A Theoretical Discussion on Marketing Agility and Adaptive Marketing Capabilities in Regards to Firm Performance

Pazarlama Çevikliği, Adapte Edilebilen Pazarlama Yetenekleri ve Firma Performansı İlişkisi

M. Murat CERİT 1
Elif KARAOSMANOĞLU 2

1. Introduction and Purpose of the Study

Day (2011) proposes that Adaptive Marketing Capabilities (AMCs) are the most suited approach to marketing capabilities in volatile markets. However, as the complexities of markets increase over the years, new concepts have been discussed in marketing literature, one of which is Marketing Agility (MA). It is still open to discussion which approach is more suitable for the firms in order to cope with market difficulties and hence achieve desirable marketing performance outcomes in times of turbulence such as COVID-19 pandemic times. Having defined briefly, both approaches will be compared and discussed theoretically in this paper and then certain propositions will be presented for further investigations in order to investigate their roles on firm performance.

2. Literature Review

In his conceptual study, Day (2011) argues that neither static nor dynamic marketing capabilities are capable of responding highly changeable markets and puts forward AMCs as an alternative approach to marketing capabilities. AMCs (1) are external oriented and have explorative viewpoint; (2) are adaptive; (3) put emphasis on trial-and-error to learn the market dynamics and (4) provide firms to have sense-and-response behaviors, and (5) are executed in an open-network. They demonstrate positive relationship with the firms' marketing performances and these relationships get even stronger during environmental turmoil (Guo, et al., 2018) and in intensely competitive international markets (Reimann, Carvalho, & Duarte, 2021). External opportunities are placed in the center of innovation processes, and internal resources are seen as the key for market performance of innovations. While firms need to explore new markets, they should exploit the current ones too. AMCs as organizational capabilities enable firms to drive proprietary strategies since they help to interlink the external opportunities and internal resources (Shen, Sha, & Wu, 2020). Firms adapt to volatile market dynamics by means of AMCs and thereby comprehend current and future expectations of customers. Consequently, they can meet market needs through incremental and radical product innovations (Ali, Wu, & Ali, 2021). Contextual ambidexterity indicates management of exploitative and explorative activities simultaneously. While exploitative activities consist of certain actions like “refinement, choice, production, efficiency, selection, implementation, and execution”; explorative activities involve “searching, variation, risk taking, experimentation, play, flexibility, discovery, and innovation” (March, 1991, p. 71). Firms that adapt to outside-in strategy can perform exploitation and exploration activities in a complementary...
manner, meaning that, they can execute contextual ambidexterity. Research demonstrates that AMCs strengthen the contextual ambidexterity of the firms by exploring and exploiting the market opportunities which are identified through vigilant market learning, adaptive market experimentation and open marketing mechanism (Ali, Wu, & Ali, 2021).

Due to the devastating changes in the markets emerging from complexity, unpredictability, volatility, and ambiguity, agility has become one of the mostly discussed topics in marketing domain recently as a novel approach to marketing capabilities. MA is defined as “the extent to which an entity rapidly iterates between making sense of the market and executing marketing decisions to adapt to the market” (Kalaignaman et al., p. 36). MA affects financial performance, innovation capability (Zhou, Mavondo, & Saunders, 2019), and marketing performance (Khan, 2020) of firms positively. Its favorable impact on firm performance is even more significant under increasing market complexities (Khan, 2020). Similarly, the relationship between MA and firm’s financial performance is stronger under high market turbulence (Zhou, Mavondo, & Saunders, 2019). A study that has been conducted recently in Turkey with SMEs (See Demir et al., 2021) demonstrates that companies which adopted agile management strategies could overcome certain difficulties of COVID-19 within a short period of time. For instance, a software company dealing with image recognition and processing has changed its focus from individual products to a new software product for processing X-rays for distant medical diagnosis through which the company could give consultancy to the government as well. In a similar manner, the company which specializes in medical software product has achieved to accelerate the telemedicine integration into their products just after official announcement of first COVID-19 case. The real estate company that rents and sells summer houses and apartments had to intensify the virtual site tours instead of physical ones during COVID-19 due to travel restrictions (Demir, et al., 2021).

