COMPETITIVE ADVANTAGE ANTECEDENTS: EXPLANING THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND INTEGRATED MARKETING COMMUNICATION

ABSTRACT

The literature suggests significant gaps as to whether integrated marketing communication serves as a foundation for theoretical development, or if it is just another managerial fad helpful from the practical perspective. The present study centers on the cross-functional alignment of market orientation and integrated marketing communication for firms to achieve a competitive advantage for acquiring abnormal financial performance. In doing so, this study attempts to explain the under-explored resource advantage theory as a foundation to understand the impact of implementing market orientation on integrated marketing communication and on firm performance. Moreover, this study endeavors to disclose the mediation effect of integrated marketing communication between market orientation and firm performance.

Keywords: Resource-advantage, market orientation, integrated marketing communication.

INTRODUCTION

A variety of research paths have emerged since the first definition of integrated marketing communication (IMC) was initiated in the early 1990s (Reid et al. 2005). It is still an unsettled concept as to whether IMC is merely a managerial communication tool (Gould 2000) or it can serve as the foundation for theoretical development (Kliatchko 2005). An assortment of research has developed in several directions related to IMC: marketing management (Cornelissen 2001; Cornelissen and Lock 2000), strategic planning (Duncan and Everett 1993; Gould 2000), IMC execution (Kim et al. 2004; Kitchen et al. 2008; Kitchen and Tao 2005; Low 2000;

Wightman 1999), IMC theory development (Ewing 2009), conflicts between ads and public relations (Grunig and Grunig 1998), and ad effectiveness in IMC (Calder et al. 2009). Thought by some to be a management fad, the purpose of this paper is to illustrate that IMC is an area that has matured for theoretical growth. We use the resource-advantage theory (R-A theory) as a theoretical framework upon which this contention rests. In doing so, we base our analysis on previous R-A research focused on how market orientation (MO) could be a resource leading to comparative advantage (Hunt 2012; Hunt and Morgan 1995). Then, we examine the relationship between MO and the under researched IMC.

According to Duncan and Everett (1993), IMC is a process for managing the customer relationships that drive brand value. IMC is a cross-functional process for creating and nourishing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups. IMC encourages a data driven purposeful dialogue with them. Similarly, Kliatchko (2005) compared the IMC definitions thoroughly in the literature and proposed that IMC is the process of strategically managing audience-focused, channel-centered, and result-driven brand communication programs over time.

In practice, IMC is a driving force for competitive advantage as well as the major communicational development of the last decade (Kitchen et al. 2004). This definition shows that IMC is not merely a concept, nevertheless more importantly, it contains a strategic perspective, so that a firm can incorporate customers' needs and enhance their relationship through the communication process to achieve profitability. However, the literature presents some disagreements on the understanding of IMC in the global context. Beverland and Luxton (2005) provided the empirical evidence that IMC execution does not always require the tight cooperation of international operations, in other words, the "one voice, one look" view of IMC.

Instead, they challenged the idea by showing that brand managers deliberately decoupled the consistent image and delivered it outward to the customers from international practices.

In addition, to the disagreement on an IMC definition, the debate also continues in terms of whether it remains merely a practical application and the possibilities for further theoretical development. Ewing (2009) argued that IMC can benefit from the formation of theory, defined by Gregor (2006) for five interrelated types of theory: (1) theory for analyzing; (2) theory for explaining; (3) theory for predicting; (4) theory for explaining and predicting; and (5) theory for design and action. Kliatchko (2005) commented that IMC is conceptually traditional although operationally new. IMC is considered traditional as conceptually it indicates coordination and consumer ordination. On the other hand, IMC is operationally new to marketers since they can execute integration and customer orientation into practice instead of conceptually planning the process due to the development of technology. He also suggested three distinctive attributes to IMC: audience-focused, channel-centered, and result-driven. Kliatchko's (2005) new definition purpose lies on the IMC theory building formation. Accordingly, the issues revolve around whether there is a consensus in the definition of IMC in the literature. There are also issues in terms of whether IMC is a managerial fad that is helpful from the practical perspective as well as whether IMC serves as a foundation for theoretical development. Hence, the research questions related to IMC issues are: (1) What are the implications and possible usage of IMC? (2) What are the contributions of IMC's theoretical development?

