The Influence of Marketing Capability on Firm Performance: An Empirical Evidence from Nigeria

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Abstract
Firm performance play an important role toward National development of a country through job creation, income generation as well as provision of goods and services. This paper therefore examines the influence of marketing capability on firm performance in Nigeria. It is empirically established that marketing capability has positive impact on firm performance. Which indicates that marketing capability can make firms to innovate and implement new processes to meet with market dynamism which eventually lead firms to achieve performance in Nigeria.

Keywords: Dynamic capability; Firm performance; marketing capability.

1. Introduction
Firm performance is the capability of a business to access the degree of its success within a particular period of time (Eniola & Ektebang, 2014). Firm performance hold an important part of many country’s economy in the world as it encourages provision of jobs and wealth creation in the world’s economic system (Atest, Garengo, Cocca & Bititci, 2013). Previous studies on firm performance identified that firms that perform well contribute more to the economic development (Slapers & Hall, 2011; McWilliams & Siegel, 2011; O’Cass & Sok, 2012; Li & Mitchell, 2009, Rosenbsh et al., 2011; Boachie & Acquah, 2015; Hassan, Shakat, Nawaz, & Naz, 2013; Saunila, & Ukko, 2013). Firm performance in Nigeria constitute a significant part that linked to the provision and enhancement of the development in the country (Ngo & O’Cass, 2013). It is posited that firm performance in Nigeria brings about generation of wealth as a result of job creation, capacity building and improving the welfare of many through provision of services and goods (Ngo & O’Cass, 2013).

It is posited that one of the factors that influence firm performance is marketing capability which is termed as firms’ marketing activities that are related to one another that firm possess to achieve success in conducting its marketing strategies that are different to those of the competitors (O’Cass & Sok, 2013). Marketing capability brings about dynamism in the market through product/service development so as exploit its resources by concentrating on capabilities and strategies that are customer oriented which may lead to achieve firm performance (Vorhies, Orr, & Bush, 2011; O’cass, Ngo, & Siahtiri, 2015). Marketing capability is part of the firm’s capability to modify products or service for customer’s specific needs (Dwyer et al., 2009). It is argued that the key factor for attaining firm performance is through marketing capability. (O’Dwyer et al., 2009). Thus, marketing capability is the tool for attaining revenue that make firms to achieve competitive advantage (Dutta, Narasimhan & Rajiv, 1999). Despite the fact that different scholars have identified the relevance of marketing capability to firm performance (O’Cass & Sok, 2012; Nath, Nachiapppan & Ramanathan, 2010). (O’Cass & Sok, 2012). The aim of marketing capability is to provide changes in the product design, new packaging, promotion, and a new strategy for pricing, which most of the firms in Nigeria are lacking which leads to poor firm performance (Polder et al., 2010). The objective here is to increase the sales of the firms (Polder et al, 2010), whereas other scholars have contrary views as they considered it as interrelated processes that business put in place to make it easier in its operation for achieving its performance in a better way than its competitors (O’Cass and Sok, 2012).

Statement of the problem
Marketing capability and firm performance go hand in hand as marketing capability deal with market dynamism through utilization of resources which make the firms to achieve performance (Vorhies, Orr, & Bush, 2011). O’Dwyer et al., (2009) argue that the mostly effective key for achieving competitive advantage is through marketing capability which firms can afford through offering of goods and services as well as products development for customer’s specific needs. Most firms in today’s business fail to engage in product innovation.
which allow firms to meet customer preferences that can lead firms to perform better through customer satisfaction (Morgan, Vazquez, & Suarez, 2009). For firm to achieve well it must innovate as innovation is the implementation of new ideas, new products/services, products development or new process which the firm peruse for successful development (O’Cass & Sok, 2012). Many studies on innovation stressed that innovation as a business routine which affect the ability of a firm to survive, grow and excel (Ngo & O’Cass, 2013). It is posited that firm which failed to innovate remained stagnant (Sanzo et al., 2012). Therefore for firms to utilize its marketing capability it must be able to innovate (Rosenbensch et al, 2011).

Many studies have been carried out in relation to firm performance in Nigeria, (Agwu & Emeti, 2014; Mukhtar, 2013; Afolabi, 2013; Idowu, 2013; Mohammed & Nzelibe, 2014), however, most of them focus more attention on addressing issues in relation to firms low performance with particular reference poor management, lack of government support, high cost of doing business, lack of skills etc., however, the issue of marketing capability of firms in Nigerian which is another that remained under research (Oluwatobi, 2015), therefore, this paper intends to field this gap.