It is asserted that MA is positioned itself different than AMCs thanks to its distinct attributes, namely, speed, iteration, sense making, and marketing decisions (Kalaignaman et al., 2021). Both approaches emphasize sense-making, since understanding market changes is reactive but sensing them beforehand is explorative. As AMCs underline the importance of trial-and-error for understanding consumers’ preferences in a fluctuated market (Day, 2011), iteration between marketing decisions and ongoing sense-making embarks on a similar role in MA (Kalaignaman et al., 2021). Speed refers to the time elapsed between sensing market, getting feedback, and adjusting marketing decisions in MA (Kalaignaman et al., 2021), whereas it is not specifically incorporated in AMCs. Decision making in MA might refer in certain times to decide “not to act” as an appropriate strategy, this distinction however is not a marked feature of AMCs where the firms are encouraged strongly to shift their behaviors from “a reactive to a sense-and-response approach” (Day, 2011, p. 188).

It can be understood from the studies that AMCs and MA have similar characteristics yet some differences (See Table 1). However, to the best of our knowledge, the studies that discuss and compare both approaches simultaneously have yet to be done. Such a research will be significant, because both approaches’ assertions resemble each other yet differences remain which calls for specifying the nomological domain of each approach. Such discussion would help to reveal further whether the firms utilized MA can be positioned advantageously as compared to those firms deployed AMCs.

3. **Design and Methodology**

This is a conceptual study which aims at comparing and contrasting two related yet distinctive approaches, namely AMCs and MA. Main concerns include (1) defining AMCs and MA in depth, (2) presenting empirical studies related to those concepts, (3) discussing their similarities and differences, and (4) discussing the propositions as to challenge their comparative relationship with firm performance.

In their theoretical study, Kalaignaman et al. (2021) discuss the concept of MA in depth and identify MA related approaches by underlining the similarities and differences among those concepts in order to specify likely research areas about MA. One of the marketing concepts related to MA is AMCs which have been conceptualized by Day (2011, s. 188) as “vigilant market learning, adaptive experimentation, and open marketing that mobilizes dispersed and flexible partner resources”. AMCs’ superiority in firm performance over static or dynamic marketing capabilities has been demonstrated.
(Guo, et al., 2018). However, it is still questionable, whether MA’s impact on firm performance is stronger than AMCs (Kalaignaman et al., 2021). This study emphasizes this gap and aims at presenting propositions by a review of seminal papers of AMCs and MA.

4. Theoretical Framework and Discussion

Generally, it is known that the firms which develop and utilize marketing capabilities can increase their firm performance significantly (Ngo et al., 2019). In particular the firms can have higher firm performance thanks to AMCs than the ones that use either static or dynamic marketing capabilities (Guo, et al., 2018). For instance, these companies (1) sense and predict the market conditions better and are capable to collect extensive marketing information, (2) benefit from trial-and-error learning, experimenting and technological advancements, and (3) pursue strategic partnerships, and collaborate with partners to create innovative strategies. All these abilities indicate vigilant market learning, adaptive marketing experimentation and open marketing respectively as core principles of AMCs. Likewise, by measuring proactiveness, responsiveness, flexibility, and speed of certain companies as marked indicators of MA, Kahn (2020) unveils the positive effect of agile marketing applications on those firms’ financial and market performance. Therefore it is proposed that;

**Proposition (P1):** When an organization develops and utilizes its AMCs, it will be likely to increase its market performance.

**Proposition (P2):** When an organization develops and utilizes its MA, it will be likely to increase its market performance.

Market turbulence’s direct impact on various capabilities is observed. For instance, while market turbulence strengthens the effects of market orientation on pricing and marketing communication; it weakens the effect on new product development capability (Murray, Gao, & Kotabe, 2011). As it is statically demonstrated, the positive relationship between AMCs and firm performance becomes even stronger under high environmental difficulties originating from market turbulence, technological turbulence, and competitive intensity (Guo, et al., 2018). Consequently, it is put forward that;

**Proposition (P3) Market turbulence may enhance the positive relationship between AMCs and firm performance. As market turbulence increases, relationship between AMCs and firm performance may become stronger.**

Additionally, it is discussed that the firms operating in unpredictable and highly volatile markets can take advantage of MA by using “small-bets”, meaning that, it is possible to reduce risk in those markets with small iterations between marketing decisions and sense-making. Specifically, it is argued that higher the unpredictability in the market, the greater the benefits of agility (Kalaignaman et al., 2021). Hence, it is asserted that;

**Proposition (P4):** Market turbulence may enhance the positive relationship between MA and firm performance. As market turbulence increases, the relationship between MA and firm performance may become stronger.

