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# EFFECT OF STRATEGIC ATTITUDES ON MARKETING CAPABILITIES IN SMALL AND MEDIUM ENTERPRISES (SMES)

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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 relationships with marketing activities of an organization, the present paper investigated the effect of strategic attitudes on marketing capabilities in active SMEs in detergent 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 structural equation method and Liserl software. The results showed the meaningful and positive effect of customer-orientation on expert marketing capabilities and related activities to the organizational architecture; meaningful and positive effect of competitor-orientation on expert marketing capabilities and related activities to the organizational architecture; and positive and meaningful effect of innovation-orientation on expert marketing capabilities with 95% certainty. But the effect of innovation-orientation on related activities to the organizational architecture was not meaningful at 95% certainty level.*

**Keywords:** *strategic tendencies, marketing capabilities, SMEs, marketing.*

## **INTRODUCTION**

Managers of different companies use different strategic preparation behaviors and choose strategic attitudes which are dependent on what they intend to do (Olson et al., 2005); for example, powerful customer-oriented companies emphasized on creation and maintenance of customer value. Most of the competitor-oriented companies promote rival goals while 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 motivated them to study organizational capabilities in combination 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 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. The real expansion of strategic attitudes in a competitor-oriented or customer-oriented company can influence the marketing capabilities of 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 the best performance and in this regard, marketing capabilities are effective factors in developing competitive advantage and best performance for the companies. Because of the continuous environmental changes, concise competition between cleaning products, technology changes and market-oriented or customer-oriented industries, the presented paper studied the detergent and cleaning industry. In this regard, we studied the strategic attitudes in this industry which guide the behavior of organizations 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. While senior managers are responsible for implementation of organizational strategies, this research was conducted at the senior manager level.

## THEORETICAL FOUNDATION

### Strategic Attitude

Strategic attitudes are the principles which influence marketing activities and strategy composition of an organization. The strategic attitudes are used for creation of proper behaviors which consequently could cause better performance (Theodosiou et al., 2012). Competition and continuous changes are two sides of a coin which pushes companies to face complicated conditions that highlights more needs on strategic and long-term plans. In a designed strategy for an organization, one should pay attention to the preparations of this strategy. In other words, the process of strategic development is influenced by some factors. Strategic attitude is one of these preparations which is a guide in strategic planning and strategic development process. The commercial strategy or competitive strategy covers this context tells how a company should compete to be able to reach its goals and maintain its competitive advantage (Fred, 2001). According to Voss and Voss (2000) three elements are 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 the customer (Narver & Slater, 1990). This includes satisfying customers' needs and demands of target market via designing, communication, fair price, on time delivery and competitive offers (Kohli & Javorski, 1990).

**Competitor orientation:** competitor orientation means that a sales person knows short term weaknesses and strengths and also long term capabilities and strategies of his / her main potential and present rivals (Narver & Slater, 1990).

**Innovation orientation:** innovation is a manifested form of creativity, which yields new or improved process or methods of developing or marketing a product. The 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 a company and help to identify market needs and also improve the value of merchandise and services. A company with the help of these capabilities is able to adjust itself 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 previous experiences like sales and development of a new product and its distribution (Griffith et al., 2010). Vorhies and Morgan (2003) divided marketing capabilities according to expertise and structure. Expert marketing capabilities reflect marketing activities while structural capabilities provide planning and cooperation mechanism to secure the effective use of marketing activities.

**Expert marketing capabilities:** these capabilities show related activities to medley marketing. Medley marketing in this research is set to product development elements, pricing, marketing communication, personal sales and distribution channels management (Vorhies & Morgan, 2003).

**Marketing capabilities related to organizational architecture:** these capabilities are mostly related to strategic activities and concentrate on designing and management of expert capabilities and these activities influence expert capabilities. Marketing capabilities relating to organizational architecture include the management of marketing information elements, marketing design, and marketing implementation (Vorhies & 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 composite model resulted from combining Voss and Voss's model (2000) for strategic attitudes and Trez and Bins Luce's (2012) model for marketing capabilities. Figure 1 illustrates the conceptual model.

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

- H1. Customer orientation has meaningful effect on capabilities related to the organizational architecture.
- H2. Customer orientation has meaningful effect on expert capabilities.
- H3. Competitor orientation has meaningful effect on capabilities related to the organization architecture.
- H4. Competitor orientation has meaningful effect on expert capabilities.
- H5. Innovation orientation has meaningful effect on capabilities related to the organizational architecture.
- H6. Innovation orientation has meaningful effect on expert capabilities.