O’Cass, Ngo, and Siahtiri (2015) identify that marketing capabilities are part of the elements that contribute to firm performance and that require businesses to concentrate on capabilities and strategies that are customer oriented. Based on the above, this paper is therefore designed to examine the influence of marketing capability to firm performance using Dynamic capability theory which emphasizes on firms’ ability to innovate and reset the resources to cope with changes in the market (Wang & Ahmad, 2007), to deal with the rapid changes within the environment which make some resources obsolete as firms are regularly readjusting to meet up with changes in the market (Eisenhardt and Martin 2000). This paper is built on the idea of Dynamic capability theory which stressed that for a firm to cope with changes in the market it must innovate and reset its resources (Wang & Ahmed, 2207), because of the changes that occur in the market as a result of rapid change in customer needs some resources become obsolete and hence marketing capability to innovate and adjust to cope with market dynamism (Eisenhardt & Martin, 2000).

2. Literature Review
This paper examine the influence of marketing capability which consist of activities that are related to each other which firms’ possess to attain superior performance while carrying out their marketing activities (O’Cass & Sok, 2012). The objective of this paper is to examine the influence of marketing capability on firm performance in Nigeria. The paper is categorized into five sections. Section one discusses the introduction, section two deals with the literature review, while section three discuss the methodology, section four highlight the findings of the study and section five present the conclusion of the study.

Marketing Capability
Marketing capability can also be viewed as the ability of a firm to cope with techniques of marketing mix that comprises of product development, pricing, distribution and promotion to achieve performance (Morgan, Vazquez & Suarez, 2009). Gunday et al. posited that marketing capability is the means through which better value is created for customer service to attain performance (Trainor, et al. 2014; Maier et al. 2012). Marketing capability affect market dynamism in providing changes in the features of the product that improve utilization of resources to meet with customer needs (Vorhies, Orr, & Bush, 2011).

O’Cass, Ngo and Siahtiri (2015) posited that marketing capabilities and firm performance are strategies that are customer oriented. Gunday et al., (2011), examine that for marketing capability to be effective firm must innovate to satisfy customer needs through new market discovery and product development for the purpose of making more sales to attain performance. Kumar et Al. (2015) identified the impact of marketing capability as an explanatory factor that shareholders use in attaining performance because most investors assess firms capabilities through their marketing capabilities. In another study carried out by Sok, O’Cass and Mony, (2013) in Cambodia, their study examine the impact of capabilities on performance. In addition to that other literature revealed that the perception of management mostly emphasize on the positive relationship that exist between marketing capability and innovation for achieving performance. Li and Liu (2014) identify marketing capability to bring about good quality through customer services and product development for achieving performance. According to Day (1994) marketing capability include the ability of firm to innovate and make efficient utilization of marketing resources in attaining performance (Wiles, Morgan & Rego, 2012). It is important for this study to identify how marketing capability contribute to firm performance.

Firm performance
Firm performance is termed as the capability of a business to access the extent of its success within a particular period of time (Eniola & Ektebang, 2014). SMEs performance forms a very important part of the Nigerian economy as the sector is a major engine which encourages the growth of jobs and wealth creation in the country’s economic system (Ebiringa, 2011). SMEs performance in Nigeria act as significant part that is linked to the strengthening and enhancement of the development of the country (Atest et al.,2013). Firm performance in Nigeria provides; wealth generation, job creation, capacity building and uplifting the welfare of many through
Marketing Capability and Firm Performance

It is posited that one of the factors that influence firm performance is marketing capability which is termed as firms’ marketing activities that are related to one another which firm possess to achieve success in conducting its marketing strategies that are different to those of the competitors (O’Cass & Sok, 2012). O’cass, Ngo, and Siahtiri (2015) identify that marketing capabilities are part of the elements that contribute to firm performance and that require businesses to concentrate on capabilities and strategies that are customer orientated. In a similar study by (O’Cass, Ngo, & Siahtiri, 2015), the aim of their study is to identify how marketing capability affect firm performance. It was an empirical study and data was collected from manufacturing and service firms. The results of the study indicated that marketing capabilities and marketing orientation have significant effect in achieving firm performance. In another study conducted by Anwar and Kumar (2016) the purpose of their study is encourage entrepreneurship development so that firms can perform well through increase in sales and other marketing related activities, and the result of their study indicates an increase of 61% in their sales representing 2.5 billion annually. Based on the above argument, this paper Hypothesizes that, there is positive relationship between marketing capability (MC) and firm performance (FP).

Figure 1.1 Framework
Conceptual framework

3. Methodology

The purpose of this paper is to determine the influence of marketing capability on firm performance. The paper is quantitative in nature, hence data were collected through distribution of questionnaires to its target respondents (firm’s owners in Kano Nigeria). The study is cross sectional as the data was collected at a time through questionnaire. The questionnaire was divided into three sections. Section one presents the demographic of the respondents, section two consists of questions relating to marketing capability and section three include questions on firm performance. 361 firms were chosen based on random sampling as recommended by (Krejcie & Morgan, 1970) sample size table. The sample was increased by 40% by to avoid non-respond bias as suggested by (Salkind, 1997). Therefore, a total of five hundred and five copies of questionnaire was distributed out. Three hundred and fifty six copies were return, hence 20 copies were rejected on the basis of data screening. The remaining three hundred and thirty six which represents sixty six percent were considered for the analysis.

