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**Researching Marketing Capabilities:
Reflections from Academia**

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Since George Day's conceptual paper on the capabilities of market-driven organizations was published in 1994, marketing capabilities has become an important area of inquiry for academic researchers in marketing. Over the past twenty-five years, marketing capabilities have emerged as a central (maybe *the* central) construct in theoretical explanations linking firms marketing activities with their performance over time. In fact, the overwhelming focus of researchers examining marketing capabilities to-date has been on linking capabilities with performance outcomes. The good news is that the jury is no longer out, and the evidence is pretty conclusive in showing that marketing capabilities are associated with superior organizational performance outcomes (e.g., Krasnikov and Jayachandran 2008). More recently, we have also started to develop some understanding of the mechanisms by which marketing capabilities contribute to performance outcomes. For example, it has been shown that marketing capabilities add value to market-based assets such as brands (e.g., Wiles, Morgan, and Rego 2012), reduce the gap between intended and realized strategies (Spyropoulou et al. 2018), enhance strategy implementation effectiveness and efficiency (Vorhies, Morgan, and Katsikeas 2012), increase the number and effectiveness of demand generating activities (Anderson, Chandy, and Zia 2018), contribute to reducing myopic management behavior (e.g., Srinivasan and Ramani 2019), and provide an important signal to investors in valuing news of firms' strategic moves (Feng, Morgan, and Rego 2019).

The bad news is that we have much less insight into how to build such marketing capabilities. Yet, inevitably when we successfully communicate the strong empirical findings linking

marketing capabilities with superior performance outcomes, the first question on CEOs lips is “So, how do I get those capabilities?”

I have been studying marketing capabilities for more than twenty years, and have talked with scores (maybe hundreds at this point) of managers about a wide range of issues surrounding the nature, design, operation, and outcomes of firms’ marketing capabilities. The practice-based thoughts and perspective on building marketing capabilities shared in Bob Lurie’s interview are among the most profound and insightful that I have ever encountered—and make a compelling case for the value of this new section of AMSR as a source of ideas and inspiration for important new streams of academic research.

The interview covers two broad areas: the domain of the marketing capability construct (i.e. *what* is to be built); and *how* marketing capabilities are built within an organization. Within each of these areas the practice-based perspective shared provides both numerous new insights for theorizing about marketing capabilities and multiple areas that are fertile ground for new empirical research. I identify what for me are the most important of these in each of these areas in turn below.

1. The marketing capability construct (*what* is to be built)

The distinction between individual- and institutional-level (or organizational-level) conceptualizations of marketing capabilities is important and has been recognized in academic research, but is often clouded by language choices made in academic research. Individuals have knowledge and skills and preferred methods for accomplishing specific tasks that are assigned to them. Organizations have processes and systems designed to enable common organization tasks to be accomplished that require individual-level knowledge and skills to be effectively and efficiently used in doing so. In general vernacular, both individuals (and for that matter groups) and organizations have capabilities, but using the same term and constantly having to specify a unit of analysis level is cumbersome and can lead to confusion. My own preference for dealing with this is to use “competence” as a label that means individual-level knowledge and skills, and “capability” as an organizational-level ability to accomplish required tasks. What is particularly interesting about Bob’s strongly argued need for the distinction between the two levels—due in large part because of managers’ frequent assumption that what matters are the individual-level competencies of the marketers in their organizations—is that academic research has taken largely the opposite tack. Academic research to-date has largely ignored the individual-level competencies of marketers and focused almost solely on the organizational-level processes and systems underpinning firms’ marketing capabilities. This leaves a whole sub-domain of marketing capabilities—individual-level marketer competencies—almost wholly unexplored, yet this is the sub-domain that many managers (however erroneously) initially anchor on in thinking about capabilities. This leaves fundamental and important questions unanswered in the current academic literature. How should individual-level marketer competencies be conceptualized? What are the dimensions of this construct? What different types of competencies exist? How are competencies used in conjunction with organizational processes and systems to accomplish required tasks? The good news is that there is one area in the academic marketing literature that may provide useful insights into how to set about researching these questions—personal selling.

The knowledge, skills, experience, and traits of individual-level sales personnel have been a key focus in academic research in the sales area for many years. Thus, while the marketer competency domain may be different (at least in terms of content), the sales literature may provide a useful starting point for thinking about how to address these questions.

