferrell, 2000), which is about the coordinated application of resources for generation and dissemination of market intelligence (Slater & Narver, 1994). The organizational learning and DC theories suggest that success of the process of intelligence gathering and deployment depends on the firm's AC (Javalgi, Hall, & Cavusgil, 2014) Therefore, this study proposes that AC plays a moderating role in the relationships between MO and the combined effect of MO and MC on firm performance, according to new product success.

This article's structure is as follows: after discussing the theoretical background, the article develops the hypotheses. Then, the article explains the method and presents the results of a statistical analysis. The study concludes with a discussion of key findings and directions for further research.

2. Theoretical framework and hypotheses

The increasing level of market dynamics drives competition on innovation and new product introduction to new levels. In response, firms should pursue proper value-adding strategies and implementing them by acquiring and deploying resources to match their business environment (Ambrosini & Bowman, 2009; Lamore, Berkowitz, & Farrington, 2013). DC theory explains and supports this approach to competitiveness, suggesting a new range of capabilities to implement new strategies and to make appropriate use of their limited resources (Eisenhardt & Martin, 2000). This theory posits that possession of such capabilities can differentiate firms in the competition from their rivals (Bingham, Eisenhardt, & Furr, 2007; Teece, 2007). Dynamic capabilities involve complex sets of knowledge and skills, which play a coordinating and inter-functional role to reflect the emergent circumstances and reconfigure organizational resources and capabilities (Teece, 2007). Dynamic capabilities also support other organizational capacities, such as capturing value in the process (Katkalo, Pitelis, & Teece, 2010), and reconfiguring or transforming resources and capabilities (Katkalo, Pitelis and Teece, 2010; Teece, 2007). Therefore, to support firm competitiveness, DC should deal with and manage various types of capabilities, which complement each other to lead to new and reshaped offerings to the market (Katkalo, Pitelis and Teece, 2010).

One kind of such capabilities is MO strategies of the firm, an approach for generation and dissemination of market intelligence (Kohli & Jaworski, 1990; Morgan et al., 2009). Morgan, Vorhies and Mason (2009) propose that MO requires complementing market-relating organizational capabilities to enable firms to respond to the market intelligence they generate. Building on the theoretical ground, the research model (Fig. 1) aims to undertake an empirical research on the subject. The model posits that two sets of complementary capabilities in the organization, namely MO and MC, influence firms' competitive performance in innovation and new product performance (NPP). Furthermore, this study expects a combined effect of MO and MC on NPP, while a third type of organizational capability, AC, moderates both the effect of MO and the combined effects of MO and MC on NPP. The article further formulates theoretical propositions for empirical examination.

2.1. MO, MC, and their combined effect on NPP

MO strategies of the firm are largely about the ongoing monitoring of customers' current and latent needs and market and competition conditions. Using MO, firms prepare and respond to these needs by innovating and introducing appropriate products and services (Atuahene-Gima, Slater, & Olson, 2005). MO therefore primarily aims at generation and dissemination of proper market intelligence (Kohli & Jaworski, 1990; Morgan et al., 2009) to give the firm a knowledge advantage (Morgan et al., 2009). Numerous studies find a positive association between MO and business and innovation performance (e.g. Gonzalez-Benito, Gonzalez-Benito, & Munoz-Gallego, 2009; Kirca, Jayachandran and Bearden, 2005; Laforet, 2008). The knowledge advantage of the firm leads to more relevant and superior products to address the markets' circumstances (Slater & Narver, 1994). Therefore:

H1. The firm's market orientation has a positive relation with the firm's NPP.

Research shows concern over the view that capabilities such as MO can have the expected influence in the absence of other complementing capabilities. For instance, Ketchen, Hult, and Slater (2007) find that MO (as a resource) only have potential value. Murray, Gao, and Kotabe (2011) argue that to capitalize on MO, firms need to take appropriate strategic actions. They propose that internal processes in relation to marketing (marketing capabilities) should be functional for MO to influence performance. Morgan et al. (2009) also refer to the less attended set of MC) which in fact are essential for deploying MO strategies.

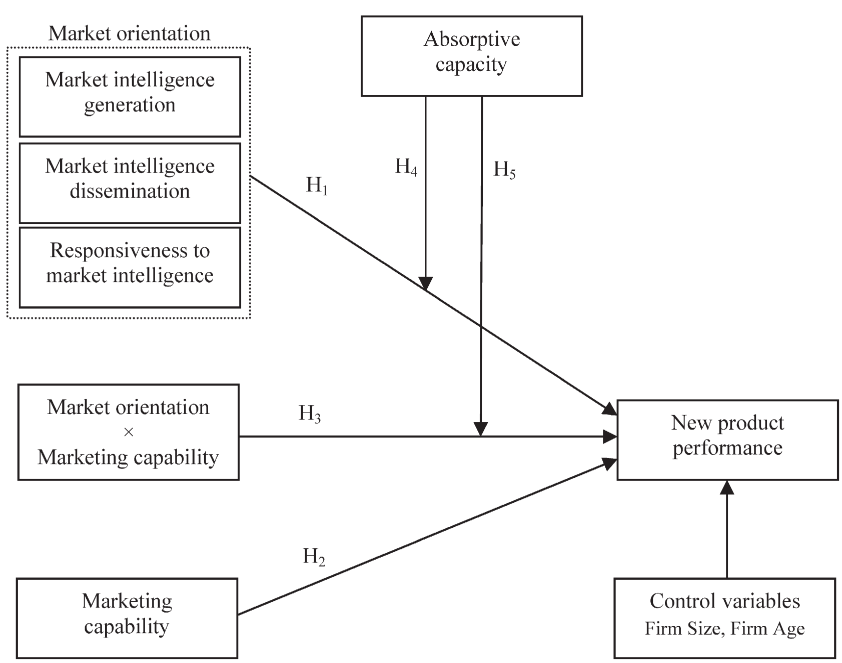

Fig. 1. Conceptual framework.

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