

# ARTICLES

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## THE CASCADING EFFECT OF STATIC AND DYNAMIC MARKETING CAPABILITIES ON THE INTERNATIONAL PERFORMANCE: ANALYZING MARKET ORIENTATION AS AN ANTECEDENT

*Efeito cascata das capacidades de marketing estáticas e dinâmicas na performance internacional: Analisando a orientação para o mercado como antecedente*

*Efecto cascada de las capacidades de marketing estáticas y dinámicas sobre el desempeño internacional: Analizando la orientación al mercado como antecedente*

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### ABSTRACT

This investigation analyzes the relationships between static marketing capabilities (SMC), dynamic marketing capabilities (DMC), and business-to-business (B2B) small and medium-sized enterprises' (SME) international performance, and the interconnection between SMC and DMC. We also analyze the role of market orientation (MO) as an antecedent of marketing capabilities. A quantitative study was developed using a survey-based method. We collected 335 valid responses from internationalized Portuguese B2B SMEs. Structural equation modeling was used to test the proposed hypotheses. Results show a direct and positive relationship between SMC and international performance. DMC was positively linked with SMC, thus indirectly exerting its influence on international performance. Also, a positive relationship between MO and both marketing capabilities was observed, revealing its antecedent nature over marketing capabilities. This study contributes to marketing capabilities research, given that interrelationships between different types of marketing capabilities were never studied before. Furthermore, it draws managers' attention to the importance of developing basic marketing-mix capabilities since they appear as the direct link to international performance.

**Keywords:** static marketing capabilities, dynamic marketing capabilities, international performance, market orientation, SME.

### RESUMO

Esta investigação tem como objetivo analisar as relações entre as capacidades de marketing estáticas (CME), capacidades de marketing dinâmicas (CMD) e desempenho internacional de pequenas e médias empresas (PMEs), bem como a conexão entre CME e CMD. Também analisamos o papel da orientação para o mercado (OM) como um antecedente das capacidades de marketing. Foi desenvolvido um estudo quantitativo, utilizando-se um inquérito como método de pesquisa. Foram coletadas 335 respostas válidas das PMEs portuguesas internacionalizadas por meios do modelo B2B. Para testar as hipóteses propostas, utilizou-se o modelo de equações estruturais. Os resultados mostram uma relação direta e positiva entre o CME e o desempenho internacional. A CMD foi positivamente ligada à CME, exercendo, assim, sua influência indireta no desempenho internacional. Além disso, observou-se uma relação positiva entre a OM e ambas as capacidades de marketing, revelando sua natureza antecedente sobre as capacidades analisadas. Este estudo contribui para a área da pesquisa relacionada às capacidades de marketing na medida em que as inter-relações entre diferentes tipos de capacidades de marketing nunca foram estudadas antes. Além disso, chama a atenção dos gestores para a importância de desenvolver recursos básicos de marketing mix, uma vez que aparecem como elemento com influência direta no desempenho internacional.

**Palavras-chave:** capacidades de marketing estáticas, capacidades de marketing dinâmicas, desempenho internacional, orientação para o mercado, PME.

### RESUMEN

La presente investigación tiene como objetivo analizar las relaciones entre las capacidades de marketing estáticas (SMC), las capacidades de marketing dinámicas (DMC) y el desempeño internacional de las pymes, B2B, así como la interconexión entre SMC y DMC. También se analiza el papel de la orientación al mercado (MO) como antecedente de las capacidades de marketing. Se desarrolló un estudio cuantitativo, utilizando un método basado en encuestas. Se recopilaron 335 respuestas válidas de pymes B2B portuguesas internacionalizadas. Para probar las hipótesis propuestas, se utilizó el modelo de ecuaciones estructurales. Los resultados muestran una relación directa y positiva entre las SMC y el desempeño internacional. Las DMC se vincularon positivamente con las SMC, ejerciendo así su influencia en el desempeño internacional de manera indirecta. Además, se observó una relación positiva entre la MO y ambas capacidades de marketing, revelando su carácter antecedente sobre las capacidades de marketing. Este estudio contribuye a la investigación de las capacidades de marketing dado que nunca se habían estudiado las interrelaciones entre los diferentes tipos de capacidades de marketing. Además, llama la atención de los gerentes sobre la importancia de desarrollar capacidades básicas de marketing mix, ya que aparecen como el vínculo directo con el desempeño internacional.

**Palabras clave:** capacidades de marketing estáticas, capacidades de marketing dinámicas, desempeño internacional, orientación al mercado, pymes.

## INTRODUCTION

In globalized markets, organizations that take risks in the internationalization process are confronted with the need to develop capabilities and resources capable of responding quickly to the needs of the market (Kowalik, Danik, & Francioni, 2020). To obtain a sustainable competitive advantage in the face of intense international competitiveness, such market requirements become essential aspects when we analyze the context of small and medium-sized enterprises (SMEs) in business-to-business (B2B) trade (Guo et al., 2018; Tartaglione & Formisano, 2018). Understanding which resources and skills allow the construction of a solid competitive advantage and consequently able to reflect positively on performance is one of the keys to the success of the internationalization of these companies (Acikdilli, Mintu-Wimsatt, Kara, & Spillan, 2020; Guo et al., 2018).

Marketing literature highlights several factors that directly or indirectly affect firms' performance, such as marketing capabilities (Day, 1994, 2011) and market orientation (MO) (Kohli & Jaworski, 1990; Narver & Slater, 1990). Marketing capabilities are understood as being static or dynamic marketing capabilities (Day, 2011; Fang & Zou, 2009). Static marketing capabilities (SMC) are grounded on the resource-based view (RBV) of the firm (Barney, 1991; Day, 1994), regarded as the most basic marketing capabilities related to the marketing-mix itself (i.e., product, price, placement, promotion) (Day, 2011; Guo et al., 2018). Dynamic marketing capabilities (DMC) came about from the dynamic capabilities approach (Fang & Zou, 2009; Teece, Pisano, & Shuen, 1997) and are understood as "the responsiveness and efficiency of cross-functional business processes for creating and delivering customer value in response to market changes" (Fang & Zou, 2009, p. 744). By developing SMC, firms focus on functional skills (i.e., product/service conceptualization, price management, distribution strategies, etc.) based on certain market and customer needs (Day, 2011; Guo et al., 2018). Firms such as Nokia and Kodak initially managed to use SMC efficiently, delivering innovative and disruptive products, but in the long term, they failed to respond to these transformations and customer needs, not supporting the DMC proposal (Guo et al., 2018; Riviere, Suder, & Bass, 2018).

