

A Theoretical Discussion on Marketing Agility and Adaptive Marketing Capabilities in Regard to Firm Performance

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Firma Performansı Bakımından Adaptif Pazarlama Yetenekleri ve Pazarlama Çevikliği Üzerine Teorik Bir Tartışma	A Theoretical Discussion on Marketing Agility and Adaptive Marketing Capabilities in Regard to Firm Performance
<p style="text-align: center;">Özet</p> <p><i>Pazarlama çevikliği, pazarı anlamlandırma ve pazarlama kararları arasında sürekli iterasyon yapılarak pazar koşullarına adaptasyonu sağlar. Organizasyonlara, pazarlama yönetiminde hangi yeteneklerin çeviklik kazandırabileceğini anlayabilmek için statik, dinamik ve özellikle de adaptif pazarlama yeteneklerinin yakından incelenmesi gerekir. Rekabet üstünlüğünün ana kaynağının firmaların kendi kaynakları olduğunu savunan kaynak-temelli yaklaşım, temel pazarlama karmasını statik pazarlama yetenekleri arasında değerlendirmektedir. Dinamik yetenekler yaklaşımı ise anahtar firma yeteneklerinin belirlenmesini sağlayan ve pazarda rekabet üstünlüğü kazanabilmek için bu yeteneklerin ve kaynakların nasıl bir araya getirileceğini açıklayan süreçleri tanımlamaktadır. Adaptif yetenekler, statik ve dinamik yaklaşımlardan farklı olarak firmaların, yeni yetenekler kazanırken mevcut yeteneklerini zenginleştirebilmeleri için dışarıdan-içeriye bakış açısı geliştirmeleri gerektiğini savunmaktadır. Çevik pazarlama yaklaşımına teorik bir alan oluşturmak amacıyla, bu çalışmada bu üç pazarlama yeteneğinin çevik pazarlama ile olan ilişkisi ve farklılıkları ele alınmaktadır.</i></p>	<p style="text-align: center;">Abstract</p> <p><i>Agility in marketing necessitates adapting through continuous iterations between making sense of the market and marketing decisions. In order to understand what capabilities help organizations to be agile in marketing management requires a close focus on static, dynamic and especially on adaptive marketing capabilities. Resource-based view, which argues that the main source of competitive advantage is the firms' own resources, considers the basic marketing mix among static marketing capabilities. Dynamic capabilities approach describes the processes through which key firm capabilities can be identified and how these capabilities and resources can be combined to gain competitive advantage in the marketplace. Adaptive capabilities, unlike the static and dynamic approaches, discuss that companies should develop an outside-in perspective in order to enhance existing capabilities while acquiring new ones. In this study, the relations and differences of these three capabilities to agile marketing will be discussed in order to set a domain for agile marketing.</i></p>
<p>Anahtar Kelimeler: Adaptif Pazarlama Yetenekleri, Pazarlama Çevikliği</p>	<p>Keywords: Adaptive Marketing Capabilities, Marketing Agility</p>
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Araştırma ve Yayın Etiği Beyanı	Bu çalışma bilimsel araştırma ve yayın etiği kurallarına uygun olarak hazırlanmıştır.
Yazarların Makaleye Olan Katkıları	Yazar 1'in makaleye katkısı %50, Yazar 2'nin makaleye katkısı %50'dir.
Çıkar Beyanı	Yazarlar açısından ya da üçüncü taraflar açısından çalışmadan kaynaklı çıkar çatışması bulunmamaktadır.

1. Introduction

Implementation of agile practices in software development to marketing domain has triggered the emergence of Agile Marketing (Moi and Cabiddu, 2020). Agility in marketing necessitates adapting through continuous iterations between making sense of the market and marketing decisions (Kalaighnaman et al., 2021). In order to understand what capabilities help organizations to be agile in marketing management requires a close focus on static, dynamic and especially on adaptive marketing capabilities (AMCs). Static capabilities, such as basic marketing mix in marketing domain, indicate strategic assets of companies and consider those assets as main source of competitive advantage in markets. However, they do not refer any mechanisms through which companies can improve the current competencies whilst acquiring the new ones (Teece et al., 1997). On the other hand, dynamic capabilities provide companies certain competencies through which they can sense likely threats and opportunities in markets, modify current capabilities, and gain new ones in order to respond market developments. However, dynamic capabilities are not as desired as sufficient in order to be evaluated as marketing capabilities, since the main focus of those capabilities is not the market but firms' own specific competencies. In a similar vein, market orientation approach exaggerates the actual static capabilities of firms that in turn it becomes an obstacle for the development of adaptive capabilities (Day, 2011). Nevertheless, Day (2011, p. 185) draws attention to a widening marketing capability gap between available resources owned by the firms and the resources required by the markets and he puts forward that neither static nor dynamic but rather Adaptive Marketing Capabilities (AMCs) are capable to develop the certain marketing capabilities which support firms to close this gap.

