

# **Adaptive marketing capabilities, market orientation, and international performance: The moderation effect of competitive intensity**

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# **Adaptive marketing capabilities, market orientation, and international performance: The moderation effect of competitive intensity**

## **ABSTRACT**

**Purpose:** It is well established in marketing literature that international performance is positively affected by marketing capabilities, whether static or dynamic. However, recent theoretical development proposed adaptive marketing capabilities (AMC) as a set of capabilities able to close the marketing gap. Given the relative newness of this construct, empirical studies are still scarce. Therefore, drawing from a resource-based view perspective, we analyse the relationships between market orientation (MO), AMC, and firms' international performance, as well as the moderating effects of competitive intensity.

**Design/methodology/approach:** We have used survey-based research with 335 internationalised Portuguese B2B SMEs, during June 2020. We analysed responses through structural equation modelling and path analysis.

**Findings:** Results revealed positive relationships between AMC and international performance and between MO and AMC. Furthermore, results were robust to the competitive environment.

**Originality:** This study contributes to international marketing literature by analysing MO as an antecedent of AMC, which has never been done before. Furthermore, it analyses the simultaneous effects of MO and AMC on international performance, as well as the moderation of competitive intensity. Also, our results inform managers and marketers of internationalised firms about the advantages of adopting a market-oriented behaviour and the development of AMC, whether in more or less competitive environments.

**Keywords:** adaptive marketing capabilities; market orientation; marketing capabilities; international performance; competitive intensity.

## INTRODUCTION

Internationalisation has become a common strategy for firms to cope with increasing competitiveness (Joensuu-Salo *et al.*, 2018; Nakos *et al.*, 2019). This phenomenon also was enhanced by the rapid progress of globalisation, technological advances, and the decline of international entry barriers (Leonidou and Hultman, 2019). In this context, the study of firms' international performance has gathered interest among marketing researchers (Buccieri *et al.*, 2020; Gnizy and Shoham, 2018; Kaleka and Morgan, 2019).

Marketing literature indicates several factors that directly or indirectly contribute to international performance, such as marketing capabilities (Cacciolatti and Lee, 2016; Day, 1994, 2011; Guo *et al.*, 2018; Kaleka and Morgan, 2019; Shen *et al.*, 2020; Vorhies and Morgan, 2005) and market orientation (MO) (Gligor *et al.*, 2021; Kirca *et al.*, 2011; Kohli and Jaworski, 1990; Mostafiz *et al.*, 2021; Narver and Slater, 1990).

On the one hand, marketing capabilities are typically understood as the ability of firms to develop and implement a marketing-mix (Day, 2011; Vorhies and Morgan, 2005). These capabilities are theoretically grounded in the resource-based view (RBV) of the firm (Day, 1994, 2011), and allow firms to use existing resources and capabilities to create or sustain a competitive advantage (Barney, 1991). Nevertheless, within a highly dynamic business environment, these capabilities are rather slow to adapt to market changes (Day, 2011), which induced researchers to extend RBV so that market dynamism was included (Ambrosini and Bowman, 2009; Morgan *et al.*, 2009). This extension to RBV is known by the dynamic capabilities approach (Fang and Zou, 2009; Teece *et al.*, 1997). More recently, marketing scholars have argued that RBV marketing capabilities and dynamic marketing capabilities are prone to an exploitative mind-set, in the sense that the function of both is to exploit existing resources instead of exploring new possibilities (Day, 2011; Hunt and Madhavaram, 2020). To close the marketing gap, Day (2011) proposed adaptive marketing capabilities (AMC) as the ability of firms to harness technological advances to adapt to the accelerating velocity and complexity of markets, through vigilant market learning, adaptive market experimentation and open marketing. Although the measurement of AMC is relatively recent, a few studies have highlighted its importance

to understanding firms' international performance (Guo *et al.*, 2018; Reimann *et al.*, 2021; Shen *et al.*, 2020).