Recent research has evidenced positive links between both SMC and DMC and firms' performance (Guo et al., 2018; Hernández-Linares, Kellermanns, & López-Fernández, 2021; Martin, Javalgi, & Ciravegna, 2020; Morgan, Vorhies, & Mason, 2009). However, there are very few papers that address both marketing capabilities simultaneously. For instance, Guo et al. (2018) added a third marketing capability to the previous two (adaptive marketing capabilities) and analyzed their simultaneous effects on firms' performance. Reimann, Carvalho, & Duarte, (2021) assessed the effects of DMC and AMC on international firms' performance. Nevertheless, a relationship between marketing capabilities was never addressed. Following Ambrosini & Bowman (2009), we argue that DMC are responsible for enhancing SMC in international markets, where competition is more salient than in domestic environments. The ability to quickly respond to market changes translates into an improvement of the existing capabilities to better serve customers' wants and needs (Ambrosini & Bowman, 2009; Fang & Zou, 2009; Teece et al., 1997).

Concurrently, the ability to generate and disseminate intelligence from the market and effectively respond to it has been pointed out as a major contributor to performance (Jaworski &

Kohli, 1993; Morgan et al., 2009; Narver & Slater, 1990; Powers, Kennedy, & Choi, 2020). The construct of MO has been studied under multiple assumptions, whether directly linked to firms' performance (Powers et al., 2020), mediated by several different variables (Joensuu-Salo, Sorama, Viljamaa, & Varamäki, 2018; Lämsiluoto, Joensuu-Salo, Varamäki, Viljamaa, & Sorama, 2019), or interacting with marketing capabilities (Morgan et al., 2009). We understand that a market-oriented behavior is the foundation on which marketing capabilities can be built, acting as a catalyst and expander of the intrinsic characteristics of marketing capabilities (Auh & Menguc, 2005).

Therefore, we analyze the relationships between SMC, DMC, and firms' international performance and the interconnection between DMC and SMC. We also analyze the role of MO as an antecedent of both marketing capabilities. We surveyed 335 internationalized Portuguese SMEs with B2B relationships and tested our hypotheses through Structural Equation Modelling (SEM). Hence, this study seeks to fill the gaps found in the literature, in which few studies analyze the interconnection between marketing capabilities and its consequent effect on firms' international performance. Another gap that this study seeks to address is the position of market orientation as an antecedent of marketing capabilities, which is rare in marketing literature.

The remainder of this paper is structured as follows. The next section is composed of the conceptual overview and hypotheses. The following section presents the methodology used, followed by the test of hypotheses and results, after which we discuss the results obtained. Lastly, we conclude and present the study's limitations and avenues for future research.

## THEORETICAL FOUNDATIONS AND HYPOTHESES

This section presents the theoretical foundations of the relationships between static and dynamic marketing capabilities and their relationship with international performance. We also lay the theoretical ground to position market orientation as an antecedent of marketing capabilities.

### Static marketing capabilities and international performance

SMC are understood as the basic dimensions of the marketing-mix (i.e., product, price, place, and promotion), originating from internal resources and skills developed under the intrinsic management of the organization (Baden-Fuller & Teece, 2020; Day, 1994, 2011; Morgan, 2019). These capabilities fit within the resource-based view (RBV) theory, where a competitive advantage may be sustained or created when they are, cumulatively, valuable, rare, not imitable, and non-substitutable (Ambrosini & Bowman, 2009; Barney, 1991). With these characteristics, companies can design unique strategies that are difficult to replicate by their competitors (Day, 1994, 2011), contributing to the formation of a strong positioning, delivering value to customers, and obtaining their loyalty (Day, 1994, 2011; Joensuu-Salo et al., 2018; Österle, Kuhn, & Henseler, 2018).

All these points are essential for obtaining results in the foreign market. Thus, it is understood that these marketing capabilities positively influence IP (Day, 1994, 2014; Guo et al., 2018; Martin et al., 2020). Throughout the literature, it is possible to consistently verify that tangible and

intangible resources are fundamental for structuring strategies and obtaining the desired results (Gnizy & Shoham, 2018; Morgan & Vorhies, 2018). In the context of SMEs, the presence of solid internal resources (i.e., assets, capabilities, organizational processes, information, and knowledge) is fundamental for the internationalization strategy (Gnizy, 2019). To achieve positive IP, SMEs need to be mindful of developing specific and effective marketing capabilities, exploiting the emerging opportunities to maximize their resources (Lekmat, Selvarajah, & Hewege, 2018; Tajeddini & Ratten, 2020). In fact, previous research shows that organizations seek to improve their performance and competitive advantage through the consistent development of SMC (Day, 2011; Guo et al., 2018; Vorhies & Morgan, 2005).

The success of the IP depends on the good correlation between all marketing elements and the international business objective (Samiee & Chirapanda, 2019). RBV theory argues that possessing these resources is crucial in obtaining a competitive advantage and, consequently, a higher performance (Ambrosini & Bowman, 2009; Joensuu-Salo et al., 2018). Therefore, the following hypothesis is proposed:

H1: Static marketing capabilities (SMC) have a positive effect on international performance (IP).

## Dynamic marketing capabilities and international performance

As a consequence of globalization, more SMEs are looking to the international market to expand (Santoro, Ferraris, Giacosa, & Giovando, 2018), making this environment more crowded and complex to find the right strategies to sustain a business. Given this scenario, understanding the elements that affect performance has become more complex as it results from the combination of many factors beyond resources, such as organizational actions, historical events, market contexts, and industry conditions (Weaven et al., 2021). These conditions require a firm to continuously recognize, hold, and eliminate various resources to match changes in target expectations, attitudes, and behaviors.

In this context, RBV theory was extended to encompass a dynamic dimension (Teece et al., 1997) since static resources and capabilities are rather slow to adapt to constant market changes (Day, 2011; Mu, Thomas, Peng, & Benedetto, 2017). Fang and Zou (2009) define dynamic marketing capabilities (DMC) as “the responsiveness and efficiency of cross-functional business processes for creating and delivering customer value in response to market changes” (p. 744). These capabilities are composed of different marketing tools for connecting and transforming the organization's internal resources, creating and delivering value to the consumer (Ambrosini & Bowman, 2009; Fang & Zou, 2009; Roach, Ryman, Jones, & Ryman, 2018), observed through the emergence of new products/services, more efficient processes, or any other changes aimed at responding to the international market dynamism (Fang & Zou, 2009). Therefore, DMC is a quick reaction of the company, using and rearranging internal resources to obtain a competitive advantage (Baden-Fuller & Teece, 2020; Morgan & Slotegraaf, 2012).