On the other hand, significant increase in complexities in markets resulted in discussions about agile marketing approach for marketing developing capabilities recently. Marketing Agility (MA) indicates the ability of an organization's execution of ongoing iterations between making sense of the market and certain marketing decisions in order to adapt to market conditions as soon as possible (Kalaighnaman et al., 2021). It is argued in the literature that, despite of the similarities, MA differs from AMCs in terms of unique combination of sense making, iteration, speed, and marketing decision (Kalaighnaman et al., 2021).

In this paper, we will discuss these capabilities' relations and differences to agile marketing in order to set the domain of MA. In particular, we will compare the AMCs and MA so that we can provide a basis for our argument that MA could support marketing performance of firms better than AMCs especially in highly complex, unpredictable and volatile markets. In the followings, we define the concept of marketing capabilities firstly and present static and dynamic capabilities respectively. Then, AMCs and MA are explained

thereafter. Having compared AMCs and MA, we finalize our discussion with certain propositions.

2. Marketing Capabilities

Capabilities are defined as mostly intangible, unobservable and also nontransferable firm-specific resources such as firms' knowledge and skills (Murray, Gao, and Kotabe, 2011) that have potential to contribute to firm performance by improving other resources' productivities (Makadok, 2001) and they are "*embedded within organizations in the complex mesh of interconnected actions that follow managerial decisions over time*" (Krasnikov and Jayachandran, 2008, p. 2). Based on the given definition, especially marketing capabilities are considered as organizational abilities that enhance the market sensing and customer linking competencies of the firms through effective information acquisition, management, and usage of that information for the purpose of understanding customer needs (Krasnikov and Jayachandran, 2008). In previous studies focusing on marketing strategy, it is acknowledged that marketing capabilities can (1) support the abilities of companies to configure and to use their resources effectively, (2) help firms to sustain competitive advantage in the market, and (3) contribute to revenues and lucrativeness of companies in the long run (Day, 1994, 2011, 2014; Morgan, et al., 2009; Guo, et al., 2018). In marketing literature, it is possible to see that different components are taken into consideration as marketing capabilities to test their effects on firm performance. For instance, while Morgan et al. (2009) use pricing, product management, distribution management, marketing communication, selling, marketing planning, and marketing implementation as marketing capabilities; Murray et al. (2011) deploy pricing capability, new product development, and marketing communication capabilities. As distinct from given examples, Ngo et al. (2019) point out the capabilities of technology-sensing and market-sensing as marketing capabilities and test their direct and indirect effects through firms' ambidexterity capability on firm performance.

Although the authors regard various components as indicators of marketing capabilities, they concur with each other that marketing capabilities refer to firm-specific resources through which companies sense the market developments in early stages, increase customer loyalty and gain competitive advantage as the ultimate reward. However, Day (2011) draws attention to a *widening gap* between required and available resources. While required resources indicate the resources which firms should possess to be able to respond to market complexity and velocity accurately; available resources specify the actual marketing capabilities of firms (Day, 2011, p. 185). From this point of view, he discusses the applicability of two major organizational capabilities, namely, static and dynamic capabilities. He puts forward that the acclaimed approaches for marketing capabilities are incapable of meeting the needs of highly volatile markets, i.e., those capabilities are insufficient to close the widening gap between required and available resources. Having ascertained this fact, he emphasizes the need for an alternative marketing capabilities approach that is conceptualized as "AMCs".

2.1. Static Marketing Capabilities

According to resource-based view, companies' competitive advantage depends upon their own resources that are usually intangible such as skills and reputation (Porter, 1991). In this view, basic marketing mix elements are taken into consideration as static marketing capabilities, because they implicitly refer to well-defined and difficult-to-copy organizational routines (Day, 2011; Guo, et al., 2018; Vorhies and Morgan, 2005). Although this perspective points out the identification of likely strategic assets of companies, it does not provide a guideline for underlying mechanisms through which these capabilities can be

acquired and enhanced overtime in order to sustain competitive advantage (Teece et al., 1997). Besides, static marketing capabilities focus solely on the internal factors owned by the firms and it is not well explained how these company-owned capabilities could adapt to the market changes (Day, 2011). In addition, firms applying static marketing capabilities cannot explore the environmental changes, because these capabilities are exploitative in essence (Guo et al., 2018). However, as March (1991, p. 71) states precisely that “*systems that engage in exploitation to the exclusion of exploration are likely to find themselves trapped in suboptimal stable equilibria*”, implying that being extremely exploitative hinders sensing, experimentation and exploration. These are nevertheless vital capabilities to be dynamic for adapting market changes (Day, 2011).

