

# CHAPTER 23

## MARKETING CAPABILITIES FOR B2B FIRMS

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### Abstract

Marketing capabilities are an important source of sustainable competitive advantage and superior firm performance. We examine the nature of marketing capabilities and review the literature, illustrating the value of different capability characteristics for B2B firms. Drawing on the resource-based view, strategic marketing and dynamic capabilities theory literature, we propose a new taxonomy of B2B marketing capabilities, categorizing them by their lower- to higher-order nature and the organizational level at which they exist. We use this new capability taxonomy as a lens through which we examine the extant conceptual and empirical literature on B2B marketing capabilities. Finally, we calibrate what is known regarding B2B marketing capabilities and identify promising areas for future research that could both make significant contributions to marketing theory and advance management practice in B2B firms.

*Keywords:* marketing capabilities, B2B firms, marketing activities, managerial skills

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Broadly defined, marketing capabilities are the processes by which organizations define, develop and deliver value to their customers by combining, transforming and deploying their resources in ways that meet market needs (e.g., Day 1994; Vorhies and Morgan 2005). Although the literature on marketing capabilities is relatively new, growing evidence suggests that firm-level marketing capabilities are associated with superior product-market (e.g., Dutta, Narasimhan and Rajiv 1999; Morgan et al. 2003) and financial (e.g., Krasnikov and Jayachandran 2008; Morgan, Vorhies and Mason 2009) performance outcomes. To enhance understanding of the nature and value of marketing capabilities for B2B firms, we expand the conceptualization of capabilities to encompass the levels of organizational analysis (ranging from the individual employee level to the interorganizational level) and the hierarchal level of capabilities (ranging from specialized single-task capabilities to higher-order learning capabilities).

Consider, for example, customer relationship management (CRM) capabilities. At the firm level, this marketing capability may be an important driver of a B2B firm's ability to develop and sustain a competitive advantage (e.g., Krasnikov, Jayachandran and Kumar 2010). Yet managers tasked with building an organization's CRM capabilities require greater direction and insight. In particular, what are the contributing skills and processes underlying this capability, and how can they be enhanced and better orchestrated? The theoretical literature suggests that CRM capabilities are ultimately based on individual-level knowledge and skills that are applied to a range of activities, from specific single-task activities (e.g., call handling) to more complex processes that draw together the various resources and skills required to execute and coordinate different activities (e.g., a salesperson providing a customized solution to a particular customer). In turn, to create an organization-level CRM capability, these individual-level capabilities must be combined with other resources and capabilities. For example,

individuals' call-handling skills and knowledge must be organized with technology and management systems to allow the systematic collection of customer-related data that provide an important input to other CRM subprocesses, such as customer analysis. All the contributing CRM subprocesses (e.g., customer data acquisition, customer analysis, pricing, product management, customer service delivery) then must be orchestrated so that the organization can use its overall CRM capability to efficiently transform its available knowledge, technology, financial, production, human and other resources into strong relationships with customers.

For an organization's CRM capability to contribute to superior performance, it must also be combined with architectural marketing capabilities, such as market planning, to ensure that the organization focuses on the markets and customer segments to which it is best able to efficiently provide superior value offerings. If the value of an organization's CRM capabilities is to be sustained in the face of dynamic marketplaces, the organization also needs to be able to complement its current CRM capabilities with higher-order learning capabilities, such as market sensing, benchmarking and continuous process improvement. Such complementary learning capabilities enable the organization to guide its investments in new CRM resources and CRM capability enhancement in ways that ensure they match changing marketplace needs.

The CRM capability example suggests that B2B managers and researchers can benefit by adopting a more comprehensive conceptualization of marketing capabilities. Here, we aim to provide such a conceptualization. We begin by describing the nature of marketing capabilities and the characteristics that determine their underlying value to an organization. We then outline a new taxonomy that we developed to shed light on the characteristics of different types of marketing capabilities within B2B firms, and we subsequently review the extant B2B marketing literature using the taxonomy as a theoretical lens. Finally, we discuss the findings of our review

and highlight new areas for B2B research in this important area.

### **The nature of marketing capabilities**

A large body of capability literature in management, economics and marketing focuses on the firm level of analysis. At this level, capabilities are broadly viewed as the processes and routines by which a firm transforms its resources into valuable outputs (e.g., Reed and DeFillipi 1988; Teece, Pisano and Shuen 1997). Grounded in the resource-based view, a firm's resources are the tangible or intangible assets controlled by the firm (Constantin and Lusch 1994), and they offer the greatest sources of competitive advantage when they are valuable, rare, inimitable and nonsubstitutable (Barney 1991). Brand equity, customer relationships and supplier relationships have been identified as three key marketing-based resources that a firm may deploy and leverage through its marketing capabilities (Srivastava, Shervani and Fahey 1998). However, marketing capabilities also often deploy many different types of other resources. For example, a pricing capability draws on and deploys knowledge of customers, competitors and suppliers, along with its human, reputational, financial, relational and legal resources (Dutta, Zbaracki and Bergen 2003). Indeed, capabilities connecting multiple related resources may play a particularly important role in attaining a sustained competitive advantage by making it more difficult for competitors to discern and imitate the process by which the various resources are combined and deployed to form the capability (Dierickx and Cool 1989; Milgrom and Roberts 1995).

