



## Innovation in marketing strategy process: an integration and empirical examination

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### Abstract

Research on marketing strategy process addresses how organizations achieve results. A significant gap exists in current models of marketing strategy process, because none of them incorporates constructs related to innovation. This article presents a framework for incorporating constructs that pertain to innovation in marketing strategy process research, which was tested on a sample of 174 firms managers in the industrial sector of "apparel manufacturing of clothing and accessories" installed in the north and northwestern Paraná, in Brazil, covering the cities of Apucarana, Cianorte, Londrina and Maringá. A transversal descriptive conclusive research was conducted in a single quantitative phase, using the survey as a research strategy, and multivariate analysis techniques for data processing. The results indicate that the marketing innovation capacity cannot be attributed to mere luck, but is the result of a combination of elements during the marketing strategy process. The commitment of resources, the decision to innovate with improvements and/or changes in marketing activities, the emphasis on marketing assets and capabilities, and marketing innovation sources has different effects on different outcomes. Additionally, firms with greater organizational innovativeness have higher outcomes of marketing strategy process.

**Keywords:** Decision to innovate in marketing. Firm performance. Marketing innovation capacity. Marketing strategy process. Sources of innovation in marketing.

### Introduction

It is almost impossible to find an organization that is not engaged in a continuous and interdependent process of formulation and implementation of the marketing strategy. Marketing researchers claim that the process of marketing strategy (1) comprises a formulation that includes activities related to the determination of the content

and implementation covering actions initiated within the organization to realize the strategy (VARADARAJAN; JAYACHANDRAN, 1999); (2) results in firm performance when there is strategy comprehensiveness, resources commitment and the emphasis on marketing assets and capabilities (MENON et al., 1999); (3) results in changes in pre-existing marketing practices (MENON et al., 1999; NOBLE; MOKWA, 1999; SHASHITTAL; JASSAWALLA, 2001); (4) has the fundamental questions the decision to innovate in marketing, and the importance given to the interfaces of marketing strategy (VARADARAJAN, 2010).

The approach of interdependence between the formulation and implementation used to study the marketing strategy process by Menon et al. (1999) contributed to the understanding of organizational variables that explain the firms performance, and the very definition of this as "a complex set of activities, processes and routines involved in the design and execution of marketing plans" (MENON et al., 1999, p. 21). Although it was observed in the exploratory phase of the study that the process involves change, they have not been operationalized in the concluding stage of the descriptive study.

The inherent innovation in marketing strategy process has its importance due to the fact that it comes to new solutions by means of which the organization provides value to the consumer (DOYLE; BRIDGEWATER, 1998). They allow organizational survival through changes and adaptations (TROTT, 2011) in the activities at the level of the firm that result in the implementation of innovations in product, process, marketing and/or organization (OECD, 2005), which means, result in innovate capacity (CAVUSGIL; CALANTONE, 2003; HURLEY; HULT, 1998).

Given the current environment that is intensely competitive, the pursuit and effective exploitation of opportunities for innovation is imperative (VARADARAJAN, 2009). Innovations are important because they allow deliver value to the consumer through a differential in relation to competitors, but require investments that involve risks, for example, the consumer does not realize the value of innovation or that the competitor can improve it (VARADARAJAN; JAYACHANDRAN 1999). When successful, innovation contributes to competitive advantage, and can even change the nature of competitive advantage in the market (SCHUMPETER, 1997). On the other hand, the firm that overlooks new and better ways of doing things loses customers to another who has found a better way to do them (KOTLER et al., 1999, p. 61).

This article provides the integration of the constructs the marketing strategy process validated by Menon et al. (1999) with the constructs related to innovation. It contributes to the literature to identify the constructs relating to innovation that have not yet been entered into the marketing strategy process, and present a conceptual framework for integrating innovation in this research, and empirically test the relationships of these.

## Innovation in marketing strategy process

The marketing strategy process involves strategic decisions and crucial choices about product, market activities and marketing resources (VARADARAJAN, 2010) that are important to develop innovations at the firm level (OECD, 2005) and to firm performance (VARADARAJAN, 2009).