Although previous research found a positive relationship between DMC and firms' performance (Buccieri, Javalgi, & Cavusgil, 2020; Guo et al., 2018), the effects of DMC need to be further consolidated in the literature, especially when it involves SMEs (Tartaglione & Formisano, 2018). Therefore, we propose the following hypothesis:

H2: Dynamic marketing capabilities (DMC) have a positive effect on international performance (IP).

## The interaction between dynamic marketing capabilities and static marketing capabilities

The use of the aforementioned internal resources allows the company to explore the market from the components already formed in the marketing sector, ignoring the changing aspects of the market and dedicating efforts to the application of the marketing-mix resources to develop a competitive advantage (Guo et al., 2018). Unrelated to foreign market opportunities, SMC exploits and uses only those internal resources to achieve external development (Barney, 1991; Guo et al., 2018).

DMC is seen as an extension of RBV theory and the evolution of SMC (Day, 2011), where existing marketing capabilities need to be increasingly dynamic to capture relevant information from market changes, focusing on meeting consumer needs (Baden-Fuller & Teece, 2020; Day, 1994; Tartaglione & Formisano, 2018). DMC allows the organization skills to build, integrate, and reconfigure internal and external resources to better respond to the market (Day, 1994; Fang & Zou, 2009; Guo et al., 2018; Teece et al., 1997). Both capabilities focus on capturing different perspectives of performance, where dynamic capabilities are necessary to sustain and keep existing resources and capabilities relevant (Day, 2011). Firms make it difficult to develop innovation, entrepreneurship, and learning from market changes as they are only adjusted to the static nature of their capabilities, preventing the sustaining of essential competitive advantages in international markets.

Recent research has evidenced positive links between SMC, DMC, and firms' performance (Guo et al., 2018; Hernández-Linares et al., 2021; Martin et al., 2020; Morgan et al., 2009). However, there are very few papers that address both marketing capabilities simultaneously – notably, Guo et al. (2018), who analyzed the simultaneous effects of SMC, DMC, and adaptive marketing capabilities (AMC) of firms' international performance, and Reimann et al. (2021), who analyzed the effects of DMC and AMC on international performance, moderated by competitive intensity.

We understand that DMC are responsible for enhancing SMC in international markets (Ambrosini & Bowman, 2009). DMC can connect and transform internal resources, making SMC more flexible and adaptable to market and consumer needs (Gnizy, 2019; Roach et al., 2018). Therefore, understanding that DMC could positively influence SMC, we propose the following hypothesis:

H3: Dynamic marketing capabilities (DMC) have a positive effect on static marketing capabilities (SMC).

## Market orientation as an antecedent to marketing capabilities

MO refers to the generation of market intelligence based on current and future customer needs, disseminating this intelligence through different areas of the firm, and being responsive to such knowledge (Kohli & Jaworski, 1990; Kohli, Jaworski, & Kumar, 1993). MO uses tangible and intangible resources, internal or external, to continuously deliver value to customers (Acikdilli et al., 2020; Kohli et al., 1993), contributing to the production of responses to business opportunities and customers' needs (Day, 2011; Roach et al., 2018). Previous research indicates that MO has an important role in improving marketing capabilities (Murray, Gao, & Kotabe, 2011; Wu, 2013), which is an essential determinant in selecting the best capabilities according to market conditions (Morgan et al., 2009; Murray et al., 2011).

SMC have based the development of their components on the firms' knowledge of the market, which is improved by MO (Day, 1994; Hult, Ketchen, & Slater, 2005; Murray et al., 2011). Through the acquisition and generation of information, SMC can leverage its marketing-mix components (i.e., managing price, distribution, and developing products suited to customer needs). Such a relationship indicates the position of MO as an antecedent of SMC (Hult et al., 2005; Morgan et al., 2009; Murray et al., 2011).

Based on the knowledge about the market and customers, SMC use the potential provided for the MO to increase its fundamental aspects, focusing on responding to emergent opportunities (Day, 1994; Murray et al., 2011). As a complementary element, MO can boost the organization's capabilities (Riswanto, Hurriyati, Wibowo, & Gaffar, 2019; Roach et al., 2018). Hence, we propose the following hypothesis:

H4a: Market Orientation (MO) has a positive effect on static marketing capabilities (SMC).

As an antecedent of DMC, MO enables the capability to recognize new opportunities in the market, disseminating the information in a more systematic and anticipatory way (Day, 1994; Hernández-Linares et al., 2021). Previous literature shows that dynamic capabilities integrate the external environment and recognize the existing resource to respond to market opportunities using the information and knowledge generated by MO (Hernández-Linares et al., 2021; Monferrer, Blesa, & Ripollés, 2015). MO serves as a mechanism that helps companies combine, balance, and recognize external and internal resources based on responses to market transformations (Hernández-Linares et al., 2021; Liao, Chang, Wu, & Katrichis, 2011). MO improves the fundamental idea of DMC to combine customer needs, opportunity detection, and company resources (Hernández-Linares et al., 2021; Slater & Narver, 1998).