The delimitation of this study are the relationships among IMC, MO, and R-A theory. Specifically, the major focus is on the common characteristics of cross-functional integration of MO and IMC for firms to achieve a competitive advantage (R-A theory) along with the intangible resources required for acquiring abnormal financial performance. The limitation of this study is the lack of an explanation of R-A theory and the application of IMC in the global context.

LITERATURE REVIEW

Reid and colleagues (2005) proposed five major strategic characteristics of IMC. Due to their extensive inclusion of IMC for strategic purposes, this paper adopts their definition: 1. Driven by market-based assets and financial expectations, 2. Customer and stakeholder connectivity, 3. Strategic consistency, 4. Cross-functional integration, and 5. Resource commitments for IMC.

Market-based assets and financial expectations addresses that the purpose of IMC planning is crucial. The pathway to achieve superior financial performance is through sales, increased market share, and return on investment through the exploitation of technology. *Customer and stakeholder connectivity* emphasizes the “outside-in" approach to respond to customers and stakeholders in a timely manner through database management. *Strategic consistency* shows the importance of delivering the “one voice” message of the brand image to the customers through the central coordination of IMC strategy and programs. This consistency requires the communication channels for linkage throughout the marketing mix. *Cross-functional integration*, mainly the focus of this study, centers on the internal integration first and then extends the coordination externally, which requires leadership from top management. Last, *resource commitment* addresses the importance of availability for employing time, funds, skilled and knowledgeable personnel, and other resources to implement IMC. The implication for implementing IMC is to reach synergism: the efforts of many individuals are mutually reinforced to attain a greater effect holistically than each separate unit with its own strategy and diverse message sent to the customers (Duncan and Everett 1993).

A solid theory should have empirical content and ought to be continually tested and modified within the existing framework (Ehrenberg 1994; Hunt 2014). The empirical testing for IMC theory requires more research because the observed results and analysis are not consistent. IMC remains a controversial theoretical concept for generalization in various contexts regarding its meaning and function (Gould 2000). In terms of IMC practices, Wightman (1999) surveyed marketing executives who supported the idea of IMC, notwithstandig he encountered some difficulties in executing the strategy. The results showed that the lack of a viable organizational structure is the major obstacle for placing IMC into practice, even though the executives recognize its importance. IMC has extended its major concepts and components in strategic applications, though has not yet developed to the abstract level for explaining and predicting.

While the unified definition of IMC among academia is still unsettled, this disagreement impedes scholars the development of theory. The trend in the literature shows that IMC has shifted its focus from the concept of forming a consistent message across departments to customer-oriented, brand-level, and technology-based marketing activities that require inter-functional cooperation within organizations (Varey 2002). To avoid confusion by customers it is important to maintain consistency in the messages delivered by a firm. Nevertheless, a holistic message may not be achieved due to the inability of all departments to support a common goal, especially when each department maintains their own intended goal without considering the other departments' goals. For example, while the advertising department may focus on quality, the sales promotion department may promote the discount activities, and the product publicity department may emphasize product safety. Therefore, the rationale of IMC applied in the strategic plan intends to reduce the inconsistencies through the communication mechanisms utilized in conveying the image to customers and stakeholders. The formation of a theory is plausible only when the definition and usage of IMC is formed, and researchers agree upon its purpose in conjunction with utilizing inductive empirical testing.

IMC theory

Despite marketers have implemented IMC in practice, the various practical implications underpin the development of an IMC theory. While some scholars consider IMC a management fad lacking a theoretical foundation (Cornelissen and Lock 2000), others regard it as an opportunity for theoretical growth (Schultz and Kitchen 2000). The conceptual development of IMC in literature falls into one of two categories: marketing management strategies, and communication integration strategies. Kliatchko (2005) redefined IMC as a concept/process with the strategic management function in brand communication programs. His interpretation of IMC has shifted from a consistent concept to a strategic implication. Nevertheless, the deficiency of a concrete conceptual framework of IMC provides opportunities for theoretical development. This study provides the formation of a conceptual framework with other theories: market orientation (MO) and R-A theory, for experimental testing in constructing the theoretical development.