The marketing strategy involves great performance opportunities for the firm, but for that require significant internal changes (NOBLE, MOKWA, 1999). When there is a formal plan for the implementation of the marketing strategy, are changes at the level of the firm (SASHITTAL; JASSAWALLA, 2001), including changes in pre-existing marketing practices (MENON et al., 1999).

Although studies on the marketing strategy process relate the effectiveness of the process with firm performance (LEE et al., 2006; MENON et al., 1999; OLSON et al., 2005; SLATER et al., 2010; TOALDO et al., 2013), they ignore the very nature of the strategy process involving change in marketing activities, then there is a gap in relation to the results of the process.

Thus, this article proposes that, in formulating a marketing strategy, content is new or improved for the organization and the effective implementation impacts on the marketing innovation capacity and firm performance (outcomes of marketing strategy process):

H1. The higher the intensity with which firms develop the elements of the marketing strategy process, the greater the outcomes.

Although it seems very simplistic association of marketing innovation capacity as an outcome of the process, this association aims to demonstrate the importance of marketing strategy process to occur. This allows confirmation the statement of Varadarajan and Jayachandran (1999) that innovation cannot be attributed purely to luck, since it requires work and significant investments for its development and implementation.

Indeed, the adoption of new marketing methods are elements that manifest themselves within the marketing strategy process because of the own changes inherent in the process (MENON et al., 1999; NOBLE, MOKWA, 1999; SASHITTAL; JASSAWALLA, 2001). However, identifying the effective implementation of these, namely the marketing innovation capacity, allows: a) to prove that the marketing strategy process is a determinant of marketing innovation capacity, in addition to firm performance ; b) to identify which elements of the process contribute to the marketing innovation capacity and firm performance .

Thus, to study and characterize the relationship of the marketing strategy process components with the marketing innovation capacity and firm performance is adopted the approach of Menon et al. (1999), who consider the formulation and implementing an integrated manner and from the perspective organization as a whole. Among the proposed and evaluated constructs by Menon et al. (1999) to compose the marketing strategy process, only three confirm the positive relationship with firm performance: the comprehensiveness of the strategy, the commitment of resources, and the emphasis on marketing assets and capabilities.

The comprehensiveness of the strategy refers to the systematic development of strategies through careful assessment of multiple alternative strategies (EISENHARDT, 1989; FREDRICKSON, 1983). In the study by Menon et al. (1999), a prior analysis of various strategic options before choosing the final strategy contributes to choosing the best strategy, which results in better firm performance . Lee et al. (2006), Mckee et al. (1990), Toaldo and Luce (2006) in their studies also confirm the positive relationship the comprehensiveness of the strategy with firm performance . Therefore it is considered the hypothesis:

H1a. Comprehensiveness of the strategy is positively associated with outcomes.

The commitment of resources during the marketing strategy process relating to the appropriate allocation levels of people, time and money to the development and implementation of marketing strategy (MENON et al., 1999; RAMANUJAM et al., 1986). Varadarajan (2010) highlights the need for commitment of resources during the strategy process that imply performance in medium and long term. For Menon et al. (1999) and Ramanujam et al. (1986), the marketing strategy process cannot be successful if adequate resources, cover both tangible resources (staff and managers) as intangible resources (time spent), are not committed to the results. Thus, the commitment of resources (people, time, allocation of financial resources, management) are related to firm performance in studies of Lee et al. (2006), Menon et al. (1999), Ramanujam et al. (1986) e Toaldo and Luce (2006). Therefore it is considered the hypothesis:

H1b. Commitment of resources is positively associated with outcomes.

The emphasis on marketing assets and capabilities is the use of resources and skills of the permanent core of marketing that the marketing strategy is based (MENON et al., 1999). The use of marketing resources, such as price, product, channel management and marketing communication, is related to firm performance (VORHIES; MORGAN, 2005). Menon et al. (1999) confirmed the relationship between the emphasis on marketing assets and capabilities with firm performance. Weerawardena (2003) confirms that marketing capabilities, identified by various processes that are used by firms in their efforts to reach the target audience with products and services with added value is related positively with the innovation capacity of the organization. In the studies of Morgan et al. (2009) the marketing capabilities are related to financial performance. Therefore it is considered the hypothesis:

H1c. Emphasis on marketing assets and capabilities is positively associated with outcomes.