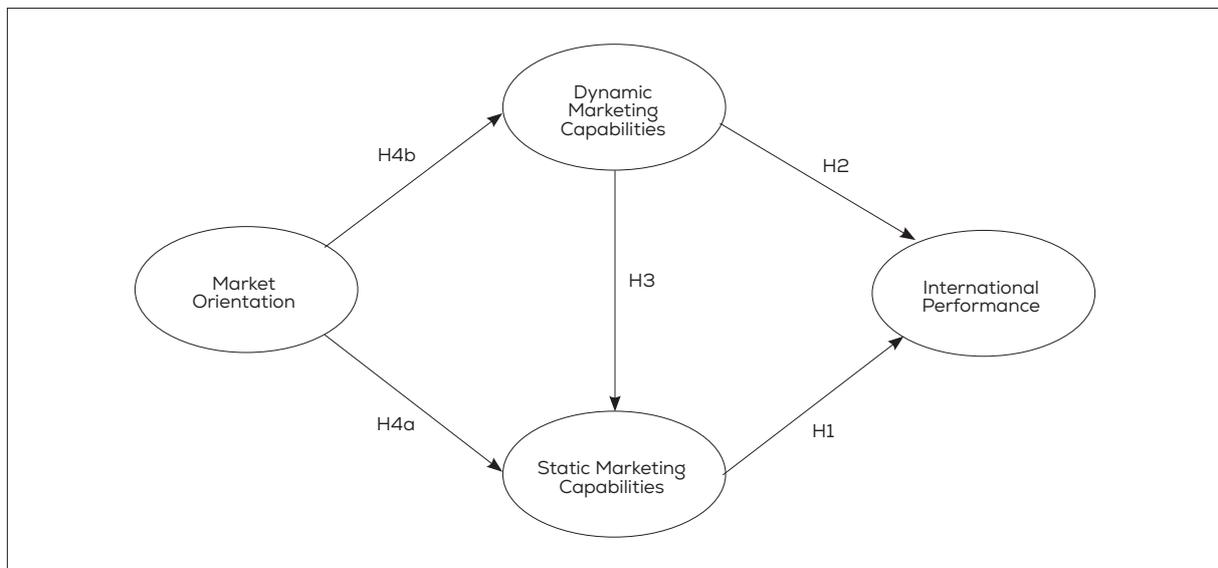
MO can improve the characteristics of DMC through the acquisition and dissemination of information about markets and customers' needs (Hernández-Linares et al., 2021; Kohli et al., 1993), using such information also to strengthen its own characteristics (Jiang, Mavondo, & Zhao, 2020). MO serves as a strategy-oriented mechanism for DMC, balancing firms' external and internal environments (Hernández-Linares et al., 2021), leading us to propose the following hypothesis:

H4b: Market orientation (MO) has a positive effect on dynamic marketing capabilities (DMC).

## Research model

The conceptual model presented in this research is a graphic representation of a set of concepts and relationships between them, subdivided into the following constructs: static marketing capabilities, dynamic marketing capabilities, international performance, and market orientation (see Figure 1).

Figure 1. Conceptual model



## METHODS

### Research design and sample

We collected data through a questionnaire sent by e-mail to a list of internationalized Portuguese firms. The list was prepared from the Portuguese Agency for Trade and Investment (AICEP) and AMADEUS databases, and e-mails were sent in June 2020 using the LimeSurvey software.

Portugal was selected since it is a small and open economy, where domestic firms are urged to adopt internationalization strategies to maintain their competitive positions, particularly SMEs. We obtained a total of 362 valid and complete responses. Since our purpose is to analyze internationalized B2B SMEs, we excluded larger firms' responses (i.e., firms with more than 250 employees and a sales volume over €50 million in 2019) and those exclusively B2C, which resulted in a sample size of 335 firms. The 48-item questionnaire was used to measure the constructs of SMC, DMC IP, and MO (Exhibit 1). We have tested the validity and reliability of the constructs by assessing their composite reliability, average variance extracted, and discriminant validity. We also assessed common method bias following Podsakoff, MacKenzie, Lee, and Podsakoff's (2003) recommendations and tested the hypotheses through structural equation modeling using AMOS 25.

**Exhibit 1.** Questionnaire items

	Portuguese items	Original items
Firms' characteristics	Ano de fundação da empresa	Year of foundation of the company
	Ano em que a empresa entrou no mercado internacional	Year in which the company entered the international market
	A sua empresa no mercado internacional realiza transações comerciais com: Outras empresas (B2B) Consumidores finais (B2C)	Your company in the international market, carries out commercial transactions with: Other companies (B2B) End consumers (B2C)
	Nº de colaboradores: 1-10 10-50 50-250 > 250	Number of employees in your organization. 0-10 employees 10-50 employees 50-250 employees More than 250 employees
	Vendas totais da empresa no ano de 2019: < 2 milhões de euros < 10 milhões de euros < 50 milhões de euros > 50 milhões de euros	Total sales in 2019: < 2 million euros < 10 million euros < 50 million euros > 50 million euros
International Performance	No mercado internacional, o nível de satisfação da nossa empresa com a rentabilidade das vendas foi:	Return on sales
	No mercado internacional, o nível de satisfação da nossa empresa com a margem bruta foi:	Export venture margin
	No mercado internacional, o nível de satisfação da nossa empresa com os objetivos financeiros foi:	Reaching export venture financial goals
	No mercado internacional, o nível de satisfação da nossa empresa com a quota de mercado atingida foi:	Positive changes in market share
	No mercado internacional, o nível de satisfação da nossa empresa com o crescimento da quota de mercado foi:	Market share growth
	No mercado internacional, o nível de satisfação da nossa empresa com o crescimento das vendas no mercado foi:	Growth in sales revenue
	No mercado internacional, o nível de satisfação da nossa empresa com o desempenho geral foi:	Overall export venture performance
	No mercado internacional, o nível de satisfação da nossa empresa com o número de produtos bem-sucedidos foi:	Number of successful new export venture products
	No mercado internacional, o nível de satisfação da nossa empresa com o tempo necessário para a aceitação dos novos produtos foi:	Time to market for new export venture products

Continues

Exhibit 1. Questionnaire items

	Portuguese items	Original items
Static Marketing Capabilities	Nós utilizamos as nossas capacidades na definição do preço dos nossos produtos/serviços para responder rapidamente às mudanças do mercado	Using pricing skills and systems to respond quickly to market changes
	Nós conhecemos as táticas de preços utilizadas no mercado pelos concorrentes	Knowledge of competitors' pricing tactics
	Nós determinamos com eficácia os preços de nossos produtos/serviços	Doing an effective job of pricing products/services
	Nós monitorizamos tanto os preços como as mudanças dos preços dos nossos concorrentes	Monitoring competitors' prices and price changes.
	Nós desenvolvemos novos produtos/serviços por meio de investimentos em I+D	Developing new products/services to exploit R&D investment
	Nós lançamos, com sucesso, novos produtos/serviços	Successfully launching new products/services
	Nós procuramos que os esforços de desenvolvimento de produtos/serviços correspondam às necessidades dos clientes	Ensuring that product/service development efforts are responsive to customer needs
	Nós temos forte relação com os distribuidores	Strength of relationships with distributors
	Nós atraímos e retemos os melhores distribuidores do mercado	Attracting and retaining the best distributors
	Nós procuramos trabalhar, de maneira próxima, com os distribuidores e retalhistas	Closeness in working with distributors and retailers
	Nós fornecemos um alto nível de serviço aos nossos distribuidores	Providing high levels of service support to distributors
	Nós desenvolvemos e executamos campanhas de publicidade*	Developing and executing advertising programs
	Nós temos sistemas de planejamento, gestão e controle de vendas	Sales management planning and control systems
	Nós temos uma capacidade de gestão de vendas	Sales management skills
	Nós disponibilizamos um sistema eficaz de apoio à força de vendas	Providing effective sales support to the sales force
	Nós temos capacidade de planejamento de <i>marketing</i>	Marketing planning skills
	Nós temos capacidades e processos de gestão de <i>marketing</i> *	Marketing management skills and processes
	Nós desenvolvemos estratégias criativas de <i>marketing</i>	Developing creative marketing strategies
	Nós executamos muito bem todo o processo de planejamento de <i>marketing</i>	Thoroughness of marketing planning processes
	Nós alocamos com eficácia os nossos recursos de <i>marketing</i>	Allocating marketing resources effectively
Nós monitorizamos o desempenho de <i>marketing</i>	Monitoring marketing performance	