Both the resource-based view and strategic marketing theory posit that capabilities are inherently hierarchical in nature due to the way they evolve and are developed within a firm (e.g., Dickson 1992; Grant 1996). From an evolutionary perspective, as similar problems facing the firm are addressed repeatedly over time, tacit response routines emerge (Nelson and Winter 1982). Over time, these routines become codified, integrated and coordinated at different

organizational levels, and a hierarchy of capabilities develops (Grant 1996; Teece, Pisano and Shuen 1997). At the lowest level, individuals working in a marketing role apply their unique knowledge and skills to solving marketing-related problems. An individual's marketing knowledge and skills may also be combined with those of other individuals both within the marketing function (e.g., in subunits and work groups) and across other functions (e.g., through cross-functional teams). At higher levels, the integration of resources, specialized knowledge and lower-level capabilities becomes more expansive and complex (Grant 1996). Broader integration across multiple levels enhances the difficulty involved in successfully mastering the capability but also establishes a greater contribution toward sustainable advantage (Porter 1996).

As capabilities develop over time, they become embedded in the firm as a result of the complex, interconnected nature of resources and coordinated patterns of skills, activities and knowledge that occur across different functions and at different levels of the organizational hierarchy (Day 1994; Grant 1991, 1996). The nested hierarchies and reliance on processes that are ingrained in shared understandings within the organization create an additional barrier to imitation and enhance the value of such embedded capabilities (Dacin, Ventresca and Beal 1999; Dickson 1992; Grewal and Slotegraaf 2007).

To sustain a competitive advantage in dynamic market environments, a firm's resources and capabilities must be continually changed, developed and enhanced (e.g., Eisenhardt and Martin 2000; Morgan, Slotegraaf and Vorhies 2009). The extent to which a firm is able to encourage and tap individual, group and organizational learning about the market environment determines its ability to discover why and how its resources and capabilities should be changed and upgraded (Morgan, Vorhies and Mason 2009; Slater and Narver 1995). Given the dynamic nature of markets, capabilities that fail to evolve to fit the changing demands of the firm and its

environment create organizational rigidities (Leonard-Barton 1992) that lead to suboptimal outcomes (e.g., Hunt and Morgan 1995). Thus, the dynamic nature of capabilities is critical in enabling a firm to sustain a competitive advantage over time.

In summary, the theoretical literature indicates that (1) marketing capabilities are inherently hierarchical in nature, (2) the extent to which they become embedded in the firm can elevate their value to the firm and (3) the dynamic nature of marketing capabilities is essential to understanding firm performance over time in the face of changing market environments. To help identify and understand the various types of marketing capabilities that may be critical for B2B organizations, we propose a new taxonomy.

### **A taxonomy for understanding marketing capabilities**

The marketing literature reveals several different approaches to classifying capabilities. Vorhies and Morgan (2003, 2005) offer a classification of marketing capabilities as either *specialized* capabilities (i.e., specific marketing program–related processes) or *architectural* capabilities (i.e., processes that orchestrate multiple specialized capabilities and their associated resource inputs). Our taxonomy for understanding B2B marketing capabilities captures two dimensions that subsume this prior approach by recognizing (1) the hierarchical nature of capabilities and (2) the different units of analysis at which the underlying processes and routines occur and have been observed. First, within the hierarchical dimension of the taxonomy, we extend Vorhies and Morgan’s (2003, 2005) classification by incorporating an additional, higher-order learning level. This highest level of capability reinforces the importance of generating new market-based insights in reconfiguring resources and upgrading existing capabilities to respond to changes in the environment. Consequently, this dimension of our taxonomy captures the underlying hierarchical nature of marketing capabilities by recognizing capabilities that occur at

a lower level (i.e., deployment of specific skills), at an intermediate or architectural level (i.e., orchestration of multiple activities) and at the highest level (i.e., learning capabilities that reflect an evolution of all skills, activities and routines to fit changing environmental conditions).

Exhibit 23.1 illustrates this hierarchical perspective.

The second dimension of our taxonomy considers the organizational unit in which the underlying processes and routines that underpin the capability occur. We recognize firms as interrelated subsystems, in which individuals operate independently but also work within and across groups, departments and subunits that collectively represent the firm. In addition, acknowledging the importance to B2B firms of managing both upstream and downstream channels, we include an interorganizational level. This level recognizes the importance of deploying resources that lie outside a firm's boundaries—for example, pooling other firms' resources to enhance new product development (Rindfleisch and Moorman 2001) and sharing strategic information with suppliers and distributors to improve planning and implementation efforts (Frazier et al. 2009). Thus, this dimension of our taxonomy acknowledges that capabilities can occur at the individual, group, organizational or interorganizational level.

Within our taxonomy of B2B marketing capabilities, lower-order capabilities reflect activities and processes that are based on specific marketing tasks, and these can occur at the individual, group, organizational or interorganizational level. These specialized marketing capabilities involve the specific individual marketing mix-based routines that transform available resources into valuable specialized outputs (e.g., Day 1994; Grant 1996; Vorhies and Morgan 2005), including specific activities pertaining to product management, pricing, marketing communications and distribution (Hunt and Morgan 1995), as well as selling and service delivery, in particular, within a B2B context.