Thinking as a process, as well as marketing strategy (MENON et al., 1999), innovation (HASHI; STOJCIC, 2013) also presents interdependent stages of formulation and implementation, leading to the results: the strategic content and the content of innovation, which imply organizational outcomes. In the process there are specific determinants for the marketing strategy and innovation. What can occur is that some of these determinants may be common to the strategy process and the innovation process. In this study, among the contents resulting from the marketing strategy process is the marketing innovation capacity. The common determinants of the outcomes are the variables related to innovation that can be emphasized in marketing strategy process.

At the firm level, the marketing innovation process refers to planned changes in marketing activities (OECD, 2005) in order to create, communicate and/or deliver products and services that offer value to consumers (VARADARAJAN, 2010). Noteworthy are two variables related to early stages of the innovation process that can be emphasized in marketing strategy process: decision to innovate, and source of innovation. Both impact on outcomes (HASHI; STOJCIC, 2013; SVETINA; PRODAN, 2008; ZEMPLINEROVÁ; HROMÁDKOVÁ, 2012).

The decision to innovate comprises engaging in innovation activities (HASHI; STOJCIC, 2013) aimed to enter new product-market domains, and/or activities to improve existing product-markets domains (HORTINHA et al., 2011; KYRIAKOPOULOS; MOORMAN, 2004). Varadarajan (2010) clarifies that the decision of the content of

innovation in marketing activities is on improvements (incremental innovation) or change (radical innovation), so that the decision to innovate in marketing can improve the current experience of a firm, aiming to improve pre-existing skills and procedures in relation to marketing activities, and / or the development of new knowledge and skills in order to change pre-existing thoughts regarding marketing activities (KYRIAKOPOULOS; MOORMAN, 2004). Taken together, just as the decision to innovate in marketing, there is a confirmation to organizational outcomes in studies of Hashi and Stojcic (2013), Svetina and Prodan (2008), and Zemplerová and Hromádková (2012). In studies of Hortinha et al. (2011) and Kyriakopoulos and Moorman (2004) there is confirmation on the relationship of both with the firm performance. Therefore it is considered the hypothesis:

H1d. Decision to innovate with changes in pre-existing marketing practices is positively associated with outcomes.

H1e. Decision to innovate with improvements in pre-existing marketing practices is positively associated with organizational outcomes.

Sources of innovation are the origins of information on innovation activities (HASHI; STOJCIC, 2013; ZEMPLINEROVÁ; HROMÁDKOVÁ, 2012), besides representing the own innovation opportunity (DRUCKER, 2002; OECD, 2005), the use of sources of information on innovation activities reduces the uncertainty inherent in the innovation process (BOLY et al., 2003), and positively influence firm performance (SVETINA; PRODAN, 2008). As part of the marketing strategy process, the sources of innovation are those that represent the interfaces of marketing proposed strategy by Varadarajan (2010): innovation sources from internal interface (product development, production, consumer), and sources of innovation from external interface (strategic alliances for marketing, competitors, suppliers, channel members). In studies of Hashi and Stojcic (2013), Svetina and Prodan (2008), and Zemplerová and Hromádková (2012), there is confirmation of the sources of innovation with firm performance. Therefore it is considered the hypothesis:

H1f. Sources of innovation in marketing are positively associated with outcomes.

## Methodology

To test the model that integrates the constructs of the marketing strategy process validated by Menon et al. (1999) with the constructs relating to innovation a transversal descriptive conclusive research was conducted in a single quantitative phase, using the survey as a research strategy. The methodology is discussed in terms of the process of sampling and data collection, data analysis, implementation and validation of research instruments.

