

The Nexus among Resource Based Theory, Marketing Strategy, and Firm Performance: An Integrated Framework

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ABSTRACT:

The purpose of this article is to present the link among resource based theory, marketing strategy, and firms' performance in order to propose integrative framework showing how the three constructs are linked. It is organized based on a review of academic literature on resource based theory and marketing strategy chronicled in major marketing journals up to December 2015. Besides, the paper reflects some context specific experiences of the author. As a result, the literatures indicate that the resources of firms such as marketing resources commitment are linearly linked to their marketing strategies. This in turn implies that the link between resources and marketing strategy is direct while its link with performance is mediated by marketing strategy. Such propositions constitute guidelines useful in the process of linking resource based theory and marketing strategies by practitioners and establish bases for academic researchers to test the conceptual relationships proposed in this article.

Keywords: *Marketing, Marketing strategy, Resource based theory, Marketing frameworks, Firm performance*

INTRODUCTION

While Barney et al. (2011) revisited their 1991 RBV propositions 20 years later; they found that it made significant effect in strategic management literatures. They also found out many empirical supports in different contexts. Still their prior proposition of RBV remains a valid descriptor of competitiveness of firms which led them to conclude that resources based is no more a view and it developed and matured to theory. Hence, RBT is used instead of RBV in this conceptual paper.

How resources based theory is linked to firm performance has been the subject of concern since variances in firms' performance is very much explained by the differences in resources bases. Similarly, how resource based theory is related to marketing strategy and how marketing strategy is linked to firm performance remain appoint of debate in strategic management

literatures regarding as to how these three research constructs are related and constructed. In this article, the conceptual link among RBT, as explained by marketing resources and capabilities, marketing strategy, and firm performances is dealt and finally the integrated framework is proposed.

The Resource Based Theory (RBT) and Marketing Strategy

The past decades have been the emergence of efforts to establish the micro foundations for RBT in strategic management (Barney et al., 2011). The prior dominant strategic management theories such as Porter's five forces model (1985) which argues for firms' external environment as a determinant of their competitiveness in a given industry had been begun to be doubted. Such doubts have become imperative as empirical

evidences have shown positive and significant results that firms which are exposed to similar external environment differ in their performances. As a result, scholars began to recognize that there would be a need for analysis within firm boundaries to look deep in to firm specific sources of differences (Kraaijenbrink et al., 2010). The possible explanation in response to the need to look firm specific variables as causes for differences in their performances was coined by Barney (1991) when it was originally emerged as resources based view. Such view while was developed to explain why some firms are competitive and others are not, keeping other things constant, it remains enduring and matured to resources based theory as scholars use them frequently since its emergence (Barney et al., 2011).

RBT emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. The principle behind this theory is that firms achieve sustainable competitive advantage by continuously developing existing resources and creating resources as well as capabilities in response to the dynamic market conditions (Peteraf, 1993; Day, 2011). Resources are valuable when they allow the firm to take advantage of opportunities in the environment and/or withstand competitive threats which justifies both the possession and utilization of resources (capabilities) should be in place for firms to achieve competitive advantage. Resources and capabilities in this context are conceptualized as bundles of tangible and intangible assets, including a firm's management skills, its organizational processes and routines, and the information and knowledge it controls that can be used by firms to help choose and implement strategies (Naido, 2006).

From a marketing perspective, resources may be defined as the assets available to marketers and others within the organization that—when transformed by the firm's marketing capabilities—can create valuable outputs (Morgan, 2011). These valuable outputs will serve as bases from which a firm's competitive advantage will be built and will remain sustained within the firm as such resources differ in value, rarity, inimitability, and sustainability (Barney, 1991). As such, resources provide the raw materials for firms' business and marketing

strategies (Black and Boal 1994; Morris et al., 2010) and such raw materials will make a firm unique in the industry as it doesn't have strategically equivalent substitutes. Furthermore, the current bases of resources of firms are not only different but also such initial heterogeneity will magnify over time. Hence, the resource differences are enduring and remain core competency for firms with their own specific heterogeneity.