On the other hand, MO is also grounded on RBV and has been analysed in marketing literature through a behavioural (Kohli and Jaworski, 1990) and a cultural (Narver and Slater, 1990) perspectives. Market-oriented firms are more capable of understanding the markets and customers, thus being able to connect such knowledge to their marketing capabilities to achieve a competitive advantage (Day, 2011; Joensuu-Salo *et al.*, 2018).

Although positive effects of MO on firms' performance have been reported (Doyle and Armenakyan, 2014; Ellis, 2006; Shoham *et al.*, 2005), Shoham *et al.* (2005) alerts that this relationship could be stronger if indirect paths are considered. In fact, another meta-analysis which considered organisational capabilities (Doyle and Armenakyan, 2014), found that MO is a relatively distal correlate of organisational performance, where marketing capabilities appear as relatively proximal correlates.

The intensity of competition relates to the state where many competitors present themselves in the market, pressing and being pressured to obtain the best results (Auh and Menguc, 2005), and the lack of excess growth opportunities in the same market (Martin and Javalgi, 2016). Thus, when considering international markets, their inherent complexity and dynamism tends to increase the pressure felt and demands firms to be constantly attentive to market changes (Covin and Miller, 2014; Solano Acosta *et al.*, 2018).

In this line of reasoning, several questions remain unanswered, namely whether MO is an antecedent of AMC and whether competitive intensity moderates these relationships. Therefore, we intend to bridge this gap in the literature by analysing the relationship between AMC and international performance with MO as an antecedent of AMC, as well as the moderating effects of competitive intensity as an environmental factor. To this end, we surveyed 335 internationalised Portuguese firms and tested our hypotheses through structural equation modelling and path analysis.

We contribute to understanding the factors or behaviours that affect firms' international performance. Furthermore, we respond to Guo *et al.* (2018) plead for analysing AMC's antecedents and consequences, where the authors emphasised the need for analysing boundary conditions when studying the effects of marketing capabilities. We also analyse the moderating effects of competitive intensity on the relationships between MO, AMC, and firms' international performance.

The remainder of this paper is structured as follows. In section 2, we develop a conceptual overview of the literature and distil our hypotheses. Next, in section 3, we present the methodology referring to our data collection and treatment, as well as the scales used. Then, in section 4, we exhibit our results, followed by their discussion in section 5. Finally, section 6 concludes with relevant findings, limitations, and avenues for future research.

## **CONCEPTUAL OVERVIEW AND HYPOTHESES DEVELOPMENT**

### ***Adaptive marketing capabilities and international performance***

With the central objective of seizing opportunities and achieving the best performance, firms seek to understand possible origins of the motivations, mechanisms, and capabilities necessary for the process to occur, in a harmonious manner and with the least possible negative impact (Asemokha *et al.*, 2019; Parnell, 2011). In this context, the need for firms to invest in essential resources and capabilities for the development of internationalisation is evident, aiming at their sustainability in the face of an increasingly competitive environment (Evers *et al.*, 2012; Santoro *et al.*, 2018).

Recent research intended to find answers as to the characteristics of the behaviour that enable firms to develop an internationalisation process. As such, different factors can influence their international performance, such as marketing capabilities and market orientation (MO) (Brouthers *et al.*, 2015; Guo *et al.*, 2018; Joensuu-Salo *et al.*, 2018; Nakos *et al.*, 2019; Riswanto *et al.*, 2019).

From a strategic marketing perspective, realising what are the most appropriate marketing capabilities for building, growing, and maintaining a business is crucial to fulfil international customers' needs

better than competitors (Morgan *et al.*, 2018). Consequently, studies point to a strong influence of marketing capabilities on firms' performance (Krush *et al.*, 2015; Mu *et al.*, 2017; Wilden *et al.*, 2013) and positive evidence as to the effects of these capabilities on competitive advantage (Day, 2011, 2014).

