Benchmark the Marketing and Operation Capabilities for International Firms Export Performance

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Abstract

Despite the popularity of research on benchmarking and on market-based learning, as well as their theoretical importance, several gaps exist in the literature. Most research has tended to focus on specific disciplinary silos in isolation. For example, several studies have examined these issues in the marketing discipline. Likewise, other studies have focused on manufacturing capabilities to the neglect of other facets of firms’ operations. However, few have examined benchmarking and organizational learning in multiple disciplines. The model developed in this paper furthers the understanding of firms’ benchmarking of strategies in two disciplines, namely marketing and operational (R&D and manufacturing) capabilities. These are modeled as drivers of international performance.

Keywords: Marketing Capabilities, Operation Capabilities and Performance;

1. Introduction

Market based learning is an important source of sustainable competitive advantage (Hult, 2007). Benchmarking is a market-based learning approach, a structured process by which a firm seeks to identify and replicate best practices to enhance its business performance (Camp & Camp Robert, 1995). It is one of the most popular management tools in the world and has become a primary instrument in firms’ total quality management, knowledge management, and process improvement efforts (Rigby, 2001). Benchmarking has also been recommended as a marketing capability improvement tool (Brownlie, 1999). Benchmarking is a learning process through which firms try to identify best practices that produce superior results in other firms and then replicate these in order to enhance their own competitive advantage (Mittelstaedt Jr, 1992). The primary focus of benchmarking has moved from the content of the product or services produced, the strategy pursued, and performance outcomes achieved by top-performing firms, to a process focus on the capabilities believed to have produced the superior performance outcomes observed (Ralston, Wright, & Kumar, 2001). Export performance can be defined as the outcome of a firm's international activities. From this perspective, export performance is the extent to which the firm achieves its objectives when exporting a product to a foreign market (Marandu, 2008). Thus, it is important to determine the factors that lead toward export success and determine appropriate policies to enable success in exporting ventures (Jalali, 2012).

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2. **Benchmarking**

Benchmarking has been defined as an incessant, methodical process for evaluating the products, services and work processes of organizations that are recognized as representing best practices for the purpose of organizational improvement. Companies have embraced the benchmarking approach for improving explicit business processes that eventually translate to higher profitability and market share (Hershberger, Osmonbekov, & Donthu, 2002). Improving and enhancing products, services and operations are significant factors for firm continued existence in the globally competitive market. Benchmarking represents one method a company can use to assess its performance and competitiveness. Benchmarking is the process of evaluating one firm, called a baseline, to a group of peer firms, particularly with respect to best practices. An attribute of one firm is compared to the same attribute of the peer group. This process allows organizations to identify significant areas for enhancement, analyze outstanding practices within and across the business, and implement changes to enhance and improve performance. These changes can enhance competitiveness and ultimately improve profitability (Landry, Jalbert, & Chan, 2003).

3. **Marketing Capabilities**

Benchmarking theory assumes that managers can not only isolate distinct marketing capabilities they believe to be valuable, but also that they can empirically link these capabilities with superior business performance. (Vorhies & Morgan, 2005) identified distinct marketing capabilities that are viewed as contributing to business performance and therefore suitable for benchmarking: Pricing - The ability to extract the optimal revenue from the firm’s customers. Marketing Communications - The firm’s ability to manage customer value perceptions. Selling - The processes by which the firm acquires customer orders. Marketing Planning - The firm’s ability to conceive marketing strategies that optimize the match between its resources and its marketplace (Vorhies & Morgan, 2005).

4. **Operation Capabilities**

Firms can enjoy competitive advantages related to costs, products, or services, which in turn help them achieve superior export performance on both market and financial dimensions (Leonidou, Palihawadana, & Theodosiou, 2011). Operations capabilities are focused on performing organizational activities efficiently and flexibly, without wasting resources, and are related to efficient logistics and manufacturing. This includes R&D that enables a firm to develop new technical knowledge, combine it with existing technology and design superior products and services. Distinct operations capabilities have been identified as contributing to business performance and therefore suitable for benchmarking (Krasnikov & Jayachandran, 2008): Process Management - Monitor processes using statistical process control; make extensive use of statistical techniques to reduce variance in processes (Peng, Schroeder, & Shah, 2008). Distribution Strategy - Achieving/maintaining quick product delivery in foreign markets, and managing foreign distribution/agent effectively (Leonidou et al., 2011). Operation-focused innovation - Adopting new methods and ideas in the production process and adopting innovative export marketing techniques and methods (Leonidou et al., 2011). Client-focused innovation - Providing clients with services/products that offer unique benefits and are superior to those of competitors and solve client's problems in very innovative ways (Hogan, Soutar, McColl-Kennedy, & Sweeney, 2011).

5. **Methodology**

The research will include two parallel methodologies. Qualitatively, We will conduct in-depth interviews with senior managers of international organizations that derive a substantial proportion of their revenues from international business. These interviews will be analyzed using established qualitative guidelines.
Quantitatively, we will use mostly established scales as part of a structured questionnaire. A pre-test will be conducted to test the preliminary version of the questionnaire and assess face validity, clarity, and the relevance of the measures. The final questionnaire will then be used in a survey of a sample of Israeli exporters.

6. Summary

Our research has the potential to make three contributions to marketing research. First, it will further the understanding of firms’ benchmarked capabilities from marketing to operations (R&D and manufacturing) capabilities as drivers of international performance. Second, it will test the model on multiple Israeli firms, serving to enhance the generalizability of the original study on benchmarking from a single USA organization to multiple Israeli organizations. Third, the original model will be tested in an international context.

References