Zhou et al. (2019) claim that firms that have MA reach external information faster in order to be hedged against the turbulence in markets and consequently perform better financially. In a similar manner, firms which adopted international marketing agility and are operating in international markets where the market dynamics are quite complex can produce more competitive goods and hence can have better international market performance (Asseraf, Lages, & Shoham, 2019). From theoretical perspective, it is also claimed that despite the need for empirical investigation, MA is the most suited approach for highly unforeseen market conditions, because uncertainties in those markets pose high levels of risk for up-front investments which should be taken into consideration by marketing professionals so as to execute crucial marketing activities like content creation, new product development, and media buying (Kalaignaman et al., 2021). Practical evidence also supports this assertion; since, for instance, start-ups operating in international markets where the level of complexity is considerably high can adapt to varying circumstances by internalizing agile marketing capabilities (Moi & Cabiddu, 2020). Unique characteristics of MA promote modularizing tasks and processes
(Homburg, Theel, & Hohenberg, 2020) which enable firms to be more flexible, quick and responsive, i.e. more “agile”, towards volatile market dynamics. However, AMCs can only be adaptive than responsive under uncertainties as its definition suggests (Day, 2011). Although this difference is theoretically posed in the literature, there is no observation yet which demonstrates the relative impact of these two strategic approaches on firm performance under unforeseen market conditions. In this paper, relying on the definitions of AMCs and MA, it is claimed that;

**Proposition (P5):** Under high level of market turbulence, MA’s positive effect on firm performance is likely to be stronger than those of AMCs.
A Theoretical Discussion on Marketing Agility and Adaptive Marketing Capabilities in Regards to Firm Performance

<table>
<thead>
<tr>
<th>Concept</th>
<th>Definition</th>
<th>Emphasis on</th>
<th>Link to Firm Performance</th>
<th>Responsiveness in Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptive Marketing Capabilities</td>
<td>“Vigilant market learning, adaptive experimentation, and open marketing that mobilizes dispersed and flexible partner resources” (Day, 2011, s. 188)</td>
<td>✓ ✓ -</td>
<td>Development and utilization of AMCs increase market performance (P1)</td>
<td>Low</td>
</tr>
<tr>
<td>Marketing Agility</td>
<td>The extent to which an entity rapidly iterates between making sense of the market and executing marketing decisions to adapt to the market (Kalaignaman et al., 2020, s. 36)</td>
<td>✓ ✓ ✓</td>
<td>Development and utilization of AMCs increase market performance (P2)</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Market turbulence enhances positive relationship between MA and firm performance (P4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>MA’s positive effect on firm performance is likely to be stronger than those of AMCs (P5)</td>
<td></td>
</tr>
</tbody>
</table>
5. Conclusion

Capabilities such as firms’ knowledge and skills are defined as mostly intangible and unobservable and also nontransferable firm-specific resources (Murray, Gao, & Kotabe, 2011) that have potential to contribute to firm performance by improving other resources’ productivities (Makadok, 2001). Related to this definition, specifically marketing capabilities point out firm-specific resources through which companies sense the market developments in early stages, increase customer loyalty and gain competitive advantage as ultimate reward. Marketing capabilities are categorized as static, dynamic and adaptive marketing capabilities (AMCs) (Day, 2011). Each of these concepts’ impact on firm performance have been investigated and found that AMCs’ positive effect is greater than the former two capabilities (Guo, et al., 2018). In recent years, however MA has been discussed in marketing literature as an alternative strategic approach in order to benefit from market dynamics more effectively particularly during highly volatile times (Kalaignaman et al., 2021). From this point of view, this study points out the main theoretical similarities and differences of MA and AMCs and argues that the firms operated in highly volatile markets where unpredictability is great and marketing tasks are quite complex, like during COVID-19 pandemic, can benefit from MA in order to increase their market performance.

Even though certain concepts of marketing capabilities, namely static, dynamic, and adaptive marketing capabilities have been examined in various studies (see for example; Guo, et al., 2018; Day, 2011; Ali, et al., 2021), there is a limited number of studies in the literature that investigate marketing agility (Kalaignaman, et al., 2021; Khan, 2020). Therefore one of the major purposes of this study is to contribute to the marketing agility literature by discussion AMCs and MA simultaneously. By doing this, it also targets to encourage further empirical studies regarding agility concept in marketing domain. For instance, it would be precious to test main arguments of MA like sense-making, speed, iteration, and marketing decisions so as to explore the extent to which the firms utilized MA can response to the needs of volatile markets as compared to the firms used AMCs.