Continues

Exhibit 1. Questionnaire items

Concludes

	Portuguese items	Original items
Dynamic Marketing Capabilities	Nós fornecemos um serviço de pós-venda	The cross-functional process across areas of acquiring and leveraging customer information, establishing, and maintaining relationships with customers and channel members, and providing after-sales service and support of managing relationships with customers, with the objective of learning about their needs and how best to satisfy them
	Nós temos um suporte de gestão de relacionamentos com os clientes, com o objetivo de conhecer suas necessidades e a melhor forma de os satisfazer	
	Nós temos processos multifuncionais entre as várias áreas da empresa para determinar as necessidades dos clientes	The cross-functional process across areas of ascertaining customer needs, designing tentative new product solutions and prototypes, manufacturing, and coordinating departmental relationships designing, with the objective of developing and engineering the product that enables the customer to experience maximum value and benefits
	Nós concebemos soluções para novos produtos e protótipos	
	Nós coordenamos o departamento de relacionamento com o cliente, com o objetivo de desenvolver produtos para acrescentar o máximo de valor e benefício ao cliente	
	Nós temos processos multifuncionais entre as várias áreas da empresa para selecionar e qualificar os fornecedores desejados	The cross-functional process across areas of selecting and qualifying desired suppliers, establishing, and managing inbound and outbound logistics, and designing workflow in product/ solution assembly, with the objective of designing, Managing, and integrating own supply chain with that of both suppliers and customers
	Nós gerimos o processo de entrada e saída de fornecedores	
	O nosso trabalho de elaboração de produtos/soluções é concebido de maneira integrada com as atividades da cadeia de valor dos nossos fornecedores e clientes	
Market Orientation	Nós nos reunimos com os nossos clientes pelo menos uma vez por ano, para descobrir quais os produtos ou serviços que eles necessitarão no futuro	In this organization, we meet with customers at least once a year to find out what products or services they will need in the future
	Nós utilizamos, cada vez mais, recursos próprios para fazer pesquisas de mercado	In this organization, we do a lot of in-house market research
	Nós, periodicamente, avaliamos o efeito provável de mudanças no nosso ambiente de negócios (por exemplo, regulamentação) sobre os clientes	We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers
	Nós temos reuniões interdepartamentais, pelo menos uma vez por trimestre, para discutir tendências e desenvolvimentos do mercado	We have interdepartmental meetings at least once a quarter to discuss market trends and developments
	O departamento de <i>marketing</i> da nossa empresa passa bastante tempo a discutir as necessidades futuras dos nossos clientes com outros departamentos funcionais	Marketing personnel in our organization spend time discussing customers' future needs with other functional departments
	Na nossa empresa, quando algo importante acontece com um grande cliente do mercado, todos ficam a conhecer esse facto num curto espaço de tempo	When something important happens to a major customer of market, the whole department or organization knows about it within a short period
	Os dados sobre a satisfação dos clientes são divulgados regularmente a todos os níveis da nossa empresa	Data on customer satisfaction are disseminated at all levels in this organization on a regular basis
	Na nossa empresa, avaliamos periodicamente os nossos esforços de desenvolvimento de produtos para garantir que estejam alinhados com os desejos dos clientes	We periodically review our product development efforts to ensure that they are in line with what customers want
	Na nossa empresa, os vários departamentos reúnem-se periodicamente para planear uma resposta às mudanças que ocorrem no nosso ambiente de negócios	Several departments get together periodically to plan a response to changes taking place in our business environment
Na nossa empresa, as atividades dos diferentes departamentos são bem coordenadas	The activities of the different departments in this business are well coordinated	

Note: Items marked with \* were dropped after scale purification

## Measurement scales

All measurements were constructed with five-point Likert scales. IP Likert scale ranged from “1 = not satisfied” to “5 = totally satisfied”, and companies responded using the period before the Covid-19 pandemic as a reference. The constructs SMC, DMC, and MO ranged from “1 = strongly disagree” to “5 = strongly agree”.

## International performance

The construct used for measuring international performance was adapted from Kohli et al. (1993), Martin, Javalgi, and Cavusgil (2017), and Walker and Ruekert (1987), and is based on three dimensions: 1) Efficiency, the relationship between the necessary inputs used and the output financial performance; 2) Effectiveness, derived from the extension of the organizational objectives and those obtained; 3) Adaptability that the organization can face changes in the market environment.

## Static marketing capabilities

SMC construct was adapted from Vorhies and Morgan (2005) and is represented by: 1) Product Development, processes by which firms develop and manage product and service offerings 2) Pricing, the ability to extract the optimal revenue from the firm’s customers, 3) Channel Management, the firm’s ability to establish and maintain channels of distribution, 4) Selling, the processes by which the firm acquires customer orders, and 5) Marketing Process, the processes by which firms learn about their markets and use market knowledge to conceive marketing strategies that optimize the match between the firm’s resources and its marketplace.

## Dynamic marketing capabilities

DMC are defined by three subdimensions proposed by Fang and Zou (2009), namely: 1) Customer Relationship Management: which acts in the acquisition and transmission of information with the consumer, developing a relationship, creating an approach to discover the real needs and how best to meet them, 2) Product Development Management: connects functions such as explore customer needs, identifying and designing new product ideas and protocols, and manufacturing and launching new products, 3) Supply Chain Management: which acts in the qualified selection of suppliers, relationships with logistics processes, working on the design of the product's workflow, managing and integrating consumers and suppliers.