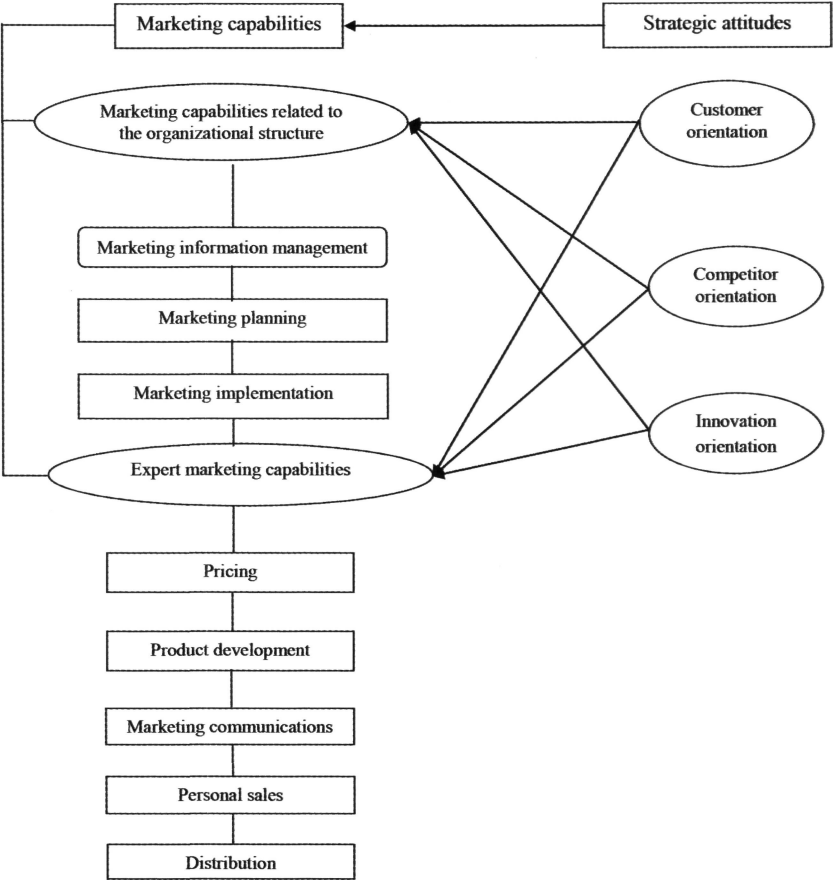


Figure 1: Research Conceptual Model

METHODOLOGY

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

Population and Sampling

This research was conducted based on active companies in the detergent and cleaning industry and the population was the managers of

active companies in the detergent and cleaning industry in Tehran City. We used Morgan et al.'s (2009) table to choose 130 managers from these companies as our sample group.

### Questionnaire, Validity and Stability of Tools

While we used the library and internet resources to complete the theoretical part of this research, our most important tool for gathering data was the survey questionnaire. This questionnaire was designed to investigate three variables: strategic attitudes, expert marketing capabilities and capabilities related to the organizational architecture. We used formal validity and conformity factor analysis to examine the validity of this questionnaire. For formal validity, we distributed the questionnaire among university professors and experts and asked for their opinion on the questionnaire. These opinions had been used to improve the questionnaire. Then, while examining the research structures we 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	Question No.	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	Trez & Bins Luce (2012)	Expert marking capabilities	
0.886	6	Trez & Bins Luce (2012)	Marketing capabilities related to the organizational structure	

As can be seen in Table 1, all the Cronbach alphas are higher than 0.7. Therefore, the questionnaire has a proper stability.

## Descriptive Findings

The demographic distribution of participants is as follows in Table 2.

**Table 2: Descriptive Findings**

Percentage	No.	Dimension	Variable
38.46	50	Female	Gender
61.54	80	Male	
<b>100</b>	<b>130</b>	<b>Total</b>	
0.77	1	20 and younger	Age
33.08	43	Twenties	
51.54	67	Thirties	
11.54	15	Forties	
3.08	4	50 and older	
<b>100</b>	<b>130</b>	<b>Total</b>	
3.08	4	Diploma or less	Education
51.54	67	B.A	
40.77	53	M. A.	
4.62	6	Ph.D. or higher	
<b>100</b>	<b>130</b>	<b>Total</b>	
14.62	19	Direct Manager	Rank
34.62	45	Marketing Manager	
8.46	11	Research and Development Manager	
42.31	55	Sales Manager	
<b>100</b>	<b>130</b>	<b>Total</b>	

## 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 3. 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 together. The indexes shown in Table 3 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.