2.2. Dynamic Marketing Capabilities

Teece et al. (1997) propose dynamic capabilities approach through which (1) the dimensions of the key firm-specific capabilities can be identified and (2) how competencies and resources can be combined in order to get advantage over competitors in the market. They argue further that dynamic capabilities exploit not only internal firm specific competencies such as financial resources, human resources but also external firm specific competencies like regulations, industry trends which are currently available in order to adapt to environmental changes. Dynamic capabilities provide firms to benefit from environmental advantages by (1) sensing the likely threats or opportunities originating from market conditions or technological advancements, (2) responding to the changes by modifying the actual resources or acquiring new ones, and (3) selecting the appropriate business model through which value is delivered to customers (Teece et al., 2009 as cited in Day, 2014). Dynamic capabilities can trigger an adaptation process that can support companies to balance their valuable, rare, inimitable, and non-substitutable resources (Barney, 1991) to gain and sustain competitive advantage (Ngo et al., 2019). Day (2011) discusses the appropriateness of dynamic approach to marketing capabilities and he further states that even they are explorative in nature, starting point of the dynamic capabilities is not the market and yet firms’ own capabilities. Barney and Clark (2007, p. 259, as cited in Day, 2011, p. 187) mention the same point by saying that “*ironically, even dynamic capabilities versions of resource-based theory are static in this sense. That is, the ability of dynamic capabilities to enable firms to develop new capabilities is also assumed to be fixed*”. This issue makes firms insensitive to weak signals of changing market conditions.

Morgan et al. (2009) exert that market orientation approach might be seen inherently dynamic since it requires market information processing which concentrates on external market dynamics. They assert that market orientation and marketing capabilities are such complementary assets that contribute to firms’ performance. The authors claim that generation and dissemination of market intelligence as well as responsiveness to market intelligence are indicators of market orientation construct. In a similar manner, Day (1994) points out “market sensing” and “customer linking capabilities” as two distinctive features of market-driven organizations implying that those companies, to some extent, have external point of view. However, market orientation approach overemphasizes the exploitative usage of currently available static capabilities of the firms due to their unique characteristics, namely, scarcity, immobility and inimitability of those resources (Day, 2011). Moreover, if a firm wishes to strengthen its adaptive processes, enhancement of its contextual ambidexterity is the prerequisite. Contextual ambidexterity indicates management of exploitative and explorative activities simultaneously. While exploitative activities consist of certain actions like “refinement, choice, production, efficiency, selection, implementation, and execution”; explorative activities involve “searching, variation, risk taking, experimentation, play, flexibility, discovery, and innovation” (March, 1991, s. 71)

But, exploitative mind-set is one of the impediments to its adaptive capability. Additionally, although market orientation accommodates marketing learning process in itself, this process is commenced by a decision mechanism embedded in the organization such that this explicit inside-outside order restricts the dynamism of system inevitably (Day, 2011).

Empowered customers by virtue of technological advancements, proliferation of customer touch points, and availability of great amount of data have increased not only the complexity but also the velocity of markets. These fundamental changes forced firms even harder to enhance and attain novel marketing competencies. Day (2011) argues about the need for a new approach to marketing capabilities that proposes an outside-inside oriented and explorative point of view. Therefore, he draws attention to the adaptive marketing capabilities which will be expounded in the following section.

2.3. Adaptive Marketing Capabilities

Organizational adaptation highlights achieving compatibility between an organization's internal structure and its external environment (Burns and Stalker, 1961, as cited in Akgün, et al., 2012). Organizational adaptation perspective emphasizes that organizations should seek for equilibrium and they should maximize their adaptation to existing environmental conditions (Venkatraman and Camillus, 1984). However, this argument has been criticized by some scholars that this strategy makes the organizations more static and reactive (Teece et al., 1997; Chakravarthy, 1982). These scholars have remarked that a more dynamic view of adaptation – i.e. adaptive capabilities – is required for the organizations in order to cope with changing environmental conditions (Teece et al., 1997; Zhou and Li, 2010). The organizations housing adaptive capabilities can learn fast; identify and benefit from the likely opportunities originating from emerging markets and technologies; and they are enthusiastic about experimentation of novel developments (Staber and Sydow, 2002). Adaptive capabilities should be nurtured within the organizations in order to enhance the competencies of actual capabilities by changing the focus of the organizations from inside-outside to outside-inside perspective (Day, 2014).