Intermediate-order B2B marketing capabilities reflect processes that integrate multiple specialized capabilities and can occur at the individual, group, organizational or interorganizational level. These capabilities are architectural in that they orchestrate multiple lower-order specialized capabilities and their associated resource inputs and integrate them into a coherent whole (e.g., Galunic and Rodan 1998; Vorhies and Morgan 2005).

Higher-order B2B marketing capabilities reflect learning-based processes that span various lower-order and intermediate-order capabilities, involve changing and reconfiguring resources and capabilities to address dynamic environments, and can occur at the individual, group, organizational or interorganizational level. These marketing capabilities reflect the processes by which firms learn about their market environment, integrate resource deployment activities to create new resources and use the knowledge and experience gained to acquire and upgrade their existing resources and capabilities (Eisenhardt and Martin 2000; Menguc and Auh 2006). These capabilities therefore require an understanding of both the firm's lower- and intermediate-order routines and the shifting marketplace to eliminate resources and routines that have become unnecessary or inferior and to acquire, enhance or upgrade marketing capabilities and their associated resource inputs (Morgan, Vorhies and Mason 2009).

Figure 1 summarizes the key points of our taxonomy of B2B marketing capabilities, revealing a two-dimensional, three-by-four categorization. In the next section, we use this taxonomy as a lens to review archetypical B2B marketing capabilities that have been identified and examined in the extant literature.

### **Applying the taxonomy as a lens into B2B marketing capabilities**

The literature on B2B marketing is extensive and has a long history. Conversely, the extant marketing capabilities literature has a much shorter history and is less rich. Therefore, it



should come as no surprise that there has been little consideration of whether and how marketing capabilities differ between B2B and B2C firms. The widely cited distinctions between B2B and B2C firms and contexts suggest the potential for some differences. For example, the disparities between buying centers and consumers in terms of the number of people involved in purchase decisions and the level of expertise of decision makers suggest that product management and selling may be relatively more important, and marketing communications less important, in B2B contexts. However, although the labels applied may sometimes differ (e.g., consumer insight vs. market research, product management vs. brand management), each of the marketing capabilities we identify is (or can be) valuable to both B2B and B2C firms. There is certainly no evidence to date to support the idea that B2B marketing capabilities fundamentally differ in some way from those of B2C companies. To the contrary, several studies in the general marketing literature have found that the same marketing capabilities are valuable in samples containing both B2B and B2C companies (e.g., Morgan, Slotegraaf and Vorhies 2009; Vorhies and Morgan 2005).

Consequently, our focus on B2B marketing capabilities does not preclude the possibility of parity in their nature or value to B2C firms. To offer greater insight into the nature of specific B2B marketing capabilities we review some key exemplar skills,<sup>1</sup> activities and capabilities explored in the B2B marketing literature using the taxonomy as a lens, as Exhibit 23.2 illustrates.

### **Lower-order, individual-level skills**

This category within the taxonomy refers to the individual skills by which employees connect relevant resources with their own abilities to perform specific marketing tasks, such as a salesperson's ability to engage in *prospecting* or a customer service employee's *call-handling skills*. Relationships with customers are also facilitated by salespeople's *relationship-forging skills* through which they deploy specific resources, such as customer and market knowledge,

with information technology to perform key sales tasks (e.g., Hunter and Perreault 2007). The nature of these individual-level skills makes it difficult to link them with higher-level organizational outcomes to calibrate their value. Most empirical studies examining such individual-level marketing skills link them with more causally adjacent outcomes, such as role performance, in the context of salespeople (e.g., Churchill et al. 1985).

### **Lower-order, group-level capabilities**

Lower-order, group-level capabilities draw together individual-level skills and allied resources to perform specific marketing tasks by groups or departments that pertain to their organizational goals and responsibilities. For example, in selling to B2B customers, firms often use teams of salespeople. Research in B2B contexts indicates that the ability of such sales teams to perform specific selling tasks, such as prospecting and trust building with prospects, can have a positive impact on customer-level and, ultimately, firm performance (e.g., Jones et al. 2005; Workman, Homburg and Jensen 2003).

### **Lower-order, organizational-level capabilities**

Lower-order, organizational-level capabilities reflect the organization's ability to perform specific marketing tasks related to its goals. This typically involves integrating knowledge and skills across different functional subunits, such as marketing, sales and human resources, making them cross-functional in nature. Two examples of such single-task capabilities that have been examined in the B2B marketing literature are the firm's ability to retain salespeople as an important source of both cost saving and revenue generation (e.g., Chandrashekar et al. 2000; Darmon 1990) and the firm's ability to design and operate effective sales force compensation systems (e.g., John and Weitz 1989; Joseph and Kalwani 1998).

### **Lower-order, interorganizational-level capabilities**

Lower-order, interorganizational-level capabilities reflect the ability to integrate knowledge and skills across organizational boundaries to perform specific marketing tasks related to the organization's goals. One exemplar of such single-task marketing capabilities that span organizations within the firm's value chain and speaks directly to B2B firms is Autry's (2005) depiction of a reverse-logistics capability. Reverse logistics refers to a firm's ability to design and organize the specific mechanisms by which channel members can collect and return products to the manufacturer.

### **Intermediate, individual-level skills**

Intermediate, individual-level skills reflect the ability of individual employees to effectively engage in more complex integrative marketing activities that involve the orchestration of multiple lower-level tasks and their associated resource inputs. One example is the ability of an individual service employee to resolve a customer complaint or create a customized value offering for a particular customer by coordinating his or her own customer-relating behavior and service-delivery skills with the resources available in the organization (e.g., Gwinner et al. 2005).