Measurement scale

Previous studies examine that for accuracy of result, midpoint scales are better (Krosnic &Fabrigar, 1997), because it allows respondents to show their positions appropriately. It is posited by Elmore and Beggs (1975) that most useful scale is that with five point (Hair et al. 2007). Thus five point scale is employed in study. Firm performance in this study consist of twelve items both financial and non-financial they include: they include increase in products sales, wider market for products, increase in profit, decrease in customer complain, increase in customers, increase in sales volume, increase in number of employees, change in employees attitude toward job and satisfactory performance of enterprises. Out of the twelve items, this study adapts 1 from Zhou, Yim and Tse (2005), it include: improve in employee skills, and also the study adapts two items for measuring firm performance from Veidal and Korneliussen, (2013), they include: increase in production volume, increase in level of activity and increase in marketing channels, that are adapted from (Suliyanto & Rahab, 2012). The study used nine items in measuring marketing capability which adapted from (Guan & Ma, 2003; Vorhies & Morgan,
2005; Sok et al. 2013) they include; product concept, testing innovation ideas, product prototypes, monitoring market situation, preference on customer requirements, reliable time of delivery, customer relation, improving brand name and controlling distribution network. All were measured on five point Likert-scale: 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 = strongly agree.

4 Results
The approach of PLS SEM version 2.0 is employed in the analysis for better and accurate results as suggested by (Ringle et al. 2005). Smart PLS is selected because of its completeness (Sekaran & Bougie, 2013). The analysis consists of two approaches; one is for measurement model which consist of reliability of each item, convergent validity, internal consistency, and discriminant validity assessments, while the other is made up of structural model which concerned with testing the hypotheses and significance of the path coefficients as well as the values of R-squared.

Table 4.1
Indicating: AVE, CR and R²

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>CR</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Capability (MC)</td>
<td>0.7201</td>
<td>0.9561</td>
<td>0.7212</td>
</tr>
<tr>
<td>Firm Performance (FP)</td>
<td>0.6468</td>
<td>0.9585</td>
<td>0.7212</td>
</tr>
</tbody>
</table>

Average Variance Extracted (AVE), Composite reliability (CR) of the two constructs in this paper were presented in the above Table 4.1. As indicated, all the two constructs have got the minimum requirement for AVE and CR. Particularly considering the rule of thumb which suggests that the values of AVE should be 0.50 and above (Chin, 1988). The range for CR starts from 0.07 to above base on recommendation of (Hair et al, 2014). Hence, the above result indicated that the two constructs have AVE values of 0.54 to 0.72 and the CR scores range from 0.956 to 0.958. The result also indicates the path coefficient (R²). This indicates that 27% of the variance was elaborated by constructs.

Table 4.2
Latent Variance Correlations and Square Root of AVE

<table>
<thead>
<tr>
<th>Construct</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Performance</td>
<td>0.804</td>
<td></td>
</tr>
<tr>
<td>Marketing Capability</td>
<td></td>
<td>0.979</td>
</tr>
</tbody>
</table>

In order to determine if the construct in same model are different from each other is by the means discriminant validity. Base on this two methods are used to examine discriminant validity the first method is by using Fornell and Lacker criterion, which carried out by comparing the squared correlations of the constructs and the AVE for each constructs (Fornell & Larcker, 1981). Considering the above results in Table 4.2, it shows that the correlation of the square root are below the AVE. This indicates that convergent validity and discriminant are achieved by this model. The second way is through measuring the cross loading of construct’s Indicators as suggested by (Hair et al. 2014). This can be achieved if the loadings of all the constructs were higher than the achieve discriminant validity. Here all the indicators loadings should be greater than their cross loading (Chin, 1988).
Table 4.3 Measurement Model: Discriminant Validity (Cross Loadings)

