

# **Project Research Proposal and Statement of Purpose**

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## **Working title**

Exploring the influence of an increase in the absolute level of a firm's market information resource upon their specialized and architectural marketing capabilities over time.

## **Theoretical Framework**

For firms the development of product-market strategies indicates that they have made important decisions regarding the deployment of their market information resources at hand (Vorhies, 1998). Market knowledge in firms is reliant on the absolute level of market information resource concerning a firm's customers, competitors, supply-chain and their broader environment in target markets. Market information represents a particularly important knowledge resource as it provides firms with insights into which value-adding activities they should undertake, and how these should be accomplished in ways that match market conditions (Day, 1994; Slater and Narver, 1995). A criticism of the resource based view of the firm (RBV) is an inability to explain how resources are deployed to achieve competitive advantage (Priem and Butler, 2001). The RBV literature has extended into capabilities theory based on the premise that market information resource deployments may be more effective drivers of sustainable competitive positions than the market information resource of itself (Teece et al. 1997; Teece, 2007). This moves away from the RBV as developed by authors such as Barney (1991), where resource heterogeneity alone can drive competitive advantage. To successfully deploy market information resources at the product-market level, firms require marketing capabilities that enable them to repeatedly deliver desired benefit bundles to customers (Noble, 1999).

Morgan et al. (2009) contend that if the tenets of resource-based theory hold for marketing capabilities, one would expect that marketing capabilities: 1) increase a firm's ability to implement product-market strategy leading to better business performance; 2) prevent imitation and substitution; 3) help the firm sustain the performance advantages attained (see Day, 1994). Capabilities involve complex coordinated patterns of skills and knowledge that, over time, become embedded as organizational routines (Grant, 1996). Capabilities related to market information resource deployment in firms are associated typically with the marketing function (Daneels, 2007). Vorhies (1998) has defined marketing capabilities as a set of integrative processes by which skills and knowledge are combined with tangible resources to transform marketing inputs to outputs. They develop in response to the strategic actions taken by the firm as well as the day to day 'doing business' activities used to implement the firms strategies. Two interrelated marketing capability areas have been identified: 1) capabilities concerning marketing mix processes (Vorhies and Morgan, 2005); 2) capabilities concerning the processes of marketing strategy development and execution (Morgan et al. 2003). Regarding marketing mix processes, deployment of a firm's market information resource is through organizational-level capabilities to enable the effective performance of marketing tasks such as promotion management and new product development. This is referred to as specialized marketing capabilities (Vorhies et al. 2009), which are functionally focused capabilities built around the integration of the specialized knowledge held by the firm's marketing employees. Regarding the processes of marketing strategy development and execution, this is referred to as architectural marketing capabilities (Vorhies et al. 2009). These are the capabilities that direct the coordination of the specialized marketing capabilities, thus focusing market information resource deployments to achieve product-market goals. Architectural marketing capabilities are seen as processes that leverage market information resources to develop marketing plans to act on the information to help a firm realize and extend its desired strategic positioning (Kohli and Jaworski, 1990; Morgan et al. 2003).

Morgan et al. (2009) state that firms who are able to align their marketing capabilities with the demands of their product-market strategy should see performance advantages accrue over time. Additionally, the RBV indicates that internal mechanisms enabling the alignment of marketing capabilities with the requirements of product-market strategies are difficult for competitors to diagnose, understand and imitate (Hunt and Morgan, 1996). Importantly, Vorhies et al. (2009) note that both the specialized and architectural marketing capabilities of a firm are necessary enablers of sustainable competitive positions. Architectural marketing

capabilities are needed for firms to act on their market information resource through the development of marketing plans (Morgan et al. 2003). The marketing plan provides the coordination mechanism needed to ensure that a firm's specialized marketing capabilities are effectively deployed in the market (Noble and Mokwa, 1999). Therefore, while specialized and architectural marketing capabilities may contribute individually to the successful implementation of product-market strategy, capability integration can arguably provide the most advantageous deployment of market information resources (Dutta et al. 1999). Vorhies et al. (2009) note that this is due to the planning and strategizing nature of architectural marketing capabilities that enable the more effective deployment of market information resources. Specialized marketing capabilities, lacking the proper control over deployment attributed to architectural marketing capabilities, may prove to be both inefficient and ineffective in terms of deploying market information resources. Therefore, although architectural marketing capabilities direct the coordination of specialized marketing capabilities, the latter also inform the former.