## Sampling and data collection process

The study population comprises managers of 346 firms in the industrial sector of "apparel manufacturing of clothing and accessories" installed in the north and northwestern Paraná, in Brazil, covering the cities of Apucarana, Cianorte, Londrina

and Maringá. The determination of the population was made possible through access to the register of Paraná Industries (FIEP, 2014), limiting the search to those locations and the industrial sector of business activity (adopting the National Classification of Economic Activities – CENAE, covering the group 14). A striking feature of these firms is the flexibility and agility to changes, aiming to offer consumers high added value from innovations (ABDI, 2010) that occur more frequently in marketing than product (IBGE, 2013).

All 346 firms were invited to participate in the survey. A final sample for adhesion and therefore no probabilistic was obtained, with a return of 174 valid questionnaires, which means, completely answered and meeting all the requirements for the respondent: a) direct or indirect involvement in the process of formulation and/or implementation of the marketing strategy in the firm; b) position at the management level in marketing, sales, business and/or product development; c) a year of minimum bond with the firm.

The primary data collection was a single moment (during the year of 2014) through the use of a self-administered structured questionnaire validated (by three specialists of the marketing area) and pre-tested (five respondents with proper research profile). It was used as a source of data collection: internet (Qualtrics) and human resources (visits to firms, and in events organized by unions and Brazilian Service of Support for Micro and Small Enterprises - SEBRAE). The questionnaire consists of questions regarding characterization of firms and respondents; and issues that comprise the variables of the research.

## Data analyses

The data were processed using the statistical software Statistical Package for Social Sciences (SPSS 20.0), enabling quantitative analysis of the data by means of univariate and multivariate descriptive statistics.

## Operationalization and measure validation

In this study, the latent variables of the research were measured by previously developed constructs and tested by other researchers. Through a Likert scale of 10 points, managers were questioned in relation to the variables that comprise the models considering the context of your most important product or product line (SASHITTAL; WILEMON, 1996), and considering the marketing strategy process in the last two years.

The constructs were assessed by factorial analysis using varimax rotation procedure with principal components analysis considering as a parameter: load factor of each scale item above 0.6; sample adequacy ratio Kayser Meyer Olkin, KMO, less than 0,60; the consistency reliability coefficient of Cronbach Alpha factors higher than 0.70; and the total variance over 0.60 (HAIR et al., 2009).

## Marketing strategy process

In this study five variables compose the formulation and implementation of the marketing strategy. The comprehensiveness of the strategy was implemented by one-dimensional construct validated by Menon et al. (1999, p.36), adapted from Fredrickson and Mitchell (1984), relating to the routine for identifying and evaluating multiple alternatives to choose the marketing strategy.

The commitment of resources has been operationalized by one-dimensional construct adaptation of Menon et al. (1999) and Ramanujam et al. (1986) on the proper allocation of people, time and money to the development and implementation of marketing strategy.

The decision to innovate in marketing was operationalized by a two-dimensional construct, developed and validated by Kyriakopoulos and Moorman (2004): the decision regarding the marketing activities about maintaining with minor changes what the firm had done (improve); and exchange it for something new or start something new that had never been done by the firm (change).

Marketing innovations sources was operationalized by proposing a construct from the studies of Hashi and Stojcic (2013) and Zemplerová and Hromádková (2012), delimiting between sources that represent the internal and external interfaces of the marketing strategy proposed by Varadarajan (2010): strategic alliances for marketing, consumer, competitors, product development, suppliers, channel members, and production.

According to Table 1, the factor analysis presented sample adequacy, maintenance factor, high internal consistency and satisfactory loadings to the items of the four scales previously described. Maintenance of factors did not occur to the emphasis on marketing assets and capabilities.

The emphasis on marketing assets and capabilities was operationalized by one-dimensional construct, composed of thirteen items, developed and validated by Menon et al. (1999) on the use of resources and skills of the permanent core of marketing when the marketing strategy is based. Factor analysis presented sampling adequacy ( $KMO = 0.734$ ), being characterized in a multidimensional way, with three grouping factors: aggregated value; development of products and services; low prices.

## Outcomes of marketing strategy process

In this study the performance of the marketing strategy process includes three outcomes. The marketing innovation capacity was operationalized by a one-dimensional construct on the organization's ability to implement new marketing methods (GUNDAY et al., 2011), about what new has been effectively implemented in the firm in the last two years: promotion techniques, price, distribution channels, product design without changing the basic technical and functional characteristics, general activities marketing management.