Integrated Marketing Communication and Market Orientation

We find in the literature some overlaps between MO and IMC. The former centers on customer orientation, competitor, and inter-functional coordination to gain profitability (Narver and Slater 1990). On the other hand, the latter utilizes communication tools, such as direct marketing, advertising, sales promotion, and public relations through technology to maximize its purpose for acquiring superior financial performance. We propose the conceptual framework between IMC and MO illustrated in Figure 1.

---------- Insert Figure 1 Here ----------

The main tenet of MO is the coordination of efforts among departments by appropriately distributing the organizational resources in response to customer demands. The main tenet of MO is the coordination of efforts among departments by appropriately distributing the organizational resources in response to customer demands. The main pillar of IMC is to harmonize voices across departments with consistency in representing the brand (Reid et al. 2005). MO serves as the organizational culture and motivation for firms to accomplish IMC. Both IMC and MO intend to gain superior firm performance. Moreover, the R-A theory (Hunt 2010; Hunt 2011) explains the situations when firms encounter competitors and other external factors.

Market Orientation, Integrated Marketing Communication, and Resource Advantage Theory

Hunt and Morgan (1995) evaluated MO as a resource within the context of the comparative advantage of competition. MO is intangible, cannot be purchased in the marketplace, is socially complex in structure, has highly interconnected components, and is probably increasingly effective the longer it has been place. This suggests that MO is a source of sustainable competitive advantage. In addition, the literature of R-A theory has explored whether a firm's MO can be a resource that can lead to sustained superior performance (Hunt 2012).

Inter-functional coordination requires the communications networks which are directed by top management to effectively enable firms to achieve financial performance (Hunt 2010; Narver and Slater 1990). Even though both IMC and MO underline the importance of harmonization, they are deficient in disseminating the tangible and intangible resources for firms to gain competitive advantages. R-A theory explains in detail the two forms of resources which include competitive advantages and environmental factors. Tangible and intangible resources include financial, physical, legal, human, organizational, informational, and relational resources. Competition of the firm is a process of disequilibrium provoking. The perfect competition does not exist in the R-A theory assumption. Instead, R-A theory addresses the imperfect allocation of resources but it is used efficiently and effectively as long as firms have access to the resources, not necessarily owning them. More importantly, R-A theory demonstrates environmental factors as crucial factors influences conduct and performance (Hunt 2010). Since the external turbulence determines firms' decision regarding their strategy of heterogeneous resources and its immobility, these decisions have huge impacts on the financial performance. Barney (1991) proposed that resources have to be rare, inimitable, immobile, and non-substitute to maintain a sustainable competitive advantage. Particularly, studies that display fundamental elements of R-A theory related to the individual level conclude that intangible resources are embodied within the personnel of the firm (Griffith and Lusch 2007; Magnusson et al. 2009). The key secret to sustainable competitive advantage is the firm's ability to develop core competencies that are so embedded in the organization that they are causally ambiguous, inimitable, not tradeable, not easily substitutable, and important to specific customer segments.

We suggest that R-A theory offers a broader explanation than IMC and MO based on its explanatory context that links relevant elements such as communication, inter-functional coordination, and available resources. In terms of the external relationship with customers, R-A theory addresses that all view relationship marketing as implying that, increasingly, firms are competing through developing relatively long-term relationships with such stakeholders as customers, suppliers, employees, and competitors (Hunt and Morgan 1996). See Figure 1.

Several researchers have examined the IMC strategies and its impact on the firms. For example, Low (2000) used a three-item scale of measuring IMC through a cross-sectional sample of marketing executives of U.S. firms. The results showed that samples executing IMC have the same characteristics as those of small, consumer- and service-oriented firms. In addition, the industries of the firms are commonly found in the manufacturing, agriculture, forestry, and mining industries. The experienced top managers lead to a higher market share growth with a high integration structure of the firms (Low 2000). The increased level of research in IMC reveals its importance to marketing scholars as well as marketers.

Researchers have used other theories in explaining the function of IMC. For example, Reid et al. (2005) proposed a causal-relationship model with the combination effects of MO, IMC and brand equity to predict firm performance. The client-ad agency relationship associated with the IMC approach in terms of client role performance for theoretical development was examined (Beard 1996). Researchers intend to develop the foundation of theoretical framework based on IMC. However, the relationships among IMC, MO, and R-A theory have not yet been examined and tested in the literature.