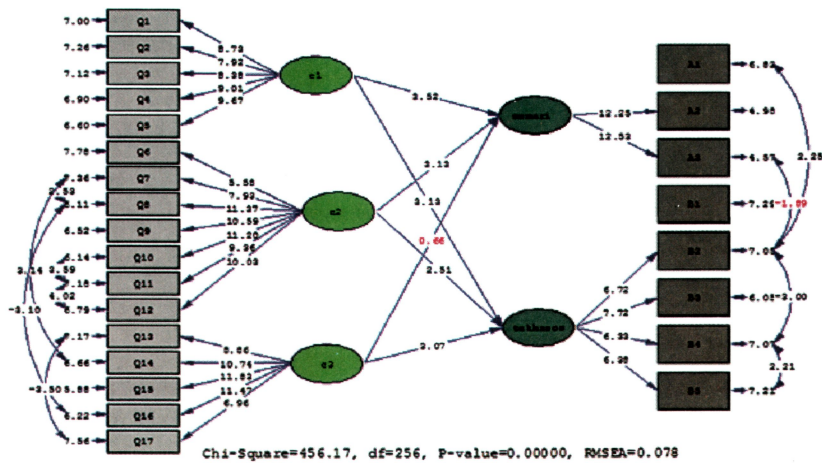


**Table 3: Indexes of the Fitting of the Model (Result: Proper Fitting and Acceptable Model)**

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

### Testing Hypothesis

The results of testing the hypotheses are as follows:

**Figure 2: The Model for Meaningful Coefficients**

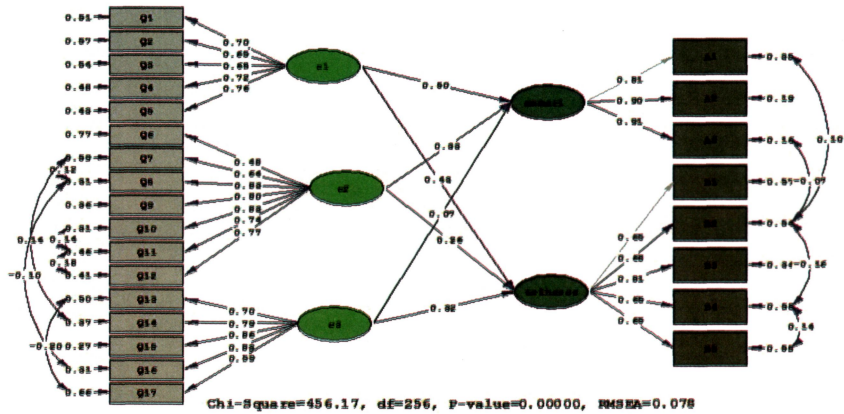


Figure 3: The Model for Estimation of Direction Coefficients

According to the Figures 2 and 3, we confirmed or rejected the hypotheses:

H1. Customer orientation has meaningful effect on marketing capabilities related to the organizational architecture.

As is shown, the effect of customer orientation on marketing capabilities related to the organizational architecture equal to 0.50, and t is equal to 3.52, which is higher than 1.96. Therefore, customer orientation has a meaningful effect on marketing capabilities related to the organizational architecture.

H2. Customer orientation influences expert marketing capabilities.

As is shown, the effect of customer orientation on expert marketing capabilities is equal to 0.43, and t is equal to 3.13, which is higher than 1.96. Therefore, customer orientation has a meaningful effect on expert marketing capabilities.

H3. Competitor orientation influences marketing capabilities related to the organizational architecture.

As is shown the effect of competitor orientation on marketing capabilities related to the organizational architecture is equal to 0.33 and  $t$  is equal to 3.13, which is higher than 1.96. Therefore, competitor orientation has a meaningful effect on marketing capabilities related to the organizational architecture.

- H4. Competitor orientation influences the expert marketing capabilities.

As is shown the effect of competitor orientation on expert marketing capabilities is equal to 0.26 and  $t$  is equal to 2.56 which is higher than 1.96. Therefore, competitor orientation has a meaningful effect on expert marketing capabilities.

- H5. Innovation orientation influences marketing capabilities related to the organizational architecture.

As is shown the effect of innovation orientation on marketing capabilities related to the organizational architecture is equal to 0.07 and  $t$  is equal to 0.66, which is less than 1.96. Therefore, innovation orientation does not have any meaningful effect on marketing capabilities related to the organizational structure.

- H6. Innovation orientation influences expert marketing capabilities.

As is 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 a meaningful effect on expert marketing capabilities.

## **DISCUSSION AND CONCLUSION**

In modern society, it is not possible for companies to just look at today and see the 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 would 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 to a company's success, the present research studied the effect of strategic attitudes on marketing capabilities of active SMEs in the detergent and cleaning industry. 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, five hypotheses are accepted and one hypothesis is rejected. It means that with 95% certainty, the effect of customer orientation was meaningful on expert marketing capabilities and activities related to the organizational architecture. With 95% certainty, the effect of competitor orientation was meaningful on expert marketing capabilities and related activities to the organizational architecture. Also with 95% certainty, innovation orientation has a meaningful effect on expert marketing capabilities. But the effect of innovation orientation on related activities to the organization has not been confirmed at 95% certainty.

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 expert marketing capabilities. These companies are able to improve their marketing capabilities by using the tools and details of each of these three orientations. But to improve related activities of the organizational architecture, active companies in the detergent and cleaning industry 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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