The firm performance was operationalized by construct with two dimensions that assess the performance of the marketing strategy in the last two years. The market performance regarding the extent to which an organization attracts and retain custom-

ers. The financial performance regarding the extent to which an organization achieves economic outcomes (HOGAN; COOTE, 2014). According to Table 1 the factor analysis presented sample adequacy, maintenance factor, high internal consistency and satisfactory loadings for all items of the previously described scales.

## Control variables

Two control variables related to the characteristics of the organizations were also included and operationalized. One is the firm size, which was operated by means of classification for the industry by number of persons employed which is adopted by SEBRAE (2005), ranging from micro (up to 19 employees), small (20 to 99 employees), medium (from 100 to 499 employees), and large (over 499 employees), respectively, coded from 1 to 4.

The other variable is organizational innovativeness that was implemented by means of a one-dimensional construct which includes cultural and behavioral features of the organizational innovativeness (CALANTONE et al., 2002). It includes: frequent adoption of new ideas, the constant search for new ways of doing things, creativity in operation methods, and the precursor to introduce new products and services. This variable was transformed into a dichotomous variable from the mean value (7.431), being recoded values below the average for low organizational innovativeness = 0 and equal to or above average for high organizational innovativeness = 1.

**Table 1** – Descriptive statistical and measure validation

	Constructs and control variables	Items	Mean	Standard deviation	Variance	Cronbach's alpha	KMO	
1	Comprehensiveness of the strategy	3	6,593	1,557	81,747%	0,887	0,676	
2	Commitment of resources	4	7,071	1,737	76,262%	0,896	0,734	
3	Decision to innovate with improvements	6	7,165	1,686	25,593%	0,881	0,802	
4	Decision to innovate with changes	7	6,925	1,906	34,256%	0,921		
5	Emphasis on marketing assets and capabilities for aggregated value	7	6,744	1,505	28,630%	0,852	0,734	
6	Emphasis on marketing assets and capabilities for development of products and services		4	7,962	1,271	22,078%		0,819
7	Emphasis on marketing assets and capabilities for low prices.		2	5,882	1,878	13,160%		0,541
8	Sources of innovation in marketing	7	7,123	1,855	71,490%	0,920	0,878	
9	Organizational innovativeness	5	7,431	1,755	61,240%	0,884	0,849	
10	Firm size	1	2,241	0,653	-	-	-	
11	Marketing innovation capacity	5	6,508	2,075	67,847%	0,875	0,781	
12	Market performance	6	7,013	1,543	39,957%	0,959	0,888	
13	Financial performance	6	7,820	1,715	47,900%	0,972		

Source: Research data analysis



## Findings

Table 2 shows the correlation matrix for all the variables included in this study. Appropriate with the suggestion Pallant (2013), the independent variables show at least some relation to the dependent variable (higher correlation to 0.300), and indicates that the correlation between the independent variables is not very high (correlation less than 0.700). The variance inflation factors indicate that there are no serious multicollinearity problems. The highest value was 0.319, which is far below the standard cutoff of 10 (HAIR et al., 2005).

**Table 2 – Pearson's correlation matrix**

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1 CS	1												
2 CR	,567 **	1											
3 DI1	,299 **	,257 **	1										
4 DI1	,383 **	,281 **	,324 **	1									
5 EMAC1	,408* *	,579 **	,263 **	,512 **	1								
6 EMAC2	,434* *	,453 **	,256 **	,439 **	,570 **	1							
7 EMAC3	,374* *	,374 **	,268 **	,392 **	,309 **	,270 **	1						
8 SIM	,439* *	,503 **	,472 **	,577 **	,664 **	,346 **	,447 **	1					
9 OI	,406 **	,495 **	,208 **	,495 **	,494 **	,497 **	,287 **	,443 **	1				
10 FS	,139	,130	,279 **	,091	,145	,006	,030	,200 **	-,056	1			
11 MIC	,412 **	,364 **	,483 **	,765 **	,630 **	,358 **	,341 **	,750 **	,501 **	,259 **	1		
12 MP	,474 **	,594 **	,271 **	,670 **	,652 **	,605 **	,425 **	,598 **	,639 **	,054	,713 **	1	
13 FP	,338 **	,558 **	,356 **	,559 **	,616 **	,452 **	,352 **	,665 **	,575 **	,173 *	,659 **	,764 **	1