### **Intermediate, group-level capabilities**

Carried out by specific groups or departments, intermediate, group-level capabilities draw together individual-level skills and available resources to perform more complex integrative marketing activities. We focus here on the sales and marketing functions as key groups within the firm and identify three intermediate marketing capabilities that have received particular attention within the B2B literature.

*Pricing capability* reflects the ability to set and realize prices to maximize both short- and long-term goals (e.g., Dutta, Zbaracki and Bergen 2003). The ability to manage pricing

effectively is a critical marketing capability (e.g., Dolan and Simon 1996). A strong pricing capability requires knowledge about the impact of price on customer value perceptions (e.g., Davey, Childs and Carlotti 1998) and competitors' current and planned pricing strategies (Blattberg and Wisniewski 1989). This knowledge is then shared across individuals within the marketing function and used to develop appropriate pricing strategies and effectively execute and communicate pricing changes when required (Marn and Rosiello 1992).

*Marketing communications capability* refers to the effectiveness and efficiency with which the marketing group creates desired message reception among target customers, suppliers and prospects (Vorhies and Morgan 2005). This is an essential marketing capability associated with customer value delivery (e.g., Akdeniz, Gonzalez-Padron and Calantone 2010; McKee et al. 1992) and superior customer loyalty (Scheer, Miao and Garrett 2010) in B2B markets. Such communications capabilities are typically built on fundamental lower-level marketing capabilities, such as advertising and public relations (e.g., Vorhies and Morgan 2005).

*Selling capability* reflects the sales function's ability to acquire and fulfill customer orders (e.g., McKee et al. 1992). It involves the integration of individual-level selling skills and knowledge, such as prospecting and customer-specific insight (Szymanski 1988), with structural and processing procedures, such as a sales management systems to recruit and retain skilled sales personnel (e.g., Vorhies and Morgan 2005), into a coherent whole. Strong selling capabilities in B2B markets may enhance not only supplier performance but also the channel partner's sales revenue performance (Akdeniz, Gonzalez-Padron and Calantone 2010).

### **Intermediate, organizational-level capabilities**

Prior literature has identified several intermediate, organizational-level capabilities that reflect an organization's ability to perform more complex, integrative marketing activities.

Integration and coordination across functions is critical for these capabilities because the orchestration of multiple lower-level tasks and their resource inputs necessarily occurs across functions. Several capabilities of this type have been linked with stronger performance. We highlight five specific marketing capabilities.

*A product development and management capability* refers to the process of designing, developing and managing product or service offerings to satisfy customer needs (e.g., Greenley and Oktemgil 1997). This involves the integration of various lower-level skills and functional capabilities to create and manage revenue-producing products and services (e.g., Helfat and Raubitschek 2000). For example, producing valuable and appealing product offerings requires effective routines across the organization for designing product concepts (Adler et al. 1996), manufacturing the product or service offerings to closely fit customer needs, and launching and subsequently managing the product with the appropriate marketing mix. This capability therefore requires cross-functional teams that integrate skills and resources across levels of the organizational hierarchy (Salvato 2009). A product development and management capability generates positional advantages in general (e.g., Moorman and Slotegraaf 1999; Salvato 2009) as well as specifically in B2B contexts (Morgan, Kaleka and Katsikeas 2004).

*A marketing planning capability* reflects a firm's ability to generate and select among alternative courses of appropriate marketing actions (e.g., Slotegraaf and Dickson 2004). This involves integrating lower-order capabilities, such as customer need identification and competitive intelligence, along with their needed resource inputs. A marketing planning capability also includes the ability to segment markets (e.g., Vorhies and Morgan 2003) and to identify attractive market targets and appealing value propositions that will enable the organization to achieve its strategic objectives (e.g., Narver and Slater 1990). Because many of these planning activities require

interfunctional interaction and resource inputs from other parts of the organization, marketing planning is an organizational- rather than group-level capability (Piercy and Morgan 1994). Research shows that firms with strong marketing planning capabilities can attain higher firm performance than the competition (Vorhies and Morgan 2005); yet very strong marketing planning capabilities can also form organizational rigidities that hinder performance (Slotegraaf and Dickson 2004).

*Marketing strategy implementation capability* reflects a firm's ability to enact its marketing strategy decisions (e.g., Day and Wensley 1998; Vorhies and Morgan 2005). This capability includes the ability to develop appropriate organizational designs (e.g., Vorhies and Morgan 2003; Walker and Ruekert 1987), acquire and allocate required resources from multiple sources inside the organization (e.g., Bonoma and Crittenden 1988) and monitor internal and marketplace progress (e.g., Jaworski 1988) to enable intended marketing strategies to be quickly and efficiently translated into consistent goal-directed action outcomes (e.g., Bonoma 1985). Needed resources (e.g., budgets, people, technology) and lower-level capabilities (e.g., compensation system design, hiring and training needed personnel, product and service delivery, accounting returns) for a marketing implementation capability are frequently cross-functional (Morgan et al. 2003).