To sum up these perspectives. The level of market information resources a firm possesses concerning current and future customer needs, competition strategies and actions, channel requirements and abilities and the broader business environment, is related to business performance (Hult et al. 2005). This represents a 'know-what' market knowledge in firms (Slater and Narver, 1995). Morgan et al. (2003) state that market information resources impact choices concerning the selection and performance of needed marketing tasks in firms and therefore influences their marketing capabilities. We are therefore interested in the potential influence of increases in the absolute level of a firm's market information resources over time on their specialized and architectural marketing capabilities used to deploy the resource into target markets. This is particularly pertinent, given the lack of previous work in the RBV literatures regarding the process by which resources are transformed into outputs of value and the general lack of focus on marketing capabilities as a vehicle for implementing strategy (Vorhies et al. 2009). Our focus in this study is how an increase in the absolute level of a firm's market information resource influences their specialized and architectural marketing capabilities over time. Of particular interest is the process by which such an increase in a firm's market information resource can influence the integration of marketing knowledge embedded in specialized and architectural marketing capabilities. Vorhies and Morgan (2003) state that this marketing capability integration provides the best opportunity for firms to properly align their market information resources with the demands of their

markets and product-market strategies. However, while RBV theorists have posited that capabilities integration is a necessary condition for optimum deployment of market information resources, empirical examination of the role of market information resources and the process involved has yet to receive attention (Vorhies et al. 2009). We attempt to address these areas of research through conducting a longitudinal study of firms from the food industry. The qualitative and longitudinal nature of this study facilitates fine-grained assessments of the influence of a firm's market information resources on their marketing capabilities over time.

### Research Goals and Context

The aim of this research is to explore the influence of an increase in the absolute level of a firm's market information resource upon their specialized and architectural marketing capabilities over time.

Specific research objectives are:

- 1) Assess a firm's marketing capabilities (specialist and architectural capabilities) prior to increases in the absolute level of their market information resource
- 2) Assess how increases in the absolute level of a firm's market information resource influences their specialized marketing capabilities over time
- 3) Assess how increases in the absolute level of a firm's market information resource influences their architectural marketing capabilities over time
- 4) Uncover the process by which an increase in the absolute level of a firm's market information resource can influence the integration of their specialized and architectural marketing capabilities over time

The food industry in Northern Ireland is growing and has traditionally played an important role in the economy. As a result there is a drive to build on its stability and strengths to deliver 40% growth by 2020. However, across the industry, there still remains a

level of fragmentation, due in part to limited collaboration between the constituent firms, that hinders the full exploitation of combined capabilities and thus greater penetration of current and new markets. Furthermore, a combination of resourceful ambition in the Republic of Ireland and Scottish food industries, the power of major food retailers, volatile energy/feed costs, plus fierce competition in a global context, are all aspects that could be considered detrimental to the progress of the sector (McKenna, 2012). Additionally, the Northern Ireland food industry is increasingly challenging with pressures from multiple food retailer customers such as Tesco as well as changing consumer food purchasing behaviours (less weekly and more daily and smaller shops for example as well as more online purchasing). Improving the competitive position of the Northern Ireland food industry through innovation and co-operative research with academic institutions to work towards future commercial success, augmenting the sector's knowledge and skills sets. This in turn will invigorate the development of the industry so that it can then compete more strongly in local, national and international markets. A long-term project involving Queen's Management School, Norwich Business School and Ulster University Business School is an example of such cooperation. The researchers will conduct qualitative fine-grained research on a longitudinal basis with food firms involved with the project to address the research aim and objectives. Individual firms will be provided with access to several sources of market intelligence and alongside this will be engaged by the researchers through ongoing in-depth interviews and observational research techniques.