\*\* Correlation is significant at the 0.01 level (2-tailed)

Source: Research data analysis

All hypotheses were tested through multiple regression analysis. As two variables were considered to outcomes of marketing strategy process, one of which has two dimensions, separate regressions were performed for each of them. Table 3 shows the results of the three regressions (model 1, 2 and 3) performed to test the hypotheses of the study. What distinguishes the models is the dependent variable representing the outcomes of the marketing strategy process. The independent variables considered in the three models are the elements necessary for the formulation and implementation of the marketing strategy process as well as two control variables.

**Table 3** – Regression models with the outcomes of the marketing strategy process as dependent variable

Dependent variable Independent variables		Model 1 Marketing innovation capacity			Model 2 Market performance			Model 3 Financial performance		
		Beta	t	p	Beta	t	p	Beta	t	p
1	Comprehensiveness of the strategy	,042	,872	,384	-,023	-,412	,681	-,181	-2,857	,115
2	Commitment of resources	-,093	-1,734	,085	,231	3,694	,000	,249	3,492	,001
3	Decision to innovate with improvements	,141	3,235	,001	-,056	-1,109	,269	,037	,636	,526
4	Decision to innovate with changes	,455	8,951	,000	,337	5,703	,000	,183	2,704	,008
5	Emphasis on marketing assets and capabilities for aggregated value	,205	3,433	,001	,099	1,426	,156	,081	1,018	,310
6	Emphasis on marketing assets and capabilities for development of products and services	,122	2,454	,015	,183	3,172	,002	,065	,984	,326
7	Emphasis on marketing assets and capabilities for low prices.	-,063	-1,462	,146	,058	1,151	,252	-,001	-,017	,986
8	Sources of innovation in marketing	,309	5,132	,000	,092	1,313	,191	,305	3,809	,000
9	Organizational innovativeness	,122	2,497	,014	,181	3,202	,002	,224	3,465	,001
10	Firm size	,102	2,608	,010	-,013	-,287	,775	,079	1,506	,134
Adjusted R Square		,770			,689			,594		
Std. Error of the Estimate		,995			,955			,983		
F		58,945			39,382			26,298		
df		10			10			10		
p		,000			,000			,000		

Source: Research data analysis

The results show that all three models are statistically significant ( $p < 0.05$ ). Model 1 has better quality adjustment: 77% of variations in marketing innovation capacity can be explained by statistically significant variables in the model (decision to innovate for improvements, decision to innovate with changes, emphasis on marketing assets and capabilities for the add value, emphasis on marketing assets and capabilities for the development of products and services, innovation sources, firm size and organizational innovativeness).

In the second model, 68.9% of the variations in market performance can be explained by statistically significant variables (resources commitment, decision to innovate with changes, emphasis on marketing assets and capabilities for the development of products and services, and organizational innovativeness).

The third model is the least quality adjustment, 56.7% of variations in financial performance can be explained by statistically significant variables (resources commitment, decision to innovate with changes, sources of innovation and organizational innovativeness).

## Hypothesis testing

Hypothesis H1a proposed that the comprehensiveness of the strategy is positively associated with outcomes. Hypothesis H1a was not supported by the findings. There was no significant association between the comprehensiveness of the marketing strategy and outcomes of marketing strategy process (marketing innovation capacity, market performance and/or financial).

Hypothesis H1b proposed that the commitment of resources is positively associated with outcomes. Hypothesis H1b was supported in two regression models, with significant positive association between the commitment of resources to the market performance ( $\beta = 0.231$ ,  $p = 0.000$ ) and financial performance ( $\beta = 0.249$ ,  $p = 0.001$ ). There was no significant association in the first model.