In this context, Day (2011) proposed adaptive marketing capabilities (AMC) to close the marketing gap. AMC can be defined as the capacity of firms to be vigilant to the market, anticipating possible opportunities, flexing its strategy, adapting proactively when it comes to the future development of the market, resulting in outperforming its competitors and reducing disparities between the response issued by the company and changes in the market (Guo *et al.*, 2018; Schoemaker and Day, 2009). It enables marketing skills to adapt, through the acquisition of resources, learning, and experimentation, whether through the accumulation of knowledge or the development of the market itself (Day, 2014). Another component that assists in building more stable relationships is open marketing (Day, 2011), where open networks helps firms to access resources that otherwise would be inaccessible, bringing together competencies that include the strengthening of long-term partnerships and, consequently, the achievement of better results (Acikdilli *et al.*, 2020; Tajeddini and Ratten, 2020; Torkkeli *et al.*, 2019). In line with recent research (Guo *et al.*, 2018; Shen *et al.*, 2020), it is likely that AMC positively affects international performance. Therefore, we propose the following hypothesis:

**H1:** Adaptive marketing capabilities have a positive effect on international performance.

### ***Market orientation, adaptive marketing capabilities and international performance***

A market-oriented firm is one that is committed in building superior value to their customers, by the understanding of their needs and expectations (Andreou *et al.*, 2020; Slater and Narver, 1998). This commitment allows firms to achieve a sustainable competitive advantage and improve their performance (Day, 1994; Herhausen, 2016; Jaworski and Kohli, 1993). Market orientation (MO) may be defined as the ability of firms to collect intelligence from the market, disseminate it throughout the organisation, and take action in response to the intelligence gathered and disseminated (Joensuu-Salo

*et al.*, 2018; Kohli *et al.*, 1993). In this sense, MO reflects the organisation's climate and is regarded as one of the most effective behavioural trend in creating superior value to customers (Andreou *et al.*, 2020; Day, 1994; Gupta *et al.*, 2018; Slater and Narver, 1998). In fact, previous research has found a positive link between MO and performance (Acikdilli *et al.*, 2020; Ghouri *et al.*, 2020; Jaworski and Kohli, 1993; Narver and Slater, 1990), which is in line with the results found by several meta-analyses dealing with this relationship (Ellis, 2006; Shoham *et al.*, 2005). Nonetheless, Shoham *et al.* (2005) alerts that the relationship could be stronger if indirect paths are considered.

MO's ability to promote knowledge about market transformations and competitors' activities, and delivering advantages and value to customers, justifies the positive effects it has on firms' competitive advantage and, consequently, on performance (Slater and Narver, 1998; Tajeddini and Ratten, 2020). Being market-oriented helps firms to be prepared and respond to the needs demanded by the consumers, thus it is expected that such activities should result in the superior performance of organisations in the international market (Andreou *et al.*, 2020). Following these premises, we propose the following hypothesis:

**H2:** Market orientation has a positive effect on international performance.

Like marketing capabilities, MO is another factors that helps firms to effectively understand their customers' needs (Chiarelli, 2021; Kohli, 2017; Kohli and Jaworski, 1990). A marketing capability can be understood as the ability to use internal resources to add or create value for the consumer (Hunt and Madhavaram, 2020; Morgan *et al.*, 2018). Such skills are often promoted by having a market-oriented behaviour, which enables firms to explore opportunities, through the monitoring of activities of consumers, competitors, and other factors that are part of the market environment (Acikdilli *et al.*, 2020; Hooley *et al.*, 2005; Slater and Narver, 1998).

The orientation towards the international market is one of the complementary strategic resources of the organisation (Hult *et al.*, 2005), being at the centre of marketing strategies (Samiee and Chirapanda, 2019). Empirical studies point to positive effects of MO on performance (Chinakidzwa and Phiri,

2021), but the understanding of these effects, for the most part, occurs with a focus on research in the domestic market, leaving a gap to studies that seek to understand the effects of MO on international performance (Muis, 2020; Oliveira *et al.*, 2012; Zhang and Wang, 2019). Concurrently, most studies relating to MO and performance analyse the context of large companies (Chiarelli, 2021; Lämsiluoto *et al.*, 2019), creating another gap in the literature involving SMEs, which are increasingly important players in the international sphere (Roach *et al.*, 2018; Yoon *et al.*, 2018).