In many studies, it has been demonstrated that adaptive capabilities have positive effect on firm performance. For example, Lu et al. (2010) investigate the effects of institutional capital and managerial ties on institutional performance. While institutional capital is viewed as resources that inhere within the institutional environment of the firm; managerial ties indicate the managers' social relations, contacts, and networks across the organizations. The authors have found positive effects of institutional capital and managerial ties on entrepreneurial firm's international performance and this positive relationship was mediated by firm's adaptive capability. In a similar vein, findings in recent studies indicate that adaptive capabilities positively moderate the relationship between international opportunity exploitation rate and growth of the small and medium-sized enterprises in emerging markets (Miocevic and Morgan, 2018). It is also known that adaptive capabilities can moderate the relationship between entrepreneur orientation and financial performance, such that the higher the adaptive capabilities of the companies are, the stronger the relationship is between the given indicators (Adomako, 2018).

Adaptive capabilities reflect an outside-inside perspective with the intention of enhancement of firms' current capabilities whilst acquiring new ones. Based on this premise, Day (2011) centers marketing capabilities among the organizational capabilities asserting that they are the tools for organizations that support those organizations to adapt to market changes. He further draws attention particularly to the discrepancy between available and required resources that results in a widening *marketing capability gap*. Firms' available resources, which can be either tangible or intangible strategic assets that make firms

idiosyncratic within their industries, have been presumed as the natural source of competitive advantage in the market by the resource-based theories or capability theories.

Capabilities have been attained and developed as outputs of long-lasting learning processes over time and have become internal to organizations such that they cannot be imitated by competitors easily. Available resources are related to the internal abilities of the organizations, whereas required resources are the needs of the markets where the firms operate in. The marketers are facing with numerous communication channels through which consumers can contact with companies. It is not only challenging for the firms to collect feedbacks from these channels, it is also difficult to make sense of the messages. A plethora of new data sources like user generated contents, social media shares or competitors-related contents complicates the information processing, decision-making, and task prioritization. Consequently, adaptation process becomes even more difficult. Such ongoing developments are considered as the source of complexity of the markets (Day, 2011).

Having identified the marketing capability gap between available and required resources, Day (2011, s. 188) proposes enhanced marketing capabilities, namely, “Adaptive Marketing Capabilities” which consist of *vigilant market learning*, *adaptive marketing experimentation* and *open marketing*. Vigilant market learning defines the ability of an organization to interpret the conditions in a volatile and unpredictable market, which is possible only then when the firms change their behaviors from “*reactive to sense-and-respond approach*” (Day, 2011, s. 188). Firms get involved in the lives of current, potential and past customers completely without preconceptions in order to apprehend their social behaviors or reactions to the social events. Adaptive marketing experimentation emphasizes the need for small experiments by taking the risk of an amount of monetary loss in those volatile markets so as to understand consumers’ expectations. It refers such an organizational climate where “*learning from failures is possible and experimentation is a norm*” (Day, 2011, s. 189). The last component is open marketing and it highlights the management of an “*interwoven network*” (Day, 2011, s. 190), which is executed by a focal marketing group equipped with specific set of marketing capabilities. Vigilant market learning and adaptive marketing experimentation add anticipatory and experimental dimensions to the market learning capabilities respectively, while open marketing undertakes the coordination of network partners’ capabilities. Day (2011) believes that if those practices are in place, firms can not only enhance their current marketing capabilities but also acquire the new ones and hence demonstrate high level of marketing adaptation.

In a nutshell, adaptive marketing approach differentiates itself from other approaches related to marketing capabilities with its unique characteristics. First, it has an external oriented and explorative point of view significantly; second, it argues that marketing capabilities should become neither static nor dynamic but adaptive; third, it emphasizes the importance of trial-and-error by venturing to loss of a reasonable financial resource; fourth, it necessitates shifting firms’ behaviors from reactive to a sense-and-response approach provided by perpetual learning; and finally it is executed in an open-network. A comparison of marketing capabilities is given in Table 1 briefly.