## Market orientation

We adapted the MARKOR construct proposed by Kohli et al. (1993) since it is one of the most used in the marketing literature (Tajeddini & Ratten, 2020). The MARKOR construct considers three dimensions: 1) Intelligence Generation, the degree to which a firm engages in multi-department market intelligence generation activities; 2) Intelligence Dissemination, the degree to which a firm disseminates this intelligence vertically and horizontally through both formal and informal channels; and 3) Market Responsiveness, the degree to which a firm develops and implements marketing programs based on the intelligence generated.

## Control variables

To explain other possible explanations of firm performance, we used three control variables. First, the age of the companies was considered since this can influence international operations and performance through the market experience and acquisition of resources (Sapienza, Autio, George, & Zahra, 2006; Zahra, Ireland, & Hitt, 2000). Secondly, we controlled for the number of years in which the company has operated in the international market, which influences learning and experience in the market (Sapienza et al., 2006). Finally, we controlled for the economic sector of the activity with three dummy variables – primary, secondary, and tertiary sectors. Dummy variables assumed a value of one if the companies belonged to a particular sector and zero otherwise. Only two dummy variables were included in the analyses to avoid the dummy variable trap.

# RESULTS

## Measurement model

When using self-administered questionnaires, common method bias could be a source of measurement errors (Podsakoff et al., 2003). Following Podsakoff et al. (2003), we assessed this method's bias using two statistical tests. First, Harman's single-factor test indicated that a single factor accounted for 35.55% of the total variance explained, which is well below the 50% recommended. Second, the common latent factor model indicated a common variance of 25%. Overall, the tests indicate that common method bias is not a concern.

Table 1 shows acceptable composite reliability (CR) values above 0.7 (Hair, Black, Babin, Anderson, & Tatham, 2009) and average variance extracted (AVE) values above 0.5 (Fornell & Larcker, 1981). Additionally, since the square of all correlations is inferior to the respective AVEs, discriminant validity holds (Fornell & Larcker, 1981; Hair et al., 2009).

**Table 1.** Constructs' correlations, average variance extracted, and reliability

	IP	SMC	DMC	MO	CR	AVE
IP	-				0.938	0.835
SMC	0.458	-			0.907	0.662
DMC	0.404	0.800	-		0.944	0.849
MO	0.381	0.588	0.584	-	0.935	0.829

Note: IP: international performance. SMC: static marketing capabilities. DMC: dynamic marketing capabilities. MO: market orientation. CR: composite reliability. AVE: average variance extracted. The lower triangle shows the correlations between constructs.

Source: authors.

We used confirmatory factor analysis to assess our measurement model. Table 2 indicates an acceptable fit of the model to our data. As can be seen, all goodness-of-fit indices are within the threshold levels reported in the literature.

**Table 2.** Measurement model goodness-of-fit

	Measurement model	Threshold	Supporting literature
CFI	0.945	> 0.9	Hulland, Chow, and Lam (1996); Jigani Delcea, and Ioanăș (2020)
IFI	0.945	> 0.9	Bollen (1989); Chuenyindee et al. (2022)
TLI	0.941	> 0.9	Hair et al. (2009); Schumacker and Lomax (1996)
GFI	0.825	> 0.8	Gefen, Straub, and Boudreau (2000); Prasetyo and Vallespin (2021)
AGFI	0.803	> 0.8	Gefen et al. (2000); Prasetyo and Vallespin (2021)
RMSEA	0.048	< 0.08	Hair et al. (2009); Jigani et al. (2020)

Note: CFI: comparative fit index. IFI: incremental fit index. TLI: Tucker-Lewis index. GFI: goodness-of-fit index. AGFI: adjusted goodness-of-fit index. RMSEA: root mean square error of approximation.

Source: authors.

## Structural model

Table 3 shows the estimates for the structural model.

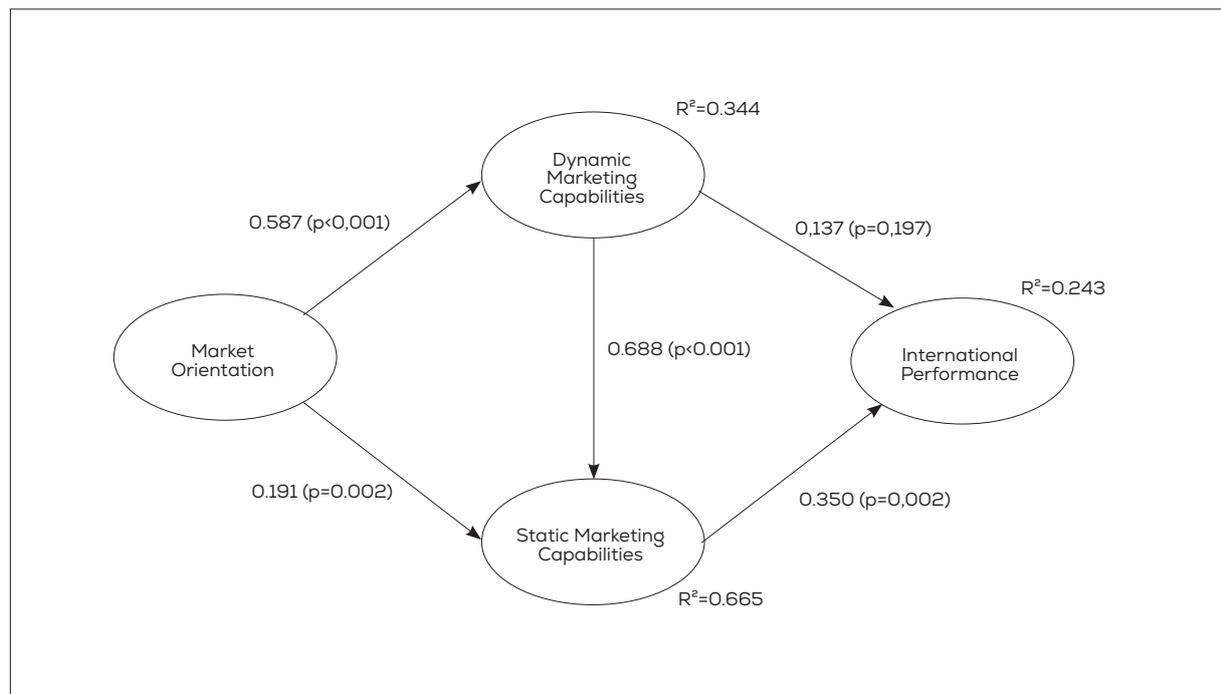
**Table 3.** Structural model estimates

	Relationship	Estimate	CR	p	Supported/Not supported
Hypotheses					
H1	SMC → IP	0.596	3.101	0.002	Supported
H2	DMC → IP	0.161	1.289	0.197	Not supported
H3	DMC → SMC	0.475	7.589	< 0.001	Supported
H4a	MO → SMC	0.155	3.082	0.002	Supported
H4b	MO → DMC	0.689	7.025	< 0.001	Supported
Controls					
	Age → IP	-0.091	-2.735	0.006	n/a
	Inter → IP	0.058	1.808	0.071	n/a
	S1 → IP	-0.055	-0.427	0.669	n/a
	S2 → IP	-0.130	-1.768	0.077	n/a
N = 335					

Note: CR: critical ratio. SMC: static marketing capabilities. DMC: dynamic marketing capabilities. IP: international performance. MO: market orientation.