Firms need to understand and analyze their unique resources in order to develop their competitive advantage. In this regard, there are two assumptions in analyzing sources of competitive advantage (Barney, 1991; Peteraf and Barney, 2003). The first assumption is that each firm within an industry is heterogeneous with respect to the bundle of resources they control. Such argument considers a firm as a coordinated bundle of resources that the business has at its disposal or has access to, which are valuable, rare and inimitable (Lambin, 2008). Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms and they do not have perfect substitutes (Lambin, 2008). In both cases, it is claimed that firms are unique in their resources endowment and their ability to combine and deploy these resources strategically serves as basis for competitive advantage. Therefore, to the extent a firm is able to organize and exploit resources and capabilities (Peteraf and Barney, 2003) it creates and maintain in time, a supply of products/services that offer more value for the customer (Mayer et al., 2012) than its competitors and here is exactly where the RBT's central argument comes in to play.

Consequently, a firm achieves a sustainable competitive advantage by continuously developing existing resources and creating resources as well as capabilities in response to the dynamic market conditions (Peteraf and Barney, 2003). Since RBT attempts to emphasize on internal efficiency and effectiveness in utilizing the resources within a firm, managers play a critical role in helping the organization achieve sustained competitive advantage (Wright et al., 2014). Thus, the firm must have the organization in place that can absorb and apply these resources (Barney, 2001). Hence, possession of the unique resources and ability to deploy these resources

are the building blocks of RBT as a perspective of looking sources of firms' competitiveness within the firm boundaries.

When it comes to marketing strategy, RBT argues that the deployment of appropriate marketing resources enhance the effective formulation of marketing strategy based on a unique resources a firm possesses. Besides, the marketing resources are deployed to effectively execute the soundly formulated marketing strategy so that the strategies will help companies realize their marketing objectives. Such effective marketing strategy implementation requires the ability to acquire, combine, and deploy needed resources (Olson et al. 2005). This capability therefore encompasses processes such as those acquiring and allocating required resources from inside and outside the organization (Crittenden and Crittenden, 2008), and monitoring internal and marketplace progress (Srivastava, et al., 1999) to enable intended marketing strategies to be quickly translated into consistent goal directed action outcomes. As a result, resources shape and enhance effective marketing strategy formulation and determine the extent to which the formulated strategy will be put in to implementations (Morgan et al., 2012).

Hence, the RBT is both the prerequisite and enabler of effective marketing strategy indicating strong link between the two. Such link between the marketing resources and marketing strategy gives strong support for the argument of RBT implying firm specific resources determine its ability to formulate and implement effective marketing strategy. Thus, there exists strong and direct conceptual support that the link between resources (RBT) and marketing strategy is direct and linear.

The Link between Marketing Strategy and Company Performances

The role of marketing in explaining firms' business performance has received significant attention throughout the history of the marketing discipline (Morgan, 2011). Recent advances in the marketing – firm performance interface have begun to provide more empirical evidence to the impact of specific marketing activities and different types of marketing-related assets on firms' performance (Morgan, et al., 2012). Such relation has had greater impact on marketing

strategies as it requires resource commitment on the one hand and managers need to be convinced that their resources are invested is worthwhile on the other hand. In this regard, the need to link marketing with business performance has become a topic of marketing literatures as marketers have been forced to defend the value of their activities and budgets in the current global competitive environment. Hence, the need to link marketing strategy with firms' performance has become the valid research agenda in strategic management researches as what gets measured gets attention (Huizingh and Zengerink, 2001; Prim and Butler, 2001).