The exact way that MO influences firm performance is not consensual. While some authors consider MO to be complementary of other capabilities when impacting performance (Ghouri *et al.*, 2020; Morgan *et al.*, 2009), others consider it to be mediated by marketing capabilities (Asseraf and Shoham, 2019; Kajalo and Lindblom, 2015; Kayabasi and Mtetwa, 2016; Qureshi *et al.*, 2017; Riswanto *et al.*, 2019). This later approach to a mediated relationship between MO and performance was evidenced in Shoham *et al.* (2005), where the authors argued that the effect of MO on performance could be greater if mediated by other capabilities.

While the underlying premise of MO's effect is the capacity to create customer value, the AMC function is also driven by contributing to customer value (Hooley *et al.*, 2005). On the one hand, MO leads the organisation to be constantly attentive to consumers and competitors (Andreou *et al.*, 2020; Chinakidzwa and Phiri, 2021), adapting its internal processes to the intelligence generated. On the other hand, AMC reinforces the processes of MO, allowing the firm to interpret and act proactively on these critical signals within the business environment, thus leading to a significant competitive advantage (Day, 2014; Hunt and Madhavaram, 2020). In this sense, we understand that AMC is capable of expanding MO activities, hence a relationship between the two is expected. Therefore, we propose the following hypothesis:

**H3:** Market orientation has positive effect on adaptive marketing capabilities.

### ***The moderating effect of competitive intensity***

Acting in an international context involves more complex components than on domestic markets. The existence of differences in many dimensions (technological, political, cultural, social, and economic) increases the need for the firm to develop and/or increase the generation of market intelligence, its dissemination throughout its business processes and the capacity to generate effective responses (Covin and Miller, 2014; Kohli *et al.*, 1993; Solano Acosta *et al.*, 2018).

The impact exerted by external environments promotes significant guidelines on organisational strategies, especially when dealing with international markets, in which turbulence, dynamism and competitive intensity are constant aspects of the environmental transformations (Adomako *et al.*, 2017; Buccieri *et al.*, 2020; Zhou *et al.*, 2012). Such aspects are pointed out as important moderators between MO, marketing capabilities, and international performance (Kaleka and Morgan, 2019; Kirca *et al.*, 2009; Kura *et al.*, 2020; Roach *et al.*, 2018). Competitive intensity is able to create environmental uncertainty, usually hindering the development of planning, in addition to negatively influence earnings and the maintenance of a competitive advantage (Adomako *et al.*, 2017).

Competitive intensity refers to the state where many competitors present themselves in the market, pressing and being pressured to obtain the best results (Auh and Menguc, 2005), and the lack of excess growth opportunities in the same market (Martin and Javalgi, 2016). As competitive intensity increases, the level of uncertainty about strategies and the acquisition of relevant information necessary to minimise the risks of internationalisation also increases (Daft *et al.*, 1988), warranting proactive, market-adapted activities (Cui *et al.*, 2005). At a lower intensity, the internationalisation process may be carried out with full focus, and activities such as process exportation, information acquisition, innovation and product/service development will be more easily conducted, therefore, it is likely to find a potential increase in international performance in this type of marketplace (Morgan, 2019; Morgan *et al.*, 2004).

Previous research suggests that firms develop their competitive positioning through their marketing skills, improving the delivery of value to the consumer and maintain or increase their loyalty to the

brand, hence generating a reinforcement in the results of organisational performance, all of which are essential aspects in markets with high competitive intensity (Day, 1994; Österle *et al.*, 2018; Zou *et al.*, 2003). Considering that international markets are highly competitive environments, it is likely that having a market-oriented focus and well-developed AMC may contribute to offset the detrimental effects of high competitive intensity. From this discussion, we propose the following hypotheses:

**H4:** Competitive intensity moderates the relationship between adaptive marketing capabilities and international performance.