Empirical studies also support the theoretical discussions by presenting the positive effect of AMCs on various performance indicators of firms. For instance, AMCs which are based on the dimensions proposed by Day (2011) have been tested and it was found that they had stronger relationship with marketing performance of firms compared to their static and dynamic counterparts. Especially if the environmental turbulence emanating from market turbulence, changes in competitive intensity, and technological advancements are high, this relationship gets even stronger (Guo, et al., 2018).

Table 1: Comparison of Marketing Capabilities Approaches

	Static Marketing Capabilities	Dynamic Marketing Capabilities	Market Orientation	AMCs
Characteristics	Static	Static	Dynamic	Adaptive
Function	Exploitative	Explorative	Exploitative	Explorative
Orientation	Inside-Outside	Inside-Outside	Inside-Outside	Outside-Inside
Capabilities	Marketing mix (Guo, et al., 2018; Vorhies and Morgan, 2005)	Absorptive capabilities, adaptive capabilities, communicative capabilities (Bykova and Jardon, 2018); customer relationship management, product development management, and supply chain management (Fang and Zou, 2009)	Market intelligence generation, market intelligence dissemination (Morgan et al., 2009); market sensing, and customer linking capabilities (Day, 2011)	Vigilant market learning, adaptive marketing experimentation and open marketing (Day, 2011)

Source: Adapted from Day (2011)

In a similar vein, positive relationship has been found between AMCs and international marketing performance of firms and this relationship is even more powerful in intensely competitive markets (Reimann et al., 2021). AMCs also influence sustainable innovation processes of enterprises positively (Shen et al., 2020). External opportunities are placed in the center of innovation processes, and internal resources are seen as the key for market performance of innovations. While firms need to explore new markets, they should exploit the current ones too. AMCs as organizational competencies enable firms to drive proprietary strategies since they help to interlink the external opportunities and internal resources (Shen et al., 2020). Firms adapt to volatile market dynamics by means of AMCs and thereby comprehend current and future expectations of customers. Consequently, they can meet market needs through incremental and radical product innovations (Ali et al., 2021). Firms that adapt to outside-in strategy can perform exploitation and exploration activities in a complementary manner, meaning that, they can execute contextual ambidexterity. Research demonstrates that AMCs strengthen the contextual ambidexterity of the firms by exploring and exploiting the market opportunities which are identified through vigilant market learning, adaptive market experimentation and open marketing mechanism (Ali et al., 2021).

1. Marketing Agility

Due to the devastating changes in markets emerging from complexity, unpredictability, volatility, and ambiguity, agility has become one of the mostly discussed topics in marketing domain as a novel approach to marketing capabilities. MA is seen as a strategic tool for the firms that supports companies' growth through trial-and-error learning, fast decision making and simplified processes and structures (Homburg et al., 2020). Zhou et al. (2019) consider marketing agility as an ability of a firm that supports the firm to forecast and sense the opportunities in the market place proactively. It helps the firm to respond to those opportunities rapidly in order to satisfy the customer expectations. From a more fragmented and process-based point of view, Kalaigaman et al. (2021, p. 36) define MA "*as the extent to which an entity rapidly iterates between making sense of the market and executing marketing decisions to adapt to the market*". The authors argue further that it is executed by a unique combination of sense making, iteration, speed, and marketing decision. This specific combination distinguishes it from AMCs as claimed by the authors. *Sensemaking* provides humans to deal with uncertain and ambiguous situations by interpreting rationally the world being experienced at present and hence allowing actions (Maitlis, 2005). It is "*built out of vague question, muddy answers, and negotiated agreements*" (Weick, 1993, s. 636) that support and pursue the decision making (Maitlis, 2005). In organizational domain, sensemaking involves noticing the unexpected developments in the environment, creating a common understanding of those developments being noticed and trying to establish another manageable environment to draw further cues related to the developments (Maitlis and Christianson, 2014; Kalaigaman et al., 2021). *Iteration* emphasizes the repeatedly

evaluating marketing decisions before being put into practice and thanks to this characteristic; it is not just executed irrespective of pre-defined plans but also differs from carrying out pre-organized marketing decisions (Kalaighnaman et al., 2021, p. 38). It is argued that iterations enable marketing professionals to respond the market changings. *Marketing decision* in MA means to decide on whether it is really necessary to respond to certain developments in the market or it is better to listen, sense and learn from those developments, i.e. it refers to the balance between being reactive and proactive according to the changes occurring in markets (Kalaighnaman et al., 2021, p. 39). In MA, *speed* points out the time indicating how long it takes for the firms to sense the market changes, to start an action, to collect feedback, and to adapt to those changes accordingly with the major purpose of making appropriate decisions as soon as possible depending on the available information at the time (Kalaighnaman et al., 2021, p. 39).