A *CRM capability* reflects a firm's ability to establish and maintain beneficial relationships with target customers (e.g., Morgan, Slotegraaf and Vorhies 2009; Srivastava, Shervani and Fahey 1999). Managing and nurturing relationships with customers and sales prospects is broadly recognized as an important capability in determining and sustaining firm performance (e.g., Day 2000; Verhoef 2003). For example, B2B firms with strong customer relationships can attain specific positional advantages (e.g., Bolton, Lemon and Verhoef 2008) and greater service responsiveness and innovativeness (e.g., Theoharakis, Sajtos and Hooley 2009).

A *customer service delivery capability* reflects a firm's ability to ensure that customers are satisfied with the delivery of services offered by the firm (Kordupleski, Rust and Zahorik 1993). It involves integration of resources and lower-order capabilities related to the design and delivery of goods and services to the customer (Moorman and Rust 1999). From a marketing perspective, the connection between the customer and the firm is generally a frontline employee, whether a salesperson or customer service representative. However, to develop a strong customer service delivery capability, firms must integrate capabilities across marketing, operations and human resources functions or departments (Moorman and Rust 1999).

### **Intermediate, Interorganizational-level capabilities**

Intermediate, interorganizational-level capabilities reflect the ability to perform more complex integrative marketing activities that span organizations within the value chain and involve the orchestration of multiple lower-level tasks and their associated resource inputs. In general, a firm's interorganizational cooperative capabilities refer to the processes by which the firm identifies, selects, initiates, maintains and leverages relationships with other organizations (e.g., Dyer and Singh 1998; Wucherer 2006) and have been linked with firm value. For example, Swaminathan and Moorman (2009) find that a firm's marketing alliance capability elevates value creation when the firm announces a new marketing alliance. Likewise, Theoharakis, Sajtos and Hooley (2009) report a strong relationship between B2B firms' strategic partnering capability and their innovativeness.

From a marketing perspective, intermediate, interorganizational capabilities have most often been viewed within a channel context. For example, a firm's *channel management capability* reflects the ability to identify appropriate channels and to establish, maintain and leverage relationships with attractive channel partners (e.g., Vorhies and Morgan 2005). This

involves activities that cross organizational boundaries, such as supporting channel member efforts and developing and maintaining mutually beneficial relationships (e.g., Anderson and Narus 1990; Buchanan 1992). Theoretically, the integration of resources, specific investments and governance mechanisms across organizational boundaries may elevate the firms' positional advantages (Ghosh and John 1999). Because channel members perform significant value-added activities in B2B markets (e.g., Bucklin et al. 1996), the ability to manage channel relationships has long been viewed as an important capability (e.g., Weitz and Jap 1995).

Another key intermediate, interorganizational capability is a firm's *supply chain management capability*. This reflects the ability to build and maintain relationships with suppliers for necessary resource inputs and to coordinate and integrate these inputs to enable the design and delivery of the firm's value offering to target customers (e.g., Moller and Torronen 2003; Tracey, Lim and Vonderembse 2005). It involves integrating multiple specific capabilities and their associated resource inputs spanning different organizations in the firm's value chain, across procurement, purchasing, inbound transportation of components, materials warehousing, inventory control and outbound delivery scheduling (e.g., Tan 2001). Although this is a relatively new capability conceptualization in the literature, some evidence suggests that this capability can be linked with firm performance outcomes in B2B firms (e.g., Tracey, Lim and Vonderembse 2005).

More recently, the B2B marketing literature has also begun exploring how other capabilities associated with marketing that were typically viewed as within-firm capabilities may be affected when firms undertake them across different organizations in the value chain. For example, a *dispersed product development capability* refers to the cooperative development of new products, technologies or services and involves the ability to coordinate and manage



activities and inputs in the development processes that span two or more firms. Perks (2005) describes how firms' interorganizational abilities to collectively specify and synchronize development activities drive collaborative cross-firm new product development efforts.

### **Higher-order, individual-level skills**

The capacity for individual employees to learn distinguishes the dynamic nature of these higher-order, individual-level skills. Such learning involves changing the individual-level resources available for deployment (e.g., an employee gaining new knowledge) and enhancing the individual's lower- and intermediate-level skills through which these new resources can be deployed. One example of this type of skill is an individual salesperson's *learning orientation* (e.g., Kohli, Shervani and Challagalla 1998). A salesperson's learning orientation involves the development of knowledge and skills needed to experiment with new sales approaches and the willingness to change sales strategies to improve selling skills (Sujan, Weitz and Kumar 1994). A similar example is *adaptive selling* skills, which reflect a salesperson's ability to alter his or her sales behaviors during or across customer interactions according to perceived information about the nature of the situation (Weitz 1981; Weitz, Sujan and Sujan 1986). Such adaptive selling skills can enhance individual salespeople's long-term selling effectiveness (Spiro and Weitz 1990).

Outside the sales context, such individual-level learning capabilities have generally not been given a great amount of attention in either the B2B or the general marketing literature. However, this does not necessarily suggest that such individual-level marketing skills are not important. Indeed, Dickson and colleagues (2009) identify an individual employee's *process thinking skills* as a capability that is critical for a firm to be able to develop other capabilities and is fundamental to understanding firm performance over time. At a broad level, these higher-order

process thinking skills involve the ability to produce, reproduce and select the specific processes necessary for the situation (Dickson 2003). More specifically, this capability involves the integration of lower-level skills, such as those related to creative thinking, improvisation and the deployment of people and technology (Dickson et al. 2009).