Hypothesis H1c proposed that the emphasis on marketing assets and capabilities is positively associated with outcomes. The factor analysis confirmed three dimensions for the emphasis on marketing assets and capabilities: aggregated value, product and service development, and low price. For the first dimension, hypothesis H1c was supported in just a model, there was significant positive association only between marketing assets and capabilities relating to adding value to the marketing innovation capacity ( $\beta = 0.205$ ,  $p = 0.001$ ), and there were no association significant in other models. For the second dimension, the hypothesis H1c was supported in two models model, there was significant positive association between marketing assets and capabilities for the development of products and services with the marketing innovation capacity ( $\beta = 0.122$ ,  $p = 0.015$ ) and the market performance ( $\beta = 0.183$ ,  $p = 0.002$ ). For the third dimension, the hypothesis H1c was not supported in any of the three models because there are no significant associations between marketing assets and capabilities relating to low prices to any organizational outcomes.

Hypothesis H1d proposed that the decision to innovate with changes in pre-existing marketing practices is positively associated with outcomes. Hypothesis H1d was supported on only one model, with significant positive association between the decision to innovate with improvements with marketing innovation capacity ( $\beta = 0.141$ ,  $p = 0.001$ ). In the other models there were no significant associations.

Hypothesis H1e proposed that the decision to innovate with improvements in pre-existing marketing practices is positively associated with outcomes. Hypothesis H1d was supported in three models, with significant positive association between decision to innovate with improvements with marketing innovation capacity ( $\beta = 0.455$ ,  $p = 0.000$ ), with the market performance ( $\beta = 0.337$ ,  $p = 0.000$ ) and financial performance ( $\beta = 0.183$ ,  $p = 0.008$ ).

Hypothesis H1f proposed that the sources of innovation in marketing are positively associated with outcomes. Hypothesis H1f was supported in two models, with positive association between sources of innovation in marketing with marketing innovation capacity ( $\beta = 0.309$ ,  $p = 0.000$ ) and financial performance ( $\beta = 0.305$ ,  $p = 0.000$ ).

## Other findings

Other results are presented in terms of the impact of control variables, and also the correlation between the dependent variables.

The impact of firm size (micro = 1, 2 = small, 3 = medium) and organizational innovativeness (0 = low innovativeness, 1 = high innovativeness) as control variables were evaluated. The results indicate that larger firms have higher marketing innovation capacity than smaller firms marketing ( $\beta = 0.102$ ,  $p = 0.010$ ), and firms with high organizational innovativeness have higher results for innovation ( $\beta = 0.122$ ,  $p = 0.014$ ), market performance ( $\beta = 0.181$ ,  $p = 0.002$ ) and financial performance ( $\beta = 0.224$ ,  $p = 0.001$ ).

The Person's correlation matrix showed significant positive correlation between the three dependent variables representing the organizational outcomes (innovation capacity in marketing, market performance and financial performance).

## Discussion and conclusion

Due to the importance of innovation inherent to the marketing strategy process, this article aimed to integrate the constructs relating to innovation with constructs of marketing strategy processes validated by Menon et al. (1999). The results of the study Menon et al. (1999) reveal which organizational variables developed during the marketing strategy process that explain firm performance: the comprehensiveness of the strategy, commitment of resources and emphasis on marketing assets and capabilities.

This study besides inserting two constructs that pertain to innovation in the formulation and implementation of marketing strategy (sources of innovation in marketing and decision to innovate in marketing), uses more specific constructs to operationalize the organizational outcomes (with the breakup of the firm performance in financial and market, and also including the marketing innovation capacity).

Thus, in this study, from the perspective of outcomes of strategy process, it is interesting to note the lowest explanatory power of financial performance model (adjusted  $R^2 = 56.4\%$ ), and the greatest explanatory power of market performance model (adjusted  $R^2 = 68.9\%$ ), and the marketing innovation capacity model (adjusted  $R^2 = 77.0\%$ ). This suggests that the variables that were considered to explain variations in marketing innovation capacity are most appropriate, and that there are other variables that can explain the variations in financial performance that were not considered in the model. To establish that only confirmed variables can explain the outcomes of marketing strategy process would be a misunderstanding of organizational complexity, and then additional variables can be considered in future studies.