The second interesting practice-based perspective offered concerns the definitional focus of marketing capabilities as being anchored on how marketing choices are made. This raises an important conceptual question. If marketing capability is delineated strictly with respect to the quality of marketing choices made, does this imply that the quality of how those marketing choices are enacted is not a part of an organization's marketing capability? My co-authors and I have argued elsewhere that marketing implementation (the ability to turn marketing decisions into decision-consistent actions and resource deployments) is a key marketing capability (Morgan et al. 2012; 2019). Clearly, Bob's perspective is not that execution doesn't matter, but rather that it is often believed by managers (in his view erroneously) that decision-execution is the source of organizational failures to achieve objectives (or sub-optimal performance outcomes) rather than the quality of the marketing decisions executed. While I may argue with Bob's perspective with respect to excluding the implementation of marketing decisions from the conceptual domain of the marketing capability construct, the question of the relative impact of marketing decision quality vs. decision execution quality on outcome achievement is a theoretically and empirically interesting one.

The next interesting insight provided regarding the domain of the marketing capability construct is Bob's delineation of it having five different basic components: processes; methods; data; technology/systems; and people. Drawing on evolutionary economics and strategic management perspectives that emphasized routines as the basic "building blocks" of organizational capabilities, academic research to-date in marketing has focused conceptually primarily on the process dimension of marketing capabilities. While Day's (1994) influential conceptualization of marketing capabilities involves 'accumulated skills and knowledge' this is cast from an organizational lens rather than invoking these as being a collection of individuals. The existing literature reveals some conceptual and empirical work that investigates how knowledge (and particularly market knowledge) combines with process-focused conceptualizations of marketing capabilities to predict performance outcomes (e.g., Morgan et al. 2003; Morgan, Vorhies and Mason 2009). However, the "methods" and "technology/systems" aspects of marketing capabilities have barely been explicitly considered conceptually, and are largely unexplored empirically. On the "methods" side, it is possible that prior work in strategic management and economics on the performance effects of management techniques (e.g., Ittner and Larcker 1997; Bloom et al. 2013) and how managers use frameworks and templates as cognitive frames of reference in decision-making (e.g., Sawy and Pauchant 1988), may provide useful guidelines for exploring methods as components of marketing capabilities. On the "systems" side, useful insights and guidance is more likely to come from the MIS literature.

The issue of different types of marketing capabilities is also central in the interview. The practice-based perspective shared suggests that there are scores—and maybe as many as 80-120 different marketing choices, each with associated specific capabilities. In common with existing

conceptualizations and empirical work in the academic literature, the interview identifies different “levels” of marketing capabilities, with some being more strategic and higher-order, while others may be very specific and tactical. However, while the existing literature has recognized marketing capabilities as being hierarchical in nature, there is no commonly accepted typology or taxonomy of marketing capabilities. Developing such a taxonomy may be complicated by the fact that, as highlighted in the interview, marketing means different things in different organizations—and as such fieldwork insights from different industries and firms may be incommensurate. However, such difficulties need not make building such a taxonomy impossible, and efforts to do so should be encouraged in order to map out the domain of marketing capabilities.

More provocatively (at least from an academic status quo perspective), Bob essentially asserts both that there is no such thing as an overall “marketing capability” and furthermore that “not all marketing capabilities are equal”. The existing state of affairs in research in marketing capabilities is that the majority of studies of marketing capabilities (a) assume that there is such a thing as a “general” marketing capability—and measure it this way; and (b) implicitly (and sometimes explicitly) assume that all marketing capabilities are equally important when looking at more than one different type of marketing capability. Conceptually, a case can be made for the existence of an “overall” marketing capability—as the sum of the organization’s capabilities in different levels and aspects of the firm’s marketing activities (or “choices” in Bob’s viewpoint). Furthermore, conceptually (and empirically for that matter), these need not all be equally important in determining the value of the firm’s overall marketing capability. However, the bigger issue raised by the fieldwork insights is that these overall marketing capabilities may differ in composition and their relative importance between industries—and even between firms in the same industry. This raises all kinds of interesting (and potentially troubling) implications for knowledge regarding the performance effects of marketing capabilities. Most existing research either calibrates the same set of specific marketing capabilities across industries and firms (e.g., Vorhies and Morgan 2005; Vorhies, Morgan, and Autry 2009), or empirically ignores any differences by using abstract high-level overall input:output measurement approaches (e.g., Bahadir, Bharadwaj, and Srivastava 2008; Wiles, Morgan, and Rego 2012). With the exception of some recent work looking a different market environments (Feng, Morgan, and Rego 2017), neither of these approaches gets at the fundamental question of “fit” in terms of whether the same level of the same marketing capabilities may be more or less valuable in different industries or to firms pursuing different strategies. As Bernie rightly points out, this is a rich new area for exploration.