### **Higher-order, group-level capabilities**

Higher-order, group-level capabilities reflect the abilities of groups to learn and therefore change the processes, resources and lower- and intermediate-level routines and capabilities necessary to perform required tasks. This type of capability has received little attention in either the general or the B2B marketing literature; however there has been some recent attention to one such capability—namely a firm’s *channel transformation capability*. This pertains to the channel subunit’s ability to learn about and resolve the sources of conflict with channel partners (Chang and Gotcher 2010) and to evolve its channel design and management systems to reflect changes in technology and customer needs (Wilson and Daniel 2007). This capability has been linked with performance in B2B contexts. For example, Chang and Gotcher (2010) report a strong relationship between channel conflict learning and the quality of joint firm–channel partner marketing strategies, which in turn affect the joint profit performance of the supplier firm and its channel partner.

### **Higher-order, organizational-level capabilities**

Higher-order, organizational-level capabilities reflect the firm’s ability to learn about its environment, reconfigure its resources and enhance its lower- and intermediate-level capabilities to meet marketplace needs. Any type of marketing capability may be more or less dynamic regarding the degree to which it is responsive to changes in the environment. However, the higher-order capabilities on which we focus are a distinct separable category of higher-order

learning capabilities. In marketing, much of the *market orientation* research stream can be viewed as one form of such a higher-order learning capability.<sup>2</sup> Other specific higher-order, organizational-level capabilities have also been identified in the general and B2B marketing literature.

*Market sensing capability* reflects an organization's ability to acquire, interpret and use information regarding customers, competitors, channel members and the broader market environment (e.g., Day 1994; Sinkula 1994; Slater and Narver 1995). Moorman (1995) demonstrates that firms vary in the degree to which such market information is acquired and used and that product outcomes vary depending on the information-processing and cultural factors present in the organization. Similarly, Johnson, Sohi and Grewal (2004) find that a sensing capability affects B2B firms' ability to engage in successful relationships with customers. A market sensing capability also increases marketing strategy creativity and timeliness, leading to higher customer-based performance in B2B firms (Neill, McKee and Rose 2007).

*Organizational learning* reflects an organization's ability to acquire, process, retrieve and store new knowledge (Fiol and Lyles 1985; Slater and Narver 1995). This is a more generalized capability than market sensing, in which sensing focuses on the market environment and learning reflects a firm's ability to learn in any domain. Furthermore, Grewal and Tansuhaj (2001) show that *strategic flexibility*, or a firm's ability to learn about and respond to economic and political risks, can help firm performance following an economic crisis. Day (1994) and March (1991) suggest that such learning is remembered through changes in the firm's organizational routines and procedures. This suggests that firms use the new knowledge generated by an organizational learning capability in ways that are consistent with our definition of dynamic capabilities.

### **Higher-order, interorganizational-level capabilities**

Higher-order, interorganizational-level capabilities reflect an organization's ability to learn, modify and reconfigure firm-specific and interfirm resources (e.g., knowledge), routines and lower-order capabilities. In general, the literature has tended to focus on cross-organization relationship-based capabilities (e.g., Anderson and Narus 1990; Wucherer 2006) rather than the higher-order ability to learn from such relationships. An exception is research examining *interorganizational learning*. For example, Selnes and Sallis (2003) show that relational learning (i.e., organizational learning within a buyer–supplier relationship context) positively affects relationship performance. Emerging work from a supply chain perspective has also begun to adopt such a cross-organizational learning perspective. For example, organizational learning within supply chains can have a positive impact on both supply chain capabilities and business unit performance within a supply chain (e.g., Hult, Ketchen and Arrfelt 2007; Hult, Ketchen and Nichols 2003).

### **A roadmap for managers**

Examining the literature through the lens of our typology reveals many capabilities that are crucial for B2B firms. Because the evidence connecting firm-level marketing capabilities with superior firm performance is relatively sparse, it remains difficult to answer managerial questions regarding the return on investments made in different marketing capabilities. However, our typology and brief literature review provide B2B managers with a new way to organize their thinking about B2B marketing capabilities. In particular, managers are frequently asked to enhance their firms' marketing capabilities or develop 'world-class' marketing processes. However, few managers have a clear idea of what marketing capabilities actually are or how to begin developing them. We provide a clear framework for identifying marketing capabilities and show how the development of different capabilities requires the coordination of various resources, skills and routines. Moreover, developing specific firm-level marketing

capabilities that are often touted (e.g., CRM capabilities, product development capabilities) is complicated, requiring the coordination of multiple group-level capabilities (subprocesses) that in turn draw on individual-level skills and activities.

As a result, managers can use our framework as a tool to map out their firms' marketing capabilities. For example, the typology can be used in focus-group discussions with managers and employees (in marketing and other functions) to identify specific resources, skills and capabilities that specific individuals, groups or teams possess. Managers can then develop detailed maps of how best to deploy these resources and capabilities to enhance or even develop specific firm-level or interorganizational capabilities, by tracing its component group-level subprocesses, and the individual-level skills, activities and routines that contribute to each of these subprocesses. After each of the firm's marketing capabilities have been mapped, managers can develop a self-assessment audit tool, tapping managers and employees from marketing and other functions to gauge the firm's existing proficiency in each marketing capability. Such audit tools commonly use internal surveys or focus-group discussions, asking questions on perceived strengths and weaknesses in each specific lower-level activity and intermediate- and higher-level marketing process.