Our results support hypotheses H1, H3, H4a, and H4b (respectively,  $p < 0.010$ ;  $p < 0.001$ ;  $p < 0.010$ ; and  $p < 0.001$ ). Nevertheless, hypothesis H2, which relates DMC and IP, was not corroborated because it is not statistically significant ( $p \approx 0.197$ ). Figure 2 shows the results of the structural model.

**Figure 2.** Structural model



Note: Standardized regression weights (p-values). R-squared, near each endogenous variable.

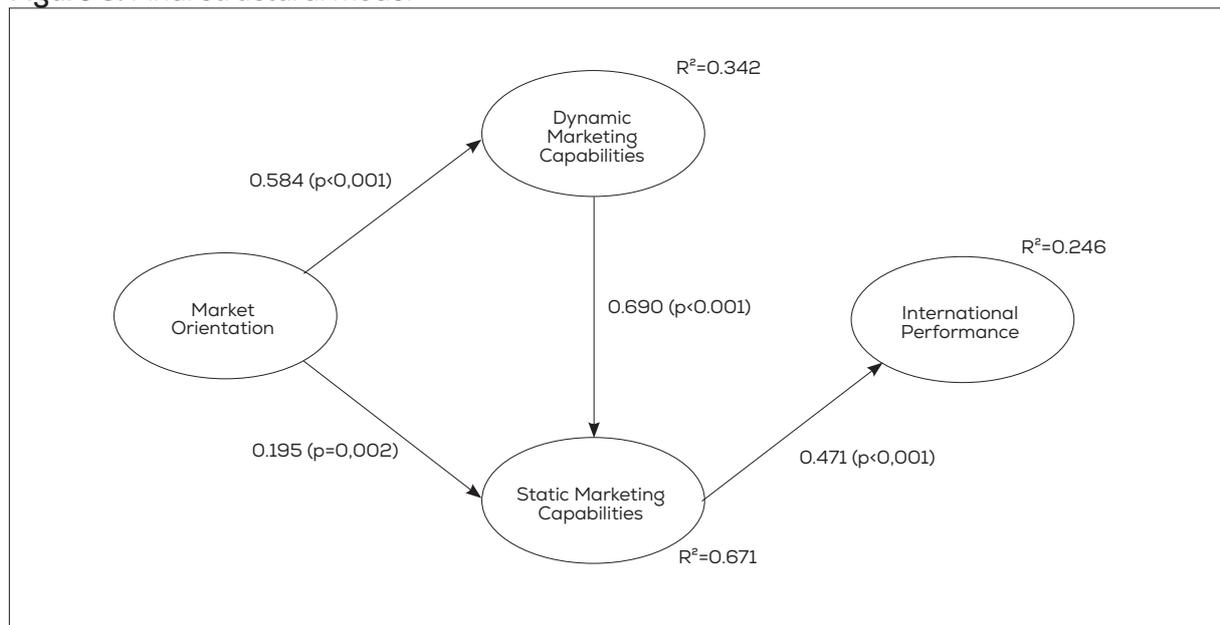
As a robustness test, we ran the model without the presence of H2 (DMC → IP). Table 4 and Figure 3 show the estimates for the final structural model.

Table 4. Final structural model estimates

	Relationship	Estimate	CR	p	Supported/Not supported
Hypotheses					
H1	SMC → IP	0.803	6.607	< 0.001	Supported
H3	DMC → SMC	0.477	7.633	< 0.001	Supported
H4a	MO → SMC	0.158	3.160	0.002	Supported
H4b	MO → DMC	0.687	7.009	< 0.001	Supported
Controls					
	Age → IP	-0.089	-2.667	0.008	n/a
	Inter → IP	0.055	1.731	0.083	n/a
	S1 → IP	-0.064	-0.497	0.619	n/a
	S2 → IP	-0.124	-1.686	0.092	n/a
N = 335					

Note: CR: critical ratio. SMC: static marketing capabilities. DMC: dynamic marketing capabilities. IP: international performance. MO: market orientation.

Figure 3. Final structural model



Note: Standardized regression weights (p-values). R-squared, near each endogenous variable.

Our results show that SMC has a positive relationship with IP, which is statistically significant below the 1% level. In addition, the interaction between DMC and SMC shows a positive and statistically significant effect ( $p < 0.001$ ). As an antecedent, MO shows a positive and significant relationship with both SMC ( $p < 0.010$ ) and DMC ( $p < 0.001$ ). This robustness test also corroborates hypotheses H1, H3, H4a, and H4b, which lends support to our model.

## DISCUSSION

In addition to other studies that identified the positive relationship between marketing capabilities and the IP of organizations (Österle et al., 2018; Vorhies & Morgan, 2005), this research presented conformity by sustaining significant positive effects of SMC on the IP of Portuguese SMEs. This result reaffirms the importance of understanding and continuous development of basic marketing practices, especially when it comes to companies that have limitations in acquiring resources and capabilities, such as SMEs, but, at the same time, face a complex and changing market, such as the international environments of B2B (Gnizy, 2019; Gnizy & Shoham, 2014). The presence of SMC allows the construction of solid resources and a strong competitive advantage, which later help in the acquisition of information from the international market, identification of emerging opportunities, and consolidation in the market against competitors (Day, 1994; Kura, Abubakar, & Salleh, 2020; Roach et al., 2018).