Some researchers have examined the relationship between MO and firm performance. For example, Hult and Ketchen (2001) proposed the low impact of MO on profit and sales because of the moderating effects of market turbulence and competitive intensity. They suggested the need of other factors with MO that would have positive impact on firms' performance. Subramanian and Gopalakrishna (2001) researched the robustness relationship of MO on performance relationship, however they found that environmental factors are not significant. McNaughton and colleagues (2002) suggested MO as the factor affecting firms' performance directly without any interaction effects with other factors. Similar findings by

Menguc and Auh (2006) concluded that MO as the key to obtain a continuous superior performance but with the moderating effects of MO on the impact of performance**.** Wittmann, Hunt, and Arnett (2009) further studied the impact of business alliances with critical resource gaps, and they found that firms have positional advantages leading to superior financial performance.

Based on the previous research, we conclude that MO has a positive impact on the superior firm performance. Furthermore, we consider that MO is also the antecedent cultural element that influences IMC operation. The relationship is shown in Figure 2.

Therefore, this study suggests the following propositions:

Proposition 1: The implementation of MO has a positive impact on IMC.

Proposition 2: The execution of IMC has a positive impact on firm performance.

Proposition 3: The implementation of MO has a positive impact on firm performance.

Proposition 4: IMC mediates the relationship between MO and firm performance.

---------- Insert Figure 2 Here ----------

CONCLUSION

As a conceptual manuscript, the purpose of this paper is three-folds: first, this paper discusses the function of IMC strategic implementation in helping firms to gain superior financial performance. Second, we suggest that a consistent definition of IMC is required to establish a theoretical development. Third, the relationship between IMC and MO as well as IMC and R-A theory is discussed in order to for marketers to enhance the practical implementation of IMC. The ultimate goal for continuously testing IMC theory is to form a theoretical framework to further explain and predict the IMC phenomenon.

FIGURE 1
R-A Theory as a Foundation of IMC and MO

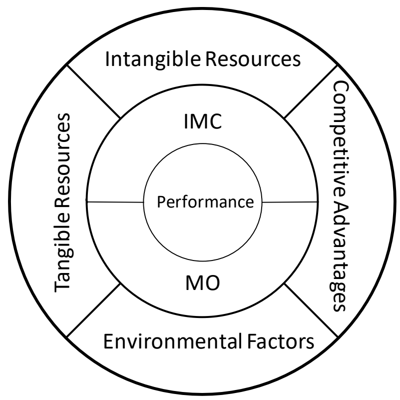
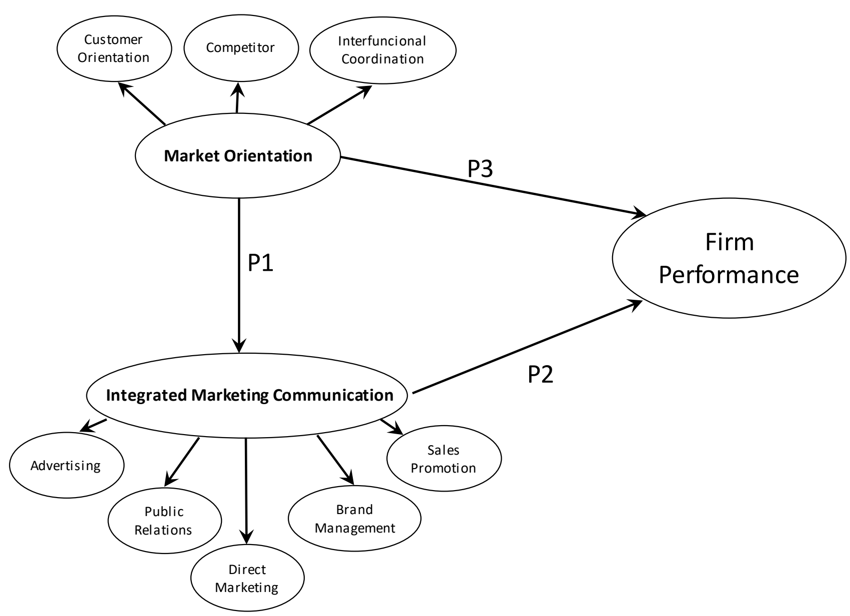


FIGURE 2
Propositions between IMC and MO based on R-A Theory



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