Significant positive correlation between the three dependent variables representing the organizational outcomes, namely the marketing innovation capacity, financial performance (profit), and the market performance (keep and attract customers), directs to investigate possible causal relationship between the same. This requires further theoretical review to support the possible relationships and the use of other statistical technique that allows the simultaneous analysis of causal relationships between variables.

The marketing innovation capacity in the present study comprises radical innovation, which manifesting as something new (DOYLE; BRIDGEWATER, 1998; TIDD et al, 2005; VARADARAJAN, 2009), which means, the implementation of new techniques for promoting products, new distribution channels, new techniques pricing, new product design, new general marketing activities management (HOGAN; COTE, 2014; OECD, 2005).

The findings of this study shows that this kind of innovation within the organization cannot be attributed merely to luck, but is the result of a combination of elements during the marketing strategy process: the decision to innovate with improvements and changes in pre-existing marketing practices; the emphasis on marketing assets and capabilities related to add value, and the development of new products and services; and the importance given to the sources of marketing innovations. Moreover, this type of innovation is increased in firms whose characteristics a larger size and also high organizational innovativeness.

The market performance, that is customer satisfaction, deliver value to clients, retain and attract customers, achieve growth and maintain market share, depends mainly on the decision to innovate with changes in pre-existing marketing practices, followed by resource commitment, and the emphasis on marketing assets and capabilities for the development of products and services during the marketing strategy process. In addition, the market performance is higher in firms with high organizational innovativeness.

Financial performance, that is, the overall results and increments results for profit, cash and sales flow, depends mainly on marketing innovation sources, followed by resource commitment and decision for changes in pre-existing marketing practices in the process of marketing strategy. In addition, the financial performance is higher in firms with high organizational innovativeness.

From the perspective of marketing strategy process, the decision to innovate ambidextrous in the strategy process explains the marketing innovation capacity, while the decision to innovate radically contributes to market performance and financial performance. The decision to innovate with improvements and/or changes in pre-existing practices is important because it specifies the engagement in marketing activities that are relevant to participate in the market (VARADARAJAN, 2010). Incremental innovations require smaller investments and generate flow cash that can be invested to develop radical innovation (VARADARAJAN, 2009).

The sources of innovations in marketing are important because it reduces uncertainty (BOLY et al., 2003) and are often carriers of opportunities (DRUCKER, 1985). They are the information coming from internal interfaces of the marketing strategy: research and product development, production, consumer; and the coming of the interfaces of the marketing strategy to the market: strategic alliances for marketing, competitors, suppliers and channel members. The sources of innovations in marketing have impact on the marketing innovation capacity and on financial performance.

The emphasis on marketing assets and capabilities originally validated with a single dimension by Menon et al. (1999) is revalidated in a multidimensional way in the present study, generating a new theoretical perspective, with the possibility of developing studies from the dismemberment of the construct. An example is the study by Morgan et al. (2009) where different types of marketing capabilities have different

effects on financial performance, but considered together have marginal effect. The findings of this study indicate that the emphasis on marketing assets and capabilities for aggregated value, by delivering products and services in a superior manner, explains the marketing innovation capacity. And the emphasis on marketing assets and capabilities for the development of products and services, by offering a broad range of innovative products and services and/or improved with higher quality, explains the marketing innovation capacity, also explains the market performance.

Finally, the marketing strategy process cannot be successful if adequate resources are not properly committed to the results (RAMANUJAM et al. 1986; MENON et al., 1999). Both the tangible resources (staff and managers), and intangible (time spent) committed to the development and implementation of the marketing strategy are important to financial performance and market performance.

It cannot be overlooked continuous and interdependent dynamics of the process of formation and implementation, with frequent monitoring of results which identifies the need to review the strategy at runtime. This study indicates which elements of marketing strategy process are relevant for each outcome (marketing innovation capacity, market performance, financial performance). Actions to increase the elements of the marketing strategy process and organizational innovativeness can be justified in the light of corresponding increase in outcomes of marketing strategy process.

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Received: 06/14/2015

Approved: 10/21/2015

433

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