

# THE IMPACT OF MARKETING CAPABILITIES ON DIGITAL TRANSFORMATION FOR SMALL FIRMS IN A CRISIS ENVIRONMENT

*Daniel Hsiang Hsu, Ulster University*  
*Aodheen McCartan, Ulster University*  
*Barry Quinn, Ulster University*

## Abstract

Utilising the lens of dynamic capabilities, this paper adopts a case study approach to help understand how small firms reconfigure existing marketing capabilities with the use of digital technology to achieve organisational transformation digitally within a crisis environment. Qualitative methods employed included interviews and an analysis of digital content – on social media and websites – involving six small firms on the island of Ireland, over a period of twelve months, from 2020 to date. The preliminary insights gained from the case companies indicate an unprecedented digital shift in business in a crisis environment. The results show that marketing capabilities may have a direct impact on the extent to which digital transformation occurs. In spite of continued uncertainty in the marketplace, the results suggest that small firm owner-managers need to carefully consider how to realign existing marketing skills and knowledge and resources into a strategic plan for digital success.

## Introduction/Conceptual Development

This case study research aims to address a lack of knowledge on the impact of marketing capabilities on digital transformation within the context of small firms. If 2020 changed the marketing landscape, it certainly accelerated the digital transformation efforts of small firms in building an online presence for survival. In small enterprise research, marketing has been widely identified as one of the most challenging issues that owner-managers face in their role (Reijonen, 2010; Nyuur *et al.*, 2016), due to factors such as lack of resources and know-how (Jones and Rowley, 2011; Sadiku-Dushi *et al.*, 2019). However, the use of digital technology allows small firms to achieve business performance through online engagements and interactions (Jones *et al.*, 2015; Shaltoni *et al.*, 2018).

From a marketing perspective, while previous studies have described marketing capabilities in the small firm context as an ability to identify new market opportunities and deeply understand customer needs (Raymond *et al.*, 2015), very little is known about the relative contribution of capabilities to performance (Merrilees *et al.*, 2011; Verhoef and Bijmolt, 2019). On that basis, the current research seeks to explore linkages between resources and marketing capabilities within the context of small firms. According to the Resource-Based View (RBV), the resources are the assets controlled by a company that contribute to organisational capabilities (Morgan *et al.*, 2018), especially when resources are aligned with capabilities for enhanced performance (Sok *et al.*, 2016). To address marketing capabilities, this study adopts the four tenets of the marketing concept: (1) marketing as a culture: a set of values and beliefs that guide the firm; (2) marketing as a strategy: the focus of its firm competence in the marketplace; (3) marketing as tactics: the set of key method or techniques that help achieve the firm's marketing objectives; (4) market intelligence: the market information gathered for decision makers in the firm (Reijonen, 2010; Carson *et al.*, 2020).

Given the pace of market change brought about by the introduction of new technologies and platforms, it is argued that the insights from RBV may not be sufficient to explain the strategic logic of changing a company's competitive advantages in a timely manner (Eisenhardt and Martin, 2000). As such, studies have extended RBV into a rapid and unpredictable market environment, from the perspective of dynamic capabilities (Teece, 2018), highlighting the need for firms "to create, integrate and commercialize a continuous stream of innovation consistent with customer needs and technological opportunities" (Fueglistaller and Schrettle, 2010; p.522). The accelerated technology trends therefore raise an important question on the extent to which, or how marketing capabilities may contribute to digital transformation in small firms. In this context, the contribution of marketing capabilities in this study is conceptualised through the three dynamic components of competitive advantage: (a) sense: to identify changes in the business and the marketplace; (b) seize: to refine a defensible business model and allocate the resources for radical change; (c) transform: to realign the organisational structure and culture (Teece, 2018).

### **Design/Methodology/Approach**

A qualitative research design and a case study approach was used to conduct an inquiry into the subject within its real-life setting (Yin, 2018). The case companies (six) included food service and hospitality businesses which have been among the worst affected industries during the Covid-19 pandemic. The companies are all based in Northern Ireland or Republic of Ireland, with less than 50 employees. Given the fast-moving nature of digital technology change over time, this study uses longitudinal data collection to address the research questions, as well as undertaking triangulation of data sources (interviews and analyses of social media and websites) to capture the social reality in a comprehensive manner (Farquhar *et al.*, 2020). In-depth interviewing was held virtually over MS Teams and conducted in a semi-structured form to refine the conceptual framework. Social media and website content were initially collected by using the NCapture tool. The data sets were also manually reviewed and updated in order to capture missing data. All data were then transcribed and coded into units of meanings through the use of NVivo to help develop themes.

### **Findings**

The preliminary insights gained from the research indicate an unprecedented digital shift evident within these businesses during a crisis environment. However, while this outcome is well-recognised by the owner-managers, a key aspect here is how swiftly, and how effectively, they realign existing marketing capabilities and resources to achieve organisational transformation through the use of digital technology. The results show that marketing capabilities may have a direct impact on the extent to which digital transformation occurs. In this study, most cases have adapted in a bid to reposition themselves in the local marketplace, but not all cases have as yet refined their business model and allocated resources to develop their digital success.

### **Originality/Practical Implications**

This paper adds to the literature on the impact of marketing capabilities on digital transformation within the context of small firms. Many companies have experienced a degree of shifting to or extending the business online during the Covid-19 pandemic. But from surviving to thriving, in spite of continued uncertainty in the marketplace, small firm owner-managers will need to think strategically about how to realign existing marketing skills and knowledge and resources into a plan for digital success.

## References

- Carson, G., Simmons, G. and O'Connor, C. (2020) The crucial role of market intelligence in the development of small business marketing capabilities, *Journal of Small Business and Enterprise Development*. DOI: 10.1108/JSBED-12-2019-0394.
- Eisenhardt, K.M. and Martin, J.A. (2000) Dynamic capabilities: what are they, *Strategic Management Journal*, 21(10-11), 1105-1121.
- Farquhar, J., Michels, N. and Robson, J. (2020) Triangulation in industrial qualitative case study research: widening the scope, *Industrial Marketing Management*, 87, 160-170.
- Fueglistaller, U. and Schrettle, T. (2010) Dynamic capabilities & strategic management - organizing for innovation and growth, *International Small Business Journal*, 28(5), 522-524.
- Jones, N., Borgman, R. and Ulusoy, E. (2015) Impact of social media on small businesses, *Journal of Small Business and Enterprise Development*, 22(4), 611-632.
- Jones, R. and Rowley, J. (2011) Entrepreneurial marketing in small businesses: a conceptual exploration, *International Small Business Journal*, 29(1), 25-36.
- Merrilees, B., Rundle-Thiele, S. and Lye, A. (2011) Marketing capabilities: antecedents and implications for B2B SME performance, *Industrial Marketing Management*, 40(3), 368-375.
- Morgan, N.A., Hui, F. and Whitler, K.A. (2018) Marketing capabilities in international marketing, *Journal of International Marketing*, 26(1), 61-95.
- Nyuur, R.B., Brečić, R. and Simintiras, A. (2016) The moderating effect of perceived effectiveness of SMEs' marketing function on the network ties - strategic adaptiveness relationship, *Journal of Small Business Management*, 54(4), 1080-1098.
- Raymond, L., St-Pierre, J., Bergeron, F. and Croteau, A.-M. (2015) Developing absorptive capacity through e-business: the case of international SMEs, *Journal of Small Business Management*, 53, 75-94.
- Reijonen, H. (2010) Do all SMEs practise same kind of marketing, *Journal of Small Business and Enterprise Development*, 17(2), 279-293.
- Sadiku-Dushi, N., Ramadani, V. and Dana, L.-P. (2019) Entrepreneurial marketing dimensions and SMEs performance, *Journal of Business Research*, 100, 86-99.
- Shaltoni, A.M., West, D., Alnawas, I. and Shatnawi, T. (2018) Electronic marketing orientation in the small and medium-sized enterprises context, *European Business Review*, 30(3), 272-284.
- Sok, P., O'Cass, A. and Miles, M.P. (2016) The performance advantages for SMEs of product innovation and marketing resource-capability complementarity in emerging economies, *Journal of Small Business Management*, 54(3), 805-826.
- Teece, D.J. (2018) Business models and dynamic capabilities, *Long Range Planning*, 51(1), 40-49.
- Verhoef, P.C. and Bijmolt, T.H.A. (2019) Marketing perspectives on digital business models: a framework and overview of the special issue, *International Journal of Research in Marketing*, 36(3), 341-349.
- Yin, R.K. (2018) *Case study research and applications: design and methods*. 6th ed. Los Angeles; London: Sage.