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THE IMPACT OF MARKETING PERFORMANCES ON ORGANIZATIONAL PERFORMANCES IN THE CONTEXT OF ROMANIAN SUPPLY CHAINS

Empirical study

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JEL Classification
M10, C35, C54

Abstract

In order to achieve the desired performances and the increased value added to the final consumer, organizations need not only to integrate their core businesses and align them to business strategy but also to embrace the marketing philosophy. After presenting the main issues in operationalizing the marketing performances, we propose an empirical research using a working dataset of 64 firms from various industries to analyze the relationship between marketing and organizational performances. The research methodology employed is based on structural equations modeling. Results document that marketing orientation influences organizational performances in the framework of the supply chain management strategic approach to organizational performances.

Introduction

Marketers believe that marketing paradigm delivers the best performances as compared to alternative approaches to business (Neely, 2004). To support this assertion, the existing theory in the field relies on a threefold argument. Firstly, Sheth et al., 1995, show that the refocusing on marketing is necessary because we have reached the point where cutting costs doesn't generate net positive benefits due to diminishing returns. Secondly, the renewed attention to marketing has been the consequence of increasing demand for marketing information. Furthermore, the methodology proposed by Kaplan & Norton, 1992, for measuring organizational performances advocates the necessity to employ marketing related performance metrics to adequately quantify a business' customer orientation.

The proposed empirical research focuses on measuring the impact of marketing performances on organizational performances in the context of Romanian supply chains. A supply chain is a network of companies that adds value to transformed inputs and delivers them to its customers (Balan, 2008).

Lee, 2012, shows that in order to achieve the full performance benefits of supply chain integration and collaboration a change enabler is needed to shift from traditional supply chains to supply chains embracing the marketing philosophy.

The review of the state of the art in the field reveals that marketing performances are paramount to organizational performances. A positive, statistical significant impact of marketing performance on organizational performances is documented by Hsu et al., 2011 and Wang&Yen, 2012.

Evidence in support of this relationship provides management with impetus towards fostering marketing orientation creation and highlights valuable policy implications regarding changes necessary to maximize the overall output in supply chains.

The benefits of marketing orientation at supply chain level are:

- Leveraging the benefits of relational capital and enhance the coordination impact on organizational performances through (a) providing governance mechanisms that facilitate coordination in supply chains, (b) facilitating the first-mover advantage and (c) providing the opportunity to leverage external resources (Sarker et al., 2001)
- Enhancing supply chain capabilities and output for all participants in the supply chain (Hsu et all., 2011; Wang& Yen, 2012).

Increasing performances at organizational level and output for participants in the supply chain, ultimately translate at macroeconomic level, supporting competitiveness of the economy and creating knowledge.

At national level, literature on marketing performance is reviewed by Mone& Pop, 2013.

1. Measuring marketing performances

Ambler et al., 2004, explore how marketing performances are measured using a cross-sectional dataset of UK companies. In their turn, Pont& Show, 2003, provide a throughout review of existing empirical studies focusing on the problematic of measuring marketing performances.

Upon examining their results we can identify several issues concerning the measurement of marketing performances.

Neely, 2004, underlines the necessity to measure marketing performances by means of a mix of financial and non-financial performance indicators. However, as depicted in Kaplan& Norton's discussion about the implementation of their newly proposed balanced scorecards methodology, there is a deficit of non-financial performance metrics employed in measuring organizational performances. the most organization financial measures remain the fundamental performance metrics used by management. This is valid also for empirical research in the field (Richard et al., 2009).

Alternatively, tracking numerous non-financial performance metrics can be costly and inefficient. It is thereby necessary to select a number of representative non-financial and financial performance indicators in an approach providing the inter-functional and inter-organizational integration necessary for maximizing the performances in supply chains (Constangioara, 2013).

Ambler et al., 2004, identifies another issue specific to measuring marketing performances in the context of supply chains. They documented a low level of formal measurement of marketing assets in business performance measurement, which, in their interpretation is clear evidence for subjective marketing performance measures.

The most common marketing performance indicator is market share and profitability (Neely, 2004). The rationale for this is rooted in the findings of PIMS research, which clearly documents a positive and statistical relationship between market share and organizational performances (Dunn et al., 1994).

Ambler et al., 2004, have found that 47 percent of reviewed empirical studies in the field use sales and sales growth to operationalize marketing performance.

2. Analysis of the relationship between marketing and organizational performances

2.1. Data and methodology

Building upon existing literature in the field, present research aims at identifying the determinants of organizational performances in Romanian supply chains, with a focus on the impact of marketing performances on organizational performances.

Following Neely, 2004, we measure marketing performances in the context of supply chains and formulate the main hypothesis of present research: marketing performances are positively correlated with organizational performances.

As required by Dunn et al., 1994 and Kumar& Nambirajan, 2013, we first conducted a throughout review of existing literature in search of adequate measurement scales. We collected data using a survey-based questionnaire asking the respondents to assess (a) different aspects of marketing performances in supply chains and (b) organizational performances. In total we obtained 64 usable responses. Our response rate is 32%, similar to that reported by Wang& Yen, 2012 and Hsu et al, 2011 (37.5%). Sample size is also similar to that employed by research in the field (Antoncic& Scarlat, 2005). Analysis was conducted with statistical package SAS 9.3. The analysis of frequencies of companies in the working dataset reveals that the proposed analysis uses a sample of firms from various industries, covering all levels of a supply chain, from production to commerce (table no. 1).

Table no.1 reveals that only 16 firms in our sample are from commerce and other services.

2.2 Results

The adequacy of the measurement model was assessed through an examination of the (a) content validity, (b) substantive validity, (c) unidimensionality and (d) reliability for each construct employed in the analysis (Albu, 1998).

In order to measure unidimensionality of a scale we have used the factor loadings estimated with structural equations modeling. Table no. 2 presents the unidimensionality analysis for the marketing performances. As can be seen, we have followed the existing empirical studies in the field and quantified the marketing performances through:

- Market share
- Sales
- Growth of sales
- Brand
- Marketing intelligence

Results show that all factor loadings are statistically significant. Consequently our scale used to measure marketing performances is unidimensional.

We have also tested for the unidimensionality of scale used to measure the organizational performances. As can be seen in table no. 3 we have followed Richard et al, 2009, to measure organizational performances through accounting indicators.

Results show that all factor loadings are statistically significant.

For testing the main hypothesis we have also employed the structural equations methodology. Results show that the estimated coefficient for marketing performance is positive and statistically significant (=0.10, p=0.00).

Concluding remarks

Analysis of the measurement models reveals that the scales used in our analysis are unidimensional. Results support the main hypothesis of the study, documenting a positive and statistical significant relationship between marketing performances and organizational performances. In order to maximize the benefits of supply chain integration in the context of national supply chains, management has to implement a marketing orientation throughout their organization.

Our results also document the need to an integrated approach to measuring marketing performances. Insofar the scale used to measure the concept of marketing performance is unidimensional, it follows that in order to adequately define marketing performances organizations in Romanian supply chains have to use a mix of financial and non-financial performance indicators. Of the five indicators used in this study three are financial ones (sales, growth in sales and market share) are two are non-financial (brand and marketing intelligence).

In addition we have underlined the benefits of SEM for modeling the complex relationships specific to supply chains.

As a limit, we mention that it is always beneficial to control more factors. Thus future research should analyze marketing performances – organizational performances relationship after controlling for firm size and industry. It would be beneficial also to account for sustainability, social value, entrepreneurial orientation and risks specific to Romanian supply chains.

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Table no.1.
Frequencies by industry

Industry	Freq.	Percent
Metallurgical	5	7.81
Electrical and electronics engineering	9	14.06
Chemicals	1	1.56
Furniture and wood	4	6.25
Constructions	9	14.06
Textiles	4	6.25
Food	7	10.94
Transport	5	7.81
Telecommunications	4	6.26
Commerce	8	12.50
Other	8	12.50

Table no.2.
Unidimensionality analysis for marketing performances

Independent variables		Standard errors	T-value
Market share	0,03	0,003	9,94
Sales	0,55	0,10	5,25
Sales growth	0,03	0,003	9,62
Brand	0,01	0,002	9,50
Marketing intelligence	0,73	0,07	10,88

Table no. 3.
Organizational performances. Analysis of the measurement model

Path		Se.	t Value
Profits	0.81	0.08	9.77
Costs	0.86	0.08	10.60
ROI	0.58	0.10	5.96