**H5:** Competitive intensity moderates the relationship between market orientation and international performance.

**H6:** Competitive intensity moderates the relationship between market orientation and adaptive marketing capabilities.

The conceptual model shown in Figure 1 graphically represents the hypotheses stated above, where full arrows represent direct and indirect effects, and dashed arrows represent moderation effects.

\*\*\*\*\* Figure 1 goes about here \*\*\*\*\*

## **METHODOLOGY**

### ***Research design and sample***

We have collected data through a self-administered questionnaire sent by e-mail to a list of internationalised Portuguese firms. The list was prepared from existing databases of the Portuguese Agency for Trade and Investment (AICEP) and AMADEUS. E-mails were sent out in June 2020 and responses originated from founders, owners, chief executive officers (CEOs), managers of international activities, international market managers, and commercial managers. We have obtained a total of 362 valid responses, which went through an initial treatment. To avoid possible biases induced

by a reduced number of large firms, we have dropped large firms' responses (i.e., firms with more than 250 employees and a sales volume over €50 million in 2019). We have also dropped firms exclusively B2C due to their lack of representativeness in the Portuguese context. This resulted in a sample size of 335 internationalised firms. We have decided to study the Portuguese context since it is a small economy integrated in the European Union and the Eurozone. Within this context, internationalisation is a necessity since the domestic market hardly generates sufficient demand to allow Portuguese firms to compete with foreign competitors.

In line with similar studies, we adopted a multi-industry approach to increase the observed variance and the generalisability of results (Gölgeci *et al.*, 2019; Martin *et al.*, 2020; Moen, 2002; Navarro-García *et al.*, 2016). This was accomplished by asking respondents to classify their activity according to the Statistical Classification of Products by Activity in the European Economic Community (version 2.1). After aggregating activities at the most fundamental level, we have observed that 61.5% of firms in our sample belonged to the secondary sector, 30.1% of firms belonged to the tertiary sector, and 8.4% belonged to the primary sector. Previous research also indicates that a firm's age is a determining factor to its entrepreneurial attitude in the international market (Brush, 2013), as well as to international sales growth (Fiol and O'Connor, 2003). Our sample is diversified with respect to firms' age, with approximately 21% below 10 years old and almost 15 % with 40 or more years of existence. Regarding the instrument used, a 48-item questionnaire was utilised to measure the constructs of International Performance, Market Orientation (MO), Adaptive Marketing Capabilities (AMC), and competitive intensity. All these constructs were tested for their validity and reliability, with the exception of competitive intensity due to its use as a formative construct. Lastly, our hypotheses were tested through structural equations modelling and path analysis using AMOS 25.

### *Variables and measurement scales*

All measurements were constructed with five-point Likert scales. international performance Likert scale ranged from “1 = not satisfied” to “5 = totally satisfied”, while MO and AMC ranged from “1 = strongly disagree” to “5 = strongly agree”.

#### *International Performance*

Following previous research (Martin *et al.*, 2020; Morgan *et al.*, 2012), we have used perceptual measures of international performance since financial statements may not accurately report objective performance at the international level (Katsikeas *et al.*, 2000). Furthermore, it has been argued that managers decide and act upon the individual perceptions of firm performance (Moorman and Day, 2016). As such, we have adapted the construct for measuring international performance from Martin *et al.* (2017) and Walker and Ruekert (1987), which is based on three dimensions: 1) Efficiency, is the relationship between the necessary inputs used and the performance outputs financial; 2) Effectiveness, is derived from the extension of the organisational objectives and those obtained; 3) Adaptability that the organisation can face changes in the market environment. Firms were asked to report their satisfaction with the company's performance in the international market before Covid-19 pandemic.

#### *Market orientation (MO)*

Several conceptualisations of the market orientation construct exist (Kohli *et al.*, 1993; Narver and Slater, 1990). For the purpose of this study, we have adapted the MARKOR construct proposed by Kohli *et al.* (1993), since it is one of the most used in the marketing literature (Gligor *et al.*, 2021; González-Benito and González-Benito, 2005; Taylor *et al.*, 2008). The MARKOR considers three dimensions: 1) Intelligence generation, is the degree to which a firm engages in multi-department market intelligence generation activities; 2) Intelligence dissemination, is the degree to which a firm disseminates this intelligence vertically and horizontally through both formal and informal channels;

and 3) Market responsiveness, is the degree to which a firm develops and implements marketing programs on the basis of the intelligence generated.

