Title: Marketing Capabilities and Firm Performance: The Moderating Role of Market Turbulence

Keywords (5 keywords maximum) social enterprise, marketing capabilities, performance, market turbulence

Related Conference Theme: Social Enterprise

Abstract (between 500 and 800 words in length, excluding bibliography):

Social enterprise (hereafter SE) operates as a self-sustaining organization for tackling neglected social problems, generating positive externalities and benefiting the powerless segments of community; it is distinct from both traditional charities and most for-profit businesses (Dart, 2004). An SE emerges as the rational and strategically better third-sector response to situational challenges and market turbulence (Austin et al., 2006; Dart, 2004; Granados et al., 2011). Market turbulence is defined as the rate of change in the composition of customers and their preferences in highly competitive environments (Jaworski & Kohli, 1993). When the market is highly turbulent, customers’ product expectations and preferences change over time. In such a situation, an SE has to pay more attention to the development of high-quality new innovative products and solutions that satisfy the social needs of specific customer segments, including underprivileged groups and socially responsible consumers, thereby more effectively addressing societal problems in a sustainable way. Therefore, in the presence of market turbulence, an SE must continually engage in social innovation activities (products, services, or models), which then helps it maintain its distinctive competencies so as to perform well on an ongoing basis.
The moderating role of market turbulence in the relationship between ordinary capabilities and firm performance has not been definitively settled (Jaworski & Kohli, 1993; Lichtenthaler, 2009; Jansen et al., 2006; Song et al., 2005). On the one hand, Lichtenthaler (2009) finds that market turbulence positively moderates the effect of absorptive capacity on performance and innovation. On the other hand, Song et al. (2005) indicate that the performance impact of deployment marketing capabilities is greater in a low technologically turbulent environment. Furthermore, a meta-analytic study suggests that environmental dynamism plays an important role in the relationship between capabilities and performance (Karna, Richter, & Riesenkampff, 2015). To date, however, empirical studies have not explored the role of market turbulence as a boundary condition of marketing capabilities-firm performance (financial and social performance) relationship in the context of social enterprises.

Drawing on the dynamic capabilities perspective, this study proposes a research model in which market turbulence is theorized to moderate the relationship between marketing capabilities and performance. It advances the existing SE-related literature by investigating the moderating role of market turbulence in the relationship between marketing capabilities and firm performance in the context of SEs.

To perform this study, I collected data using questionnaires based on a list generated randomly from the database of the Hong Kong Council of Social Service SE Directory, and the contacts obtained from other sources such as Fullness Social Enterprises Society and the Workforce Development Agency, Ministry of Labour Taiwan. The data collection was performed over an eight-month period, with 109 valid responses being collected for this study. Multiple regression was used to test the hypotheses. The results provide support for the most of the proposed hypotheses.

Specifically, the results show a positive moderating role of market turbulence in an SE’s marketing capabilities-financial performance relationship. However, the findings do not support the moderation effects of market turbulence strengthen the relationship between marketing capabilities and social performance. The findings indicate that marketing capabilities are largely drivers of financial performance rather than social performance, especially in turbulent times. In such an environment, an SE tends to shift its priorities away from the social goals and towards the financial goals to ensure its survival. The SE then has a greater need to respond to the rapid market change and makes efficient and effective use of its marketing capabilities so as to generate more profits, which eventually enhance its financial sustainability rather than its social performance.

In summary, this study extends and contributes to the social enterprises literature by revealing the moderating effect of market turbulence on the relationship between marketing capabilities and financial performance in the context of SEs.
Bibliography