The relationship between DMC and IP did not show statistical significance, contradicting previous empirical literature (Buccieri et al., 2020; Guo et al., 2018). Nevertheless, these results support Ambrosini and Bowman's (2009) reasoning that dynamic capabilities do not equate directly to superior performance but rather interact with existing resources and capabilities. Therefore, DMC seems to provide dynamism to organizational resources, encouraging the organization to adjust quickly, reallocating its internal resources to better match market changes and demands (Guo et al., 2018; Morgan & Slotegraaf, 2012). It is thus responsible for connecting the different processes of the organization to deliver value to the consumer in the face of such changes (Day, 2011). This interaction allows companies to respond more efficiently to dynamic and competitive markets, integrating fundamental capabilities (i.e., SMC) with the ability to use acquired knowledge and experience to upgrade their existing resources and capabilities (Auh & Menguc, 2005; Morgan & Slotegraaf, 2012). With these characteristics, the interaction between DMC and SMC may act as a potential influencer of organizational performance.

In addition to marketing capabilities, other variables contribute to the construction of competitive advantage and international performance (Kirca, Bearden, & Hult, 2011; Riswanto et al., 2019). Market-oriented firms understand more clearly the needs and desires of customers in international markets, besides assimilating more clearly the strategies and capabilities developed by their competitors abroad (Auh & Menguc, 2005). It becomes clear that MO is important in an unstable environment, contributing to the construction of competitive advantage and

effective responses to the market (Acosta, Crespo, & Agudo, 2018). Our results revealed MO as an antecedent of both SMC and DMC. This corroborates Murray et al. (2011) results for Chinese firms' export venture performance. It also supports Doyle and Armenakyan's (2014) meta-analysis, which indicated that the effects of MO on performance would be primarily through value-creating marketing capabilities. Therefore, as a complementary factor to firms' capabilities, MO builds direct positive effects on marketing capabilities, allowing a direction for best practices in the market (Morgan & Vorhies, 2018).

## CONCLUSION

This study analyzed the effects of marketing capabilities on the international performance of Portuguese B2B SMEs. Results highlight the effective need of organizations to develop marketing at different levels, whether through marketing mix, more common to other companies, or through dynamic capabilities, which allows the company to be attentive to changes and opportunities emerging from international markets (Guo et al., 2018; Morgan, Feng, & Whitler, 2018).

Finding positive and significant results in international performance through the relationship of DMC with SMC reaffirms the need for SMEs to develop such capabilities to obtain a positive performance when operating in a complex and competitive market such as the international B2B. It is concluded that companies with limited resources, which operate in dynamic markets, need to be attentive to the development of their marketing capabilities, which enable the acquisition of information and opportunities in the international market. SMC imply the development of fundamental capabilities that are directly associated with customer behavior (i.e., marketing-mix), which focus on generating short-term performance growth. However, surviving in the competitive international market requires more dynamism and flexibility of these capabilities. As our results show, DMC act as renewal capabilities, which influences international performance through SMC. It is reasonable to assume that capabilities directly associated with customer behavior impact firms' performance, including product definition, price strategy adequacy, assertive market distribution, and a clear communication strategy. Although DMC do not influence customers' behavior, they provide firms the ability to restructure existing resources and capabilities. They are particularly supportive in the management of after-sales and customer needs and the qualification of the various suppliers and logistical processes. Such characteristics end up rearranging and adapting the marketing-mix to ever-changing international markets.

Another point to be considered is MO, which could act as an antecedent element of marketing capabilities. The positive and significant results found in the relationship of MO with both SMC and DMC corroborates the rationale that MO positively contribute to the evolution of firms' resources and capabilities and, consequently, supports the achievement of higher performances in the international market. These results highlight the importance of this research as an academic and practical contribution.

This paper makes some important contributions to the marketing literature, which may help future research on marketing capabilities, international performance, and market orientation. On the one hand, we innovate to bring new insights that seek to understand the factors originating from IP, placing two capabilities in a relationship context. Our findings identify the importance of the interaction between capabilities, where DMC may renew the individual characteristics of SMC and, at the same time, achieve a superior performance together in complex and dynamic international markets. On the other hand, this study extends the limited literature that places MO as an antecedent of marketing capabilities with effects on international performance, providing insights to firms and managers to develop a market-oriented behavior to improve assimilation of their capabilities and strategies and those of their competitors (Auh & Menguc, 2005; Morgan & Vorhies, 2018). This research proves to be innovative to align the international market in the organizational context of SMEs.

## Limitations and future research avenues

Limitations of this study should be recognized. First, the cross-section data collection, which occurred during the Covid-19 pandemic, may have influenced the scope of the survey and even the organizations' own willingness to respond to it. Despite starting this study with a database composed of internationalized Portuguese SMEs, the global pandemic context has led many of the contacts to be invalid, whether due to dismissal, termination of activities, or reduced activities, such as layoffs.

As perceived throughout this study, many paths can be followed in future investigations through studies specific to each marketing capability and its relationship with firms' international performance. Longitudinal surveys of firms could be advantageous for deriving possible causality claims based on our proposed model. Furthermore, the sample of this study was composed exclusively of Portuguese SMEs, which, despite being a relevant context for this study, may hamper the generalizability of our results to other contexts. In this sense, it would be interesting to apply the model to different contexts.

Considering other variables as antecedents of marketing capabilities may also be one of the paths for further research, which could bring new insights into how marketing capabilities influence international performance, such as organizational capabilities or different types of organizational orientation. Also, we have not accounted for environmental factors that could moderate these relationships. Thus, the inclusion of moderating variables such as market turbulence, competitive intensity, or technological transformations could reveal a more detailed picture of how MO and marketing capabilities affect international performance.

Theoretically, we contribute by adding innovations to the analyses presented here, such as the interaction between DMC and SMC, and the use of MO as an antecedent of both marketing capabilities, all under effects on performance. In addition, it contributes by bringing the context of SMEs into the international market so that, in most studies, large companies are approached.

This study also adds to Portuguese studies with the intent of adding originality, inserting marketing capabilities in the international context of the country through the reality of its SMEs.

In practice, in addition to contributing to the knowledge of SMEs, with these results, firms can have new insights and perform more effective management regarding the prioritization of their resources, determining with greater assertiveness how and where to acquire new knowledge and capabilities. Overall, this study can serve as an inspiration and strong reference for managers through more conscious decision-making that allows the acquisition of competitive advantage in crowded markets such as the international market.

## NOTE

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## **AUTHOR'S CONTRIBUTIONS**

Caroline Reimann: Project Management; Conceptualization; Writing – First Writing; Research; Methodology

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Marcelo Duarte: Data Curation; Software