2. Building marketing capabilities (*how* to build it)

The overwhelming focus of researchers examining marketing capabilities to-date has been on linking capabilities with performance outcomes—with a large and growing evidence-base for this linkage. However, the existing literature is far less revealing with respect to how to build such marketing capabilities. From that perspective, the practice-based viewpoint offered is invaluable in a number of respects.

Inertia and capability change need recognition. An important insight from Bob's interview is just how inert most organizations are with respect to changing the way they perform required marketing activities. Conceptually, this is consistent with strategic management theorizing with respect to "rigidities" in organizational processes. However, we know very little about how the need for capability change emerges, becomes more widely recognized within the organization, and translates into an active search effort for a "new" or "better" way. Evolutionary economics would suggest that in the case of "new" capabilities, the need will be recognized as problems encountered by the organization that have not previously been faced—since when problems are encountered repeatedly, individuals and groups within the organization will use their knowledge and skills to deal with the problem and these will evolve into organizational routines. While some such newly encountered marketing problems may be "one-offs", others may be encountered more than once, leading marketers to see a need for a new capability. Researching this may be a great opportunity for in-depth case study research approaches to uncover new insights. Researchers in strategic management have used such approaches to illuminate important processes in areas such as organizational learning (e.g., Crossan and Bedrow 2003) and strategic decision processes (e.g., Eisenhardt and Graebner 2007).

Capability prioritization. Bob's view that not all marketing capabilities are critical, and that because of the nature of a marketing capability a firm cannot successfully build (or re-build) multiple capabilities at the same time, means that firms have to carefully select which capability is the highest priority. This is an interesting and—given that all organizations have finite resources—intuitively appealing insight that raises a number of new questions. How does this prioritization process occur? In the case of "new" capabilities, these may be driven by changes in the firm's external environment (e.g., new rivals entering the market, a new piece of martech becoming available). But how does this work in the case of changing/upgrading existing marketing capabilities? Who in the organization takes part in this process? What criteria are used in making such capability prioritization decisions? Is it an organic process or do firms have formal processes with explicit criteria that they use to evaluate their existing capabilities and identify candidates for upgrades? These are questions to which we currently have no answers. Yet, in many ways these are essential areas of inquiry in developing an understanding of the dynamics of marketing capabilities—and the nature of dynamic marketing capability itself.

Internal marketing and incentives. The practice-based perspective highlights the key role played by understanding sources of marketer resistance to capability changes and providing incentives in facilitating the introduction and embedding the use of new marketing capabilities. Intuitively this makes sense, and few marketing academics would quibble with the basic premise that incentive alignment has an important effect on manager and employee behavior. Having said that, we actually know very little about how marketers are incentivized, evaluated, and rewarded. Again, the lead in this area (both conceptually and empirically) has been forged by researchers in the sales area. One important distinction highlighted in the sales management literature is between behavior-based and outcome-based control systems for managing individual salesperson behavior. This distinction may also provide useful conceptual insights for studying how incentive systems affect individual marketer use of new processes, methods and systems for conducting marketing activities. For example, it seems likely that behavior-based control

systems where marketers are rewarded/punished for using/not using the components of an organization's capabilities in line with the capability designer's intent would be associated with greater compliance among marketing employees. However, if capabilities also enable better outcomes to be achieved then marketing employees may also not be disincentivized to use the organization's capability approach—at least to the extent that employees see the capability as being a driver of superior outcomes. Does this suggest that behavior-based incentives are more critical and useful in the introduction and initial use of a marketing capability but that they may be less needed or impactful once the capability is commonly used?

Standardization vs. flexibility. One key implication of the nature of marketing capabilities presented in the practice-based perspective interview is the need for marketers in the organization to use a well-defined process with a set of allied tools and data sources. This suggests a need for a high degree of standardization in how marketing activities are performed within an organization if it is to maximize the benefits of investments in capability building. This raises the key question of just how much standardization is required. Marketers often view themselves as being somewhat “creative”, how compatible is the standardization required in building marketing capabilities with creativity in performing marketing tasks? Is a perception of incompatibility another “pushback” area or rationale from marketing personnel that capability builders need to deal with? Assuming the perception exists, is it accurate—does the activity standardization embedded in marketing capability reduce creativity? This could be an important trade-off and deserves careful thought and exploration by marketing scholars.

Clearly, there is much work to be done in the important new domain of building marketing capabilities. In some ways this is a natural evolution from the body of work on linking marketing capabilities with performance outcomes, and the initial work unpacking the mechanisms by which this linkage operates. In other ways, however, it represents a challenge. Not least because in addition to the terrain being unfamiliar, the likely research approaches required are not the standard “go to” tools for most marketing strategy academics. Nonetheless, the promise of impact on practice as well as theory requires that we collectively pick up the gauntlet. Onwards.

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