Close relationship between marketing strategies and competitive advantage are considered as preconditions for business performance achievement (Rhee and Mehra, 2013). This is because marketing strategy is the most important determining principle that each company uses it to organize and allocate its resources in order to make more profit of costumers that in fact more specific contents and parameters are determined from the market. As a result, isolating marketing's contribution from the entire firm performance is important and part of the methodological challenge of working in marketing literatures (Moorman and Lehmann, 2004). However, what makes good measurement for marketing strategy is still the subject of discussion in marketing literatures. While some argue that the measurements should be quantifiable and hence financial measurements are appropriate others argue that specific subjective measures are more appropriate and better measurement of marketing strategy's contribution to firms' performance (Hunt and Morgan, 1995).

Arguments for financial performance claim that superior financial business performance is the ultimate goal of marketing strategies (Rhee and Mehra, 2013). At each level, appropriate financial measures can be defined to determine the level of a marketing strategy success and to take the necessary feedback based on the measured result. However, proponents of the non financial performance measurement argue that it is difficult to directly measure the financial contribution of marketing and there must be other ways of non quantifiable measurements (Hunt and Morgan, 1995). Such alternative nonfinancial measures of marketing

strategies include attitudes' of customers, brand equity, customer satisfaction towards the company and competitive base of a company. In this regard, supporting view has emerged in literature arguing that marketing strategy should focus on building value to a firm by measuring and managing marketing performance measures such as, for example, customer satisfaction or service quality, so that economic value could be improved (Rust et al., 2004). Therefore, the effectiveness and success of marketing strategies can be evaluated at various level of a firm, business unit or brand to groups of customers or even individual customers through nonfinancial measures. If we take this view for granted, marketing's contribution to firm performance can be measured from customers' perspective such as customers' satisfaction. Such measurement makes more sense in that it can measure not only the current performances of a firm but also sustainability as a satisfied customer is highly likely to remain loyal

As subjective versus objective measurements of marketing strategy's contribution to a firm performance continues, they both triangulate with each other the idea that marketing's contribution to firm performance is immense. Whichever approach one may follow, it can be learnt that marketing strategy causes firm performance and this performance (Amin et al., 2012) is positive and direct as well. This may imply that to the extent firms formulate and implement effective marketing strategies, they become competitive; be it measured in terms of financial or non financial measures. Thus, this conceptual test supports the proposition that the link between marketing strategy and company performance is positive and linear.

The Link between RBT and Firms' Performance

The RBT suggests that a firm's competitive advantage is a function of a set of firm-specific resources and capabilities that are valuable, rare, and imperfectly imitable and for which there are no commonly available substitutes (Barney, 1991). This is so because resource endowments are unevenly distributed and not easily transferred and such unique and immobility nature of resources qualify the firms to become competitive by enabling them use the resources combination effectively (Mayer et al., 2012).

A growing body of empirical literature supports links between firm-specific resources and firm performance suggesting that a firm's competitive advantage is a function of a set of firm-specific resources and capabilities that are valuable, rare, and imperfectly imitable and for which there are no commonly available substitutes (Mayer et al., 2012). For example earlier works of Wernerfelt (2011); Dutta et al. (2003); Kor and Mahoney (2005); Mahoney and Pandian (1992) emphasize that unique firm capabilities, competencies, and resources in strategy formulation, and implementation are key determinants of firms' variances in competitiveness.

Furthermore, Crook et al (2008) used a meta analysis to establish that strategic resources explain a significant portion of variance in performance across extant evidences implying the turn of focus of managers' attention from uncontrollable outside environment to firm specific factors because (RBT) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. Not only do these literatures support the strong link between RBT and firm performances but also try to explain how these resources remain sustainable. Furthermore, Wernerfelt (2011) considers the process through which a firm can acquire resources and he argues that its current stock of resources create asymmetries in competition for new resources. This argument may further imply that the RBT base for competitiveness give firms upper hand to approach even the new resources, making them strong for long.

Therefore, from RBT perspective, successful firms are those that learnt to exploit current resources based advantage and develop (explore) new resources based opportunities (Ramaswami et al., 2009; Tsang 2000). Hence, better marketing resources deployment paves the way to better marketing strategy which in turn increases the likelihood of success in the market. Furthermore, the resources are important in explaining inter-firm performance variations, and they also interact with one another in determining firm performance outcomes (Thorpe and Morgan, 2007). Thus, there exists strong conceptual base to significantly support the proposition that the link between resources and firm performance is positive. However, the

resources need to be deployed using appropriate strategies through capabilities in order for them to support competitive advantage. Hence, marketing strategies mediate the link between resources and competitiveness.