<table>
<thead>
<tr>
<th>Construct</th>
<th>MC</th>
<th>FP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mc1</td>
<td>0.8726</td>
<td>0.7218</td>
</tr>
<tr>
<td>Mc2</td>
<td>0.8354</td>
<td>0.6888</td>
</tr>
<tr>
<td>Mc3</td>
<td>0.8668</td>
<td>0.7282</td>
</tr>
<tr>
<td>Mc4</td>
<td>0.8434</td>
<td>0.7175</td>
</tr>
<tr>
<td>Mc5</td>
<td>0.8639</td>
<td>0.7176</td>
</tr>
<tr>
<td>Mc6</td>
<td>0.8788</td>
<td>0.7739</td>
</tr>
<tr>
<td>Mc7</td>
<td>0.7317</td>
<td>0.6127</td>
</tr>
<tr>
<td>Mc8</td>
<td>0.8573</td>
<td>0.7593</td>
</tr>
<tr>
<td>Mc9</td>
<td>0.8773</td>
<td>0.7739</td>
</tr>
<tr>
<td>Pf1</td>
<td>0.7201</td>
<td>0.8032</td>
</tr>
<tr>
<td>Pf10</td>
<td>0.7046</td>
<td>0.8457</td>
</tr>
<tr>
<td>Pf11</td>
<td>0.6948</td>
<td>0.8372</td>
</tr>
<tr>
<td>Pf12</td>
<td>0.6247</td>
<td>0.691</td>
</tr>
<tr>
<td>Pf2</td>
<td>0.7309</td>
<td>0.8534</td>
</tr>
<tr>
<td>Pf3</td>
<td>0.6771</td>
<td>0.6101</td>
</tr>
<tr>
<td>Pf4</td>
<td>0.6771</td>
<td>0.7878</td>
</tr>
<tr>
<td>Pf5</td>
<td>0.7006</td>
<td>0.8077</td>
</tr>
<tr>
<td>Pf6</td>
<td>0.6967</td>
<td>0.8644</td>
</tr>
<tr>
<td>Pf7</td>
<td>0.7103</td>
<td>0.85</td>
</tr>
<tr>
<td>Pf8</td>
<td>0.6595</td>
<td>0.8227</td>
</tr>
<tr>
<td>Pf9</td>
<td>0.6918</td>
<td>0.8385</td>
</tr>
</tbody>
</table>

The above table 4.3 indicating results of discriminant validity test through cross loadings revealed that discriminant validity has been attained as all the shaded area of each construct was higher than their diagonal cross loadings.

Figure 4.2
Structural Models Direct Effect

Table 4.4
Summary of findings and hypothesis testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>construct</th>
<th>Beta</th>
<th>standard Error</th>
<th>T-Statistics</th>
<th>P-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>MC-&gt;FP</td>
<td>0.8492</td>
<td>0.0185</td>
<td>45.9064</td>
<td>0.000</td>
<td>supported</td>
</tr>
</tbody>
</table>

Table 4.4 above presents the results hypotheses testing as earlier proposed in this paper, the hypotheses stated that, there is positive relationship between marketing capability and firm performance. As indicated in the above table, there is positive relationship between marketing capability and firm performance considering the empirical results ($\beta = 0.84$, $t = 45.90$, $p < 0.000$).
4. Discussion
This paper was aimed to determine the influence of marketing capability on firm performance, an empirical evidence from Nigeria. Marketing capability is an important factor that contribute to the attainment of firm performance. Based on the statistical result as shown in the above table 4.4, marketing capability is significantly related to firm performance, hence for a firm to achieve performance, its marketing capability must be effective (O’Cass, Ngo, & Siahtiri, 2015). In line with the findings of previous studies of (Boachie & Acquah, 2015; Hassan, Shakat, Nawaz, & Naz, 2013; Saunila, & Ukko, 2013). The result also proved the provision of Dynamic capability theory, which emphasizes on firms’ ability to innovate and reset the resources to cope with changes in the market (Wang & Ahmad, 2007), to deal with the rapid changes within the environment which make some resources obsolete as firms are regularly readjusting to meet up with changes in the market (Eisenhardt and Martin 2000).

5. Conclusion and Implications
This paper examines the influence of marketing capability on firm performance, an empirical evidence from Nigeria. Hypotheses was established and tested empirically with the aim of examining the influence of an independent variable (marketing capability) on the independent variable (firm performance). The study achieved its aim in elaborating the goodness of measures used to explain and evaluate the reliability as well as the validity of the data collected. Particularly, Tables 4.1, 4.2, and 4.3 presented above which indicated all the procedures employed in assessing the data and it clearly revealed that all the constructs are reliable and valid. With the aid of PLS it was identified that, the hypothesis established by this study was supported, it stated that there is positive relationship between marketing capability and firm performance. These findings also contributed in expanding dynamic capability theory that emphasizes on firms’ ability to innovate and reset resources to cope with changes in the market.

6. Limitations and suggestion for further studies
The study examined the influence of marketing capability on firm performance in Nigeria. The findings of the study are limited to owners/ managers of small and medium enterprises (SMEs), hence further studies can be carried out on larger firms. Similarly other variables such as market segmentation, product development and brand loyalty can be examined to identify their impact on firm performance. Furthermore the variables in this study were measured uni-dimensionally, hence other studies can measure them multi-dimensionally to get more results. Further researches can employ mixed method approach to determine this model.

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