Marketing capability audits are an essential precursor to enhancing a firm's marketing capabilities. They provide a clear identification of areas of capability weakness, offering a starting point toward creating a marketing capability improvement plan. Such marketing capability improvement plans may include individual-level education and training, group-level process redesign and training, experimentation with new marketing activity coordination and management systems, and even the formation of benchmarking consortia with other firms to identify world-class benchmark sites from which to learn.

### **Future research**

Our typology reinforces certain marketing capabilities that have been most extensively studied in the B2B literature and draws attention to the capabilities that have garnered less consideration but are crucial for B2B performance. In this regard, our typology-focused literature review offers the following four directions for future empirical research:

- 1.** Examination of individual-level marketing capabilities in the extant B2B literature focuses almost exclusively on salespeople, with some emerging consideration of customer service personnel. Although the focus on salespeople may be appropriate given the relative importance of selling in B2B markets, evidence shows that salespeople may not share the same characteristics as other types of marketing employees (e.g., Homburg and Jensen 2007). As a result, there are few insights into the types, nature and performance consequences of the individual-level, task-related skills of other marketing employees, such as product managers, channel managers, CMOs and marketing planners.
- 2.** With respect to group-level capabilities, most of the attention in the B2B literature focuses on either selling or new product development teams. This leaves much to be discovered about the nature and importance of many other group-level B2B marketing capabilities. For example, little or no insight exists regarding group-level marketing capabilities that are important in determining the effectiveness and efficiency of marketing planning teams or customer service teams.
- 3.** Most of the existing work on higher-order marketing capabilities is purely conceptual in nature and involves identifying the need for resource reconfiguration and capability enhancement (e.g., determining the need for stronger market sensing or organizational learning). Although firms may seek competitive benchmarking as a path for these processes,

little research has focused on the nature and consequences of different approaches to resource reconfiguration and capability enhancement.

4. The interorganizational level of analysis has been an area of growing interest. Much of the extant work in this area has adopted either a dyadic focus in terms of specific individual partners or a general ‘cross-organization’ framing covering all potential external partners. Yet, despite a long history of the study of networks in B2B markets and the many claims that B2B competition is increasingly taking place between supply networks, there have been few network-level studies and thus little evidence of such network-level processes regarding interorganizational marketing capabilities.

In addition to these four domains, our typology reveals a need for further conceptual research. First, surprisingly little attention has been given to the question of whether, how and why marketing capabilities may be different for B2B versus B2C firms. While much attention has been paid to the distinctive nature of B2B markets, the marketing capabilities research stream has not been grounded in such differences. In addition, answers to these questions from a marketing capabilities perspective may not necessarily be intuitive. For example, classic distinctions between B2C and B2B customers emphasize the more rational nature of B2B buying behavior. This suggests that brand management capabilities, for example, should not be important drivers of B2B firm performance. Yet some evidence suggests that B2B customers are influenced by supplier brand image, and four of the world’s five most valuable brands (IBM, Microsoft, General Electric and Nokia) are primarily B2B (e.g., Kotler and Pfoertsch 2007; Van Riel, Pahud de Mortanges and Streukens 2005). Thus, brand management capabilities (reflecting an intermediate, organization-level capability) may also be valuable in B2B contexts.

Second, the extant literature offers surprisingly little insight into the relative value of

different marketing capabilities. Vorhies and Morgan (2005) find evidence that each of the specialized and architectural marketing capabilities they examine positively covaries and that this covariance is valuable in enhancing firm performance. Other research also reinforces the importance of interconnectedness or complementarities in resources and capabilities (Dierickx and Cool 1989; Grewal and Slotegraaf 2007; Moorman and Slotegraaf 1999), illustrating the value that strength in multiple related capabilities can have on firm performance. Thus research generally suggests that in their capability development and enhancement efforts, firms should not try to achieve a particularly strong capability in one area and neglect others. Yet caution is needed regarding the focal capabilities selected. For example, Morgan, Slotegraaf and Vorhies (2009) find that different cross-functional marketing capabilities can have directionally different effects on the underlying components of profit growth. Thus further research is clearly needed to establish the relative value of different individual and combinations of marketing capabilities on different dimensions of firm performance in B2B firms.

Third, dynamic capabilities theory posits that the primary source of sustainable competitive advantage of any B2B firm should lie in its higher-order, organizational-level capabilities.<sup>3</sup> Thus, B2B firms need to develop both *capability-broadening* processes to acquire or develop new capabilities and *capability-deepening* processes that enhance capabilities already possessed (Argyres 1996). Thus a firm's ability to 'learn how to learn' is likely to be the ultimate source of long-term superior performance in dynamic market environments (Dickson 1992). Although organizational learning approaches to marketing capability improvement through benchmarking offer some direction (Day 1994; Vorhies and Morgan 2005), extant conceptual developments are limited, and there is little empirical understanding of such learning-to-learn marketing capabilities. Given the importance of these capabilities in enabling B2B firms to



uncover and respond to changes in their environment, it is likely that marketing capabilities will have a key role in B2B firms' ability to learn how to learn. Future research in this area therefore offers a rich opportunity to link marketing capabilities with the ultimate source of competitive advantage and to potentially elevate the role of marketing in B2B firms.