The Conceptual Links among RBT, Marketing Strategy, and Firm Performances

As presented above, the RBT explains that firms' inside out perspective is the ultimate source of their competitive advantage in the market and resources are found to be significant descriptor of marketing strategy. The RBT further claims that capabilities should be there for resources to be converted in to outputs by means of strategy formulation and implementation. Hence, marketing strategy formulation in this context needs to base from effective engagement of marketing assets and capabilities. Such deployment enables a firm to effectively formulate its marketing strategy by considering the different situation and environmental factors. The soundly formulated strategy should be implemented which in turn needs marketing managers' marketing engagement in combining and deploying the resources in the execution of the marketing strategies. And what gets measured gets attention.

Hence, marketing strategy should be well linked to firms' performance so that each dollar

of investment in marketing strategy is considered as worth investment.

Generally, although the foregoing discussions of the links between resources, capabilities, and firm performance have been strongly theoretical in nature, the implications for strategy formulation are straightforward (Grant, 2001). Similarly, effectively executed marketing strategies are required to productively guide the deployment of available resources via the firm's marketing capabilities in pursuit of desired goals (Cavusgil and Zou, 1994; Varadarajan and Clark, 1994). Therefore, it can be understood that the link between resources and marketing strategy is direct (Mathews, 2003) and positive while the link between resources and performance is implied than direct. However, the link between marketing strategy and firms' performances is linear and positive. Hence, it can be understood from this transitively that there exists a positive link between firms' resources and their performances though mediated by marketing strategy. As a result, considering the three research constructs, the above integrated framework is proposed. The implication of the framework is clear in that any marketing strategy effort should be linked backward to marketing resources and forward to firms' competitiveness justifying the relevance and importance of marketing beyond a functional level.

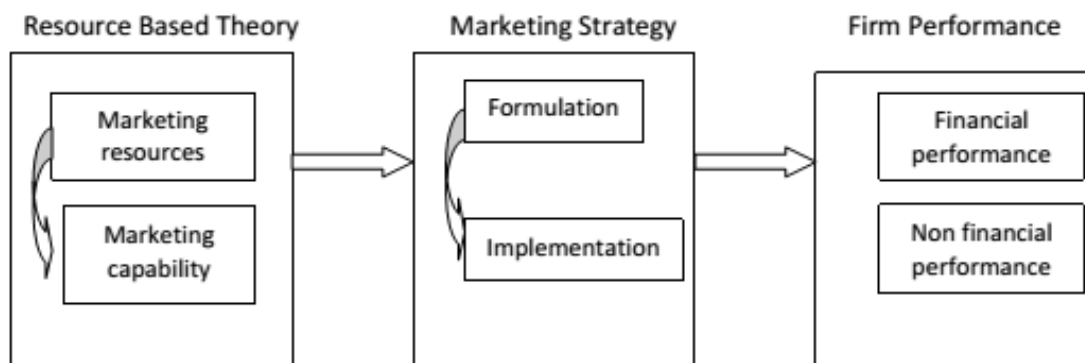


Figure 1: Conceptual framework
Source: Author's proposition

CONCLUSION

The above conceptual proposition, as the name indicates, is conceptual in nature and hence remains at that level until empirical evidences in different contexts and scope (local and global) significantly support it. Hence, the contribution of this conceptual paper will be more meaningful if empirical evidences come forward in support of it. However, its contribution to marketing strategy literature cannot be undermined what so ever. It extends earlier work of El-Ansary (2006) 'marketing strategy taxonomy' by adding resources in to picture and advances the propositions which have attempted to relate marketing strategy and resources based theory by recasting their implications to firms' performances.

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