Since MA is a relatively new approach to marketing strategy, limited numbers of empirical studies demonstrate its positive effect on various performance indicators of firms. Zhou et al. (2019) have investigated the relationship among marketing agility, financial performance as well as innovation capability of firms and have found that MA influences the two indicators significantly. Their study's results have also demonstrated that direct positive effect of MA on financial performance was even stronger under high level of market turbulence that is originating from unpredictable customer preferences. However, high market turbulence weakens the positive effect of MA on innovation capability contrary to expectations. In another study, Khan (2020) has examined the links among MA, marketing program adaptation, and performance of the emerging markets' firms operating in advanced economy markets and has found significant positive effect of MA on both marketing program adaption and firm performance. In particular, MA influences financial and market performance in a positive manner not only directly but also indirectly via enhancing marketing program adaption which signifies a firm's ability of customization and product improvement. In addition, direct and indirect connection between MA and firm performance varies depending on the degree of market complexity derived from the nature of international markets such as variety of products, communication difficulties, different types of people involved in the operations and so on. It is observed that direct relationships between given concepts become stronger under high level of complexity, whereas high complexity weakens the indirect relationship between those concepts. Similar situation is valid also for the moderation effect of market complexity on the link between MA and market program adaptation. In particular, high level of market complexity attenuates the direct positive effect of MA on market program adaptation. The fact that market complexity reduces the positive effect of MA on various performance indicators like market program adaptation or innovation capability is partly in line with the observations of Eisenhardt and Martin (2000). The authors draw attention to the point that dynamic capabilities bring firms the ability to cope well with highly complex market circumstances relying on quick created knowledge and iterative execution. However, learning and market sensing can be executed too rapidly in volatile situations which in turn may result even adaptive yet unstable outcomes. Khan (2020) finds and states, on the other hand, that MA when applied properly could help firms to create correct level of adaptation by fragmenting the marketing offerings depending on the complexity of the market.

A study that has been conducted recently in Turkey with SMEs (See Demir et al., 2021) demonstrates also that companies which adopted agile management strategies could overcome certain difficulties of COVID-19 within a short period of time. For instance, a software company dealing with image recognition and processing has changed its focus from individual products to new software for processing X-rays for distant medical diagnosis through which the company could give consultancy to the government as well. In a similar

manner, the company which specializes in medical software product has achieved to accelerate the telemedicine integration into their products just after official announcement of first COVID-19 case. The real estate company that rents and sells summer houses and apartments had to intensify the virtual site tours instead of physical ones during COVID-19 due to travel restrictions (Demir et al., 2021).

2. Adaptive Marketing Capabilities vs. Marketing Agility

As mentioned in the literature presented above, it is argued that MA is positioned itself different than AMCs thanks to the unique combination of its characteristics, namely, speed, iteration, sense making, and marketing decision (Kalaigman et al., 2021). Even though the both approaches have common ultimate purposes such as creating customer satisfaction, gaining competitive advantage in the market, making appropriate marketing decisions, they possess despite the similarities distinctive features as well.