### **Conclusion**

Marketing capabilities are clearly an area of growing interest among B2B marketing managers and scholars, but they remain relatively undeveloped. By revealing that various fundamental building blocks exist for different marketing capabilities, we offer a new typology for understanding and road mapping the processes that build different B2B marketing capabilities. Applying this taxonomy as a theoretical lens to the extant B2B marketing literature suggests several areas for theoretically interesting and managerially relevant future research. Overall, studying the effects of various marketing capabilities on performance outcomes, especially the outcomes that are of the utmost importance to upper management, provides a promising arena for calibrating and verifying the value of marketing in B2B firms.

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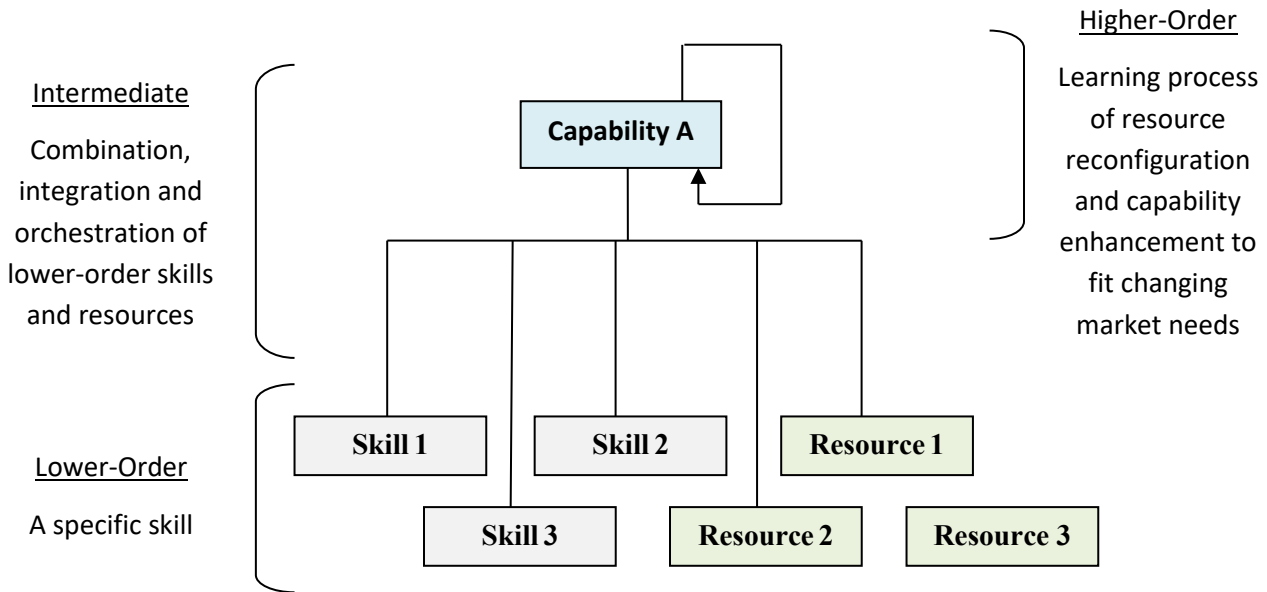
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**EXHIBIT 23.1****Exemplar of the Hierarchy of B2B Marketing Capabilities**

## EXHIBIT 23.2

### Taxonomy of B2B Marketing Capabilities: Exemplar Capabilities

<p style="text-align: center;"><b>Higher-Order</b></p> <p>[learning processes that involve resource reconfiguration and capability enhancement]</p>	<p><i>Learning orientation</i></p> <p><i>Adaptive selling</i></p> <p><i>Process thinking</i></p>	<p><i>Channel transformation</i></p>	<p><i>Market sensing</i></p> <p><i>Organization learning</i></p> <p><i>Strategic flexibility</i></p> <p><i>Market orientation</i></p>	<p><i>Interorganizational learning</i></p> <p><i>Benchmarking</i></p>
<p style="text-align: center;"><b>Intermediate</b></p> <p>[orchestrating, coordinating and organizing processes]</p>	<p><i>Customization of customer value proposition</i></p> <p><i>Resolving customer complaints</i></p>	<p><i>Pricing</i></p> <p><i>Marketing communication</i></p> <p><i>Team selling</i></p>	<p><i>Product development</i></p> <p><i>Market planning</i></p> <p><i>Marketing strategy implementation</i></p> <p><i>CRM</i></p> <p><i>Customer service delivery</i></p>	<p><i>Channel management</i></p> <p><i>Supply chain management</i></p> <p><i>NPD alliances</i></p>
<p style="text-align: center;"><b>Lower-Order</b></p> <p>[specialized skills and activities]</p>	<p><i>Call handling</i></p> <p><i>Relationship forging</i></p>	<p><i>Key account management</i></p>	<p><i>Marketing personnel recruitment and retention</i></p>	<p><i>Reverse logistics</i></p>
	<b>Individual</b>	<b>Group (e.g., Team or Function)</b>	<b>Organization (Firm)</b>	<b>Interorganizational</b>

<sup>1</sup> In keeping with the extant theoretical literature, we use the term ‘skills’ to denote individual-level capabilities.

<sup>2</sup> Both information-processing and cultural market orientation approaches theoretically view understanding and using the firm’s resources to respond to the market environment as the core of market orientation.

<sup>3</sup> Although interorganizational resource sharing approaches can increase the resources available to a firm, the associated capabilities may be less embedded in the firm, limiting their value.