#### *Adaptive Marketing Capabilities (AMC)*

The construct of adaptive marketing capabilities was adapted from Guo *et al.* (2018), which is a recently develop construct but is still the only operationalisation of AMC that exists. This construct follows Day's (2011) proposal and includes three dimensions: 1) Vigilant Market Learning, is related to the firm's skills in perceiving market changes and being aware of the moment to act before they occur; 2) Adaptive Market Experimentation, is a firm's investment to experiment with new possibilities and initiatives as a driver for new insights; 3) Open Marketing, is a firm's ability of creating and maintaining relationships with partners by using media and social networking technologies to extend their networks. Firms were asked about adaptive marketing capabilities relative to their competitors in the international market.

#### *Competitive Intensity*

Competitive intensity was adapted from Jaworski and Kohli (1993) and used as a formative construct. This construct assesses the intensity of the competition and the behaviour, resources, and abilities of competitors to differentiate from one another (“Competition in our industry is cutthroat”; “There are many promotion wars in our industry”; “Anything that one competitor can offer, others can match easily”; “Price competition is a hallmark of our industry”; “One hears of a new competitive move almost every day”).

#### *Control variables*

To account for other possible explanations of firm performance, we have used two control variables. First, firms' age was considered, since it is suggested to influence international operations and performance (Zahra *et al.*, 2000), as well as international sales growth (Fiol and O'Connor, 2003).

Second, we controlled for the economic sector of activity with three dummy variables, namely primary, secondary, and tertiary sectors, which were aggregated from the pool of activities reported. Dummy variables assumed a value of one if the firm belonged to a particular sector, and zero otherwise. Only two dummy variables were included in the analyses to avoid the dummy variable trap (Wooldridge, 2016).

### ***Validity and reliability***

When using self-administered questionnaires, common method bias could be a source of measurement errors (Podsakoff *et al.*, 2003). Following Podsakoff *et al.* (2003), we have assessed this method bias using two statistical tests. First, the Harman's single-factor test indicated that a single factor accounted for 35.77% of the total variance explained, which reveals that no single factor emerged that accounts for the majority of the variance. Second, the common latent factor model indicated a common variance of 16,8%. Overall, the tests indicated that common method bias is not a concern in this study.

Table I shows that all alphas had an acceptable value above 0.6 (Hair *et al.*, 2019; Nunnally and Bernstein, 1994). It also shows acceptable CR values above 0.7 (Hair *et al.*, 2019), which ensures the reliability of our measures. On the other hand, all AVE values were above 0.5 (Hair *et al.*, 2019), thus supporting convergent validity of the constructs. Regarding discriminant validity, all square correlations were found to be below their respective AVE values, therefore assuring that constructs are distinguishable from one another (Fornell and Larcker, 1981).

\*\*\*\*\* Table I goes about here \*\*\*\*\*

We have used confirmatory factor analysis to assess both the first- and second-order measurement models. Table II indicates an acceptable fit of the models to our data. From the measurement model, we have used constructs' factor scores to proceed with the path analysis.

\*\*\*\*\* Table II goes about here \*\*\*\*\*

## RESULTS

As mentioned before, we used path analysis to test the hypotheses proposed. Table III shows the estimates for the base model.

\*\*\*\*\* Table III goes about here \*\*\*\*\*

Our results show that AMC has a positive relationship with international performance, which is statistically significant below the 1% level. In addition, MO shows a positive and statistically significant relationship with international performance ( $p > 0.001$ ). In turn, MO shows a positive and significant relationship with AMC ( $p > 0.001$ ). These results corroborate hypotheses H1, H2, and H3, which lends support to our model. In fact, we can observe that the positive relationship between MO and international performance is partially mediated by AMC, whose standardised effects can be seen in table IV.

\*\*\*\*\* Table IV goes about here \*\*\*\*\*

To further test the moderating effects of competitive intensity on the relationships proposed, we have created interaction terms by multiplying competitive intensity with MO, and competitive intensity with AMC. We have followed Aiken and West (1991) and mean-centred the variables to avoid multicollinearity problems. Table V shows the path estimates of the interaction model.

As can be seen in the table, none of the interaction terms revealed a statistically significant relationship, thus not supporting hypotheses H4, H5, and H6. This lack of significance of the moderating effect of competitive intensity on the relationships between MO, AMC and international performance indicates a robustness of the base model to the competitive environment. It is also worth mentioning the negative, and statistically significant direct effect of competitive intensity on international performance ( $p=0.006$ ) and, although not a central issue on this paper, it was somewhat unexpected, since previous research did not find a direct relationship between competitive intensity and firms' performance (Morgan *et al.*, 2004, 2009).

\*\*\*\*\* Table V goes about here \*\*\*\*\*

## **DISCUSSION**

The concept of adaptive marketing capabilities (AMC) is relatively recent in marketing literature (Day, 2011; Guo *et al.*, 2018; Hunt and Madhavaram, 2020), with scarce empirical investigation about its antecedents and consequences. On the consequences side, our results suggest a positive relationship between AMC and firms' international performance. This finding corroborate Day's (2011) proposition that adaptive capabilities would be able to increase firms' performance in today's fast-paced market changes. It is also in line with previous empirical research (Guo *et al.*, 2018; Shen *et al.*, 2020), which found similar results in Chinese companies, as well as with Reimann *et al.* (2021), who found the same positive relationship for Portuguese B2B SMEs. Within the context of this study, it is likely that firms operating in international markets make use of their vigilant market learning, adaptive market experimentation, and open marketing capabilities to proactively respond to customers' needs in a quick and flexible manner, hence increasing performance.

Given its relative newness, empirical studies of AMC's antecedents are still inexistent. Therefore, this paper innovates by analysing firm's market orientation (MO) as an antecedent of AMC. Our results revealed positive relationships between MO and both firm performance and AMC. Although the

relationship between MO and firm performance has been established in marketing literature (Ellis, 2006; González-Benito and González-Benito, 2005; Jaworski and Kohli, 1993; Mostafiz *et al.*, 2021; Shoham *et al.*, 2005), the positive relationship between MO and AMC is a source of novelty, hence representing a step forward in understanding the mechanisms underlying AMC. This finding indicates that the effect of MO on international performance is partially mediated by AMC. Considering direct and indirect effects, our results suggest that market-oriented firms would experience a stronger performance increase if AMC were developed. When taking a closer look at AMC's dimensions, vigilant market learning (i.e., a firm's skills in perceiving market changes and being aware of the moment to act before they occur) is highly likely to be influenced by the processes of intelligence gathering and dissemination provided by MO, since it feeds on the intelligence gathered and disseminated. Furthermore, open marketing (i.e., a firm's ability of creating and maintaining relationships with partners by using media and social networking technologies to extend their networks) could also be related with MO as well, since the later gather and disseminate intelligence not only about customers but also about competitors, suppliers and other stakeholders, allowing firms to identify fruitful partnerships. Also, when dealing with B2B firms, Yang *et al.* (2019) found that a strong buyer-supplier relationship may lead to a stronger sharing of information by the supplier. This could imply that open marketing might have a feedback loop with MO, although this requires further investigation. Albeit outside the purpose of this study, adaptive market experimentation (i.e., a firm's investment to experiment with new possibilities and initiatives as a driver for new insights) could be related with MO. More specifically, new insights obtained from market experimentation could also be in the form of novel intelligence parameters to be gathered and disseminated, hence providing a feedback to the process revealed in our model.

Regarding competitive intensity, we have not found any significant moderating effect over the relationships studied. This finding, although contradicting our hypotheses, lends robustness to the relationship found between MO, AMC and international performance, implying that regardless of the level of competition, the positive effects hold. Another possible explanation could reside in the firms analysed, SMEs. Managers of these firms could see international markets as a desirable ground to

pursue firm growth and competitiveness, but also consider beforehand to be highly competitive, which in turn could reduce the effect of variability of competitive intensity.

Although not a central aspect of the paper, the direct and negative relationship between competitive intensity and international performance could indicate that, when all else is equal, an increase of competition pushes performance downwards. This could be understandable, since competitive advantages are eroded with increased competition if firms' capabilities remain stagnant (Day, 1994, 2011, 2014).

## **CONCLUSIONS**

This study intended to analyse the relationships between market orientation (MO), adaptive marketing capabilities (AMC), and firms' international performance, as well as the moderating effects of competitive intensity.

We have concluded that the development of marketing capabilities, namely AMC is related to an increase in international performance. Given the outside-in and proactive focus of AMC (Day, 2011), through a continuous learning from the market to understand its patterns, an active experimentation, and the establishment of open marketing partnerships, internationalised firms are likely to benefit from the development of this set of capabilities, allowing them to anticipate customers' needs and attaining a superior performance.

Concomitantly, firms with a strong MO seem to have greater advantages in developing AMC, since an increase of the former reflects in an increase of the later. This reveals that market-oriented B2B SMEs could significantly improve their international performance if AMC were developed. In fact, the ability to gather intelligence from the market, disseminate, and respond to it are crucial behaviours that intertwine and enable AMC, allowing firms to proactively pursue sustained competitive advantages in highly competitive environments (Day, 2011; Hunt and Madhavaram, 2020). Further research on the relationship between MO and AMC is warranted. Overall, these relationships proved to be robust to

the competitive environment, highlighting the importance for internationalised firms to develop a market-oriented behaviour and to focus on the development of AMC.

With this study, we contribute to the international marketing literature by investigating MO as an antecedent of AMC, as well as their joint effects on international performance. On the one hand, our results corroborate resource-based views of the firm, where specific capabilities are deemed necessary to achieve higher performances. On the other hand, we addressed a plea in the literature to investigate the antecedents and outcomes of AMC (Guo *et al.*, 2018) and, by doing so, we shed light on a particular set of marketing capabilities that are proposed to help closing the marketing gap (Day, 2011, 2014).

This work may induce managers to conduct changes within firms to enhance their international performance. First, the vast amount of data available on international customers, competitors, and possible partners should be harnessed by firms who seek an internationalisation strategy. To that end, managers should develop state-of-the-art information systems that allow real time warnings regarding opportunities to pursue and risks to avoid. Second, the integration of information systems could go even beyond to include the networking developed by the firm, where insights from peripheral partners could be meshed with the information generated by the firm. Third, the contribution of adaptive market experimentation to international performance could be inhibited by a risk averse organisational culture, thus, managers should strive to create a culture of discovery, encouraging adaptive experimentations by the employees in activities not related to their usual functions.

Limitations in our study should also be acknowledged, for they may provide directions for future research. First, the cross-sectional nature of our research precludes causal relationships. Longitudinal surveys to firms could be advantageous to understand the findings obtained here. Furthermore, the sample of this study was composed exclusively of Portuguese SMEs. A validation of our results in a sample from SMEs of other countries would help their generalisability. A possible point of debate is the use of perceptual measures of international performance instead of objective measures. However, it is argued that financial statements may not accurately report objective performance at the international level (Katsikeas *et al.*, 2000). Furthermore, managers decide and act upon the individual

perceptions of firm performance (Moorman and Day, 2016). Nevertheless, future studies could use of both perceptual and objective measure of performance to attest the validity of our results. Although we took a step forward in unravelling the nature of AMC, future research should dive deeper in the exploration of its antecedents and consequences, as well as analysing other environmental factors as mediators/moderators in its relationship with firm's international performance. Given that the works of Day (2011) and Guo *et al.* (2018) consolidated three distinct sets of marketing capabilities (static, dynamic, and adaptive marketing capabilities), new insights would be obtained by analysing relationships between them, which could help firms in their endeavour of building marketing capabilities.

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