MA and AMCs emphasize sense-making, since understanding market changes is reactive but sensing them beforehand is explorative. Maitlis and Christianson (2014) discuss in depth the specifications of sense-making whilst indicating its dynamic, cue-dependent, social, and action-oriented characteristics and present a definition of the phenomenon as follows; “*a process, prompted by violated expectations, that involves attending to and bracketing cues in the environment, creating intersubjective meaning through cycles of interpretation and action, and thereby enacting a more ordered environment from which further cues can be drawn.*” (Maitlis and Christianson, 2014, p. 67). As AMCs take our attention to the importance of *trial-and-error* in order that consumers’ preferences could be understood better in a fluctuated market, *iteration* between given marketing decisions and ongoing sense-making embarks on a similar role in MA. Iteration means fine-tuning of marketing decisions before they are executed (Kalaigman et al., 2020) and it points out a continuous learning process (Homburg et al., 2020). Similar to *adaptive marketing experimentation* in AMCs, *iteration* in MA rejects the strictly regulated inflexible marketing decisions in favor of giving marketing managers freedom to develop best-suited strategies that meet the market needs. AMCs support being *adaptive* to the changes in the market as *flexible* as possible as does marketing agility, whereas MA additionally highlights to be *agile* as *quick* as possible against those changes that are likely to occur in the market. Speed of the actions is essential in MA and it refers to the time elapsed between sensing market, getting feedback and adjusting marketing decisions. As mentioned in the interviews conducted by Kalaigman et al. (2021, s. 5), one of the marketing professionals implies the importance of being fast by defining MA as “*it is about being able to adapt quickly to one’s environment*” and in a similar vein, the other refers to being fast on decision making as “*the basic tenet of marketing agility*”. At this point, it should be also reminded that a unique characteristic of MA that brings speed and flexibility to it is *modularizing the tasks and processes* (Homburg et al., 2020) which are not incorporated in AMCs. Although decision making is a common theme for marketing agility and adaptive marketing capabilities; marketing agility recons under certain conditions “not to act” as an appropriate strategy instead of taking actions; which means still being agile with respect to listening to the customers, sensing the market, learning the developments. In AMCs approach, on the other hand, the organizations are encouraged always to involve in just-in-time decision making (Day, 2011). Based on given discussion, brief comparison of MA and AMCs can be seen in Table 2.

Table 2: Comparison of Marketing Agility and AMCs

Concept	Marketing Agility	Adaptive Marketing Capabilities
Definition	“The extent to which an entity rapidly iterates between making sense of the market and executing marketing decisions to adapt to the market (Kalaignaman et al., 2020, p. 36)	“Vigilant market learning, adaptive experimentation, and open marketing that mobilizes dispersed and flexible partner resources” (Day, 2011, p. 188)
Iteration	✓	✓
Flexibility	✓	✓
Decision Making	✓	✓
Speed and Modularization	✓	X
Characteristic	Agile	Adaptive
Function	Explorative	Explorative
Orientation	Outside - Inside	Outside - Inside
Link to Firm Performance	Development and utilization of AMCs increase market performance (P2) Market turbulence enhances positive relationship between MA and firm performance (P4) MA's positive effect on firm performance is likely to be stronger than those of AMCs (P5)	Development and utilization of AMCs increase market performance (P1) Market turbulence enhances positive relationship between AMCs and firm performance (P3)
Responsiveness in Uncertainty	High	Low

Source: Based on Kalaignaman et al. (2021, p. 37).

5. Discussion and Propositions

The main purpose of this study is to discuss likely different effects of AMCs and MA on marketing performance of the firms. Although it is argued and empirically found that either AMCs or MA is capable to cope with the difficulties originating from environmental turbulence (Guo et al., 2018), market competitiveness (Reimann et al., 2021; Khan, 2020) and market turbulence (Zhou et al., 2019) by supporting firms’ performance, the literature paid less attention to the comparison of both approaches simultaneously under different level of uncertainties in the markets.

In general, it is known that the firms which develop and utilize marketing capabilities can increase their firm performance significantly (Ngo et al., 2019). In particular, the organizations can have higher firm performance thanks to AMCs than those ones that use either static or dynamic marketing capabilities (Guo et al., 2018). For instance, these companies (1) sense and predict the market conditions better and are capable to collect extensive marketing information, (2) benefit from trial-and-error learning, experimenting and technological advancements, and (3) pursue strategic partnerships, and collaborate with partners to create innovative strategies. All these abilities indicate vigilant market learning, adaptive marketing experimentation and open marketing respectively as core principles of AMCs. Likewise, by measuring proactiveness, responsiveness, flexibility, and speed of

certain companies as marked indicators of MA, Kahn (2020) unveils the positive effect of agile marketing applications on those firms' financial and market performance. Therefore, it is proposed that;

Proposition (P1): When an organization develops and utilizes its AMCs, it will be likely to increase its market performance.

Proposition (P2): When an organization develops and utilizes its MA, it will be likely to increase its market performance.

Market turbulence's direct impact on various capabilities is observed. For instance, while market turbulence strengthens the effects of market orientation on pricing and marketing communication; it weakens the effect on new product development capability (Murray et al., 2011). As it is statically demonstrated, the positive relationship between AMCs and firm performance becomes even stronger under high environmental difficulties originating from market turbulence, technological turbulence, and competitive intensity (Guo et al., 2018). Consequently, it is put forward that;

Proposition (P3) Market turbulence may enhance the positive relationship between AMCs and firm performance. As market turbulence increases, relationship between AMCs and firm performance may become stronger.

Additionally, it is discussed that the firms operating in unpredictable and highly volatile markets can take advantage of MA by using "small-bets", meaning that, it is possible to reduce risk in those markets with small iterations between marketing decisions and sense-making. Specifically, it is argued that higher the unpredictability in the market, the greater the benefits of agility (Kalaighnaman et al., 2021). Hence, it is asserted that;

Proposition (P4): Market turbulence may enhance the positive relationship between MA and firm performance. As market turbulence increases, the relationship between MA and firm performance may become stronger.

Zhou et al. (2019) claim that firms that have MA reach external information faster in order to be hedged against the turbulence in markets and they have better financial performance consequently. In a similar manner, firms which adopted international marketing agility and are operating in international markets where the market dynamics are quite complex can produce more competitive goods and hence can have better international market performance (Asseraf et al., 2019). From theoretical perspective, it is also claimed that despite the need for empirical investigation, MA is the most suited approach for highly unforeseen market conditions, because uncertainties in those markets pose high levels of risk for up-front investments which should be taken into consideration by marketing professionals so as to execute crucial marketing activities like content creation, new product development, and media buying (Kalaighnaman et al., 2021). Practical evidence also supports this assertion; since, for instance, start-ups operating in international markets where the level of complexity is considerably high can adapt to varying circumstances by internalizing agile marketing capabilities (Moi and Cabiddu, 2020). Unique characteristics of MA promote modularizing tasks and processes (Homburg et al, 2020) which enable firms to be more flexible, quick and responsive, i.e. more "agile", towards volatile market dynamics. However, AMCs can only be adaptive than responsive under uncertainties as its definition suggests (Day, 2011). Although this difference is theoretically posed in the literature, there is no observation yet which demonstrates the relative impact of these two strategic approaches on firm performance under unforeseen market conditions. In this paper, relying on the definitions of AMCs and MA, it is claimed that;

Proposition (P5): Under high level of market turbulence, MA's positive effect on firm performance is likely to be stronger than those of AMCs.

6. Conclusion

Capabilities such as firms' knowledge and skills are defined as mostly intangible and unobservable and also nontransferable firm-specific resources (Murray et al., 2011) that have potential to contribute to firm performance by improving other resources' productivities (Makadok, 2001). Related to this definition, specifically marketing capabilities point out firm-specific resources through which companies sense the market developments in early stages, increase customer loyalty and gain competitive advantage as ultimate reward. Marketing capabilities are categorized as static, dynamic and adaptive marketing capabilities (AMCs) (Day, 2011). Each of these concepts' impact on firm performance have been investigated and it is found that AMCs' positive effect is greater than the former two capabilities (Guo, et al., 2018). In recent years, however, MA has been discussed in marketing literature as an alternative strategic approach in order to benefit from market dynamics more effectively, especially during highly volatile times (Kalaigaman et al., 2021). From this point of view, this study points out the main theoretical similarities and differences of MA and AMCs and argues that the firms operating in highly volatile markets where unpredictability is great and marketing tasks are quite complex can benefit from MA in order to increase their market performance.

Even though certain concepts of marketing capabilities, namely static, dynamic, and adaptive marketing capabilities have been examined in various studies (see for example; Guo, et al., 2018; Day, 2011; Ali, et al., 2021), there is a limited number of studies in the literature that investigate marketing agility (Kalaigaman, et al., 2021; Khan, 2020). Therefore, one of the major purposes of this study is to contribute to the marketing agility literature by discussion AMCs and MA simultaneously. By doing this, it also targets encouraging further empirical studies regarding agility concept in marketing domain. For instance, it would be precious to test main arguments of MA like sense-making, speed, iteration, and marketing decisions so as to explore the extent to which the firms utilized MA can response to the needs of volatile markets as compared to the firms that focus on AMCs.

Extended Abstract

A Theoretical Discussion on Marketing Agility and Adaptive Marketing Capabilities in Regard to Firm Performance

1. Introduction and Purpose of the Study

Day (2011) proposes that Adaptive Marketing Capabilities (AMCs) are the most suited approach to marketing capabilities in volatile markets. However, as the complexities of markets increase over the years, new concepts have been discussed in marketing literature, one of which is Marketing Agility (MA). It is still open to discussion which approach is more suitable for the firms in order to cope with market difficulties and hence achieve desirable marketing performance outcomes in times of turbulence such as COVID-19 pandemic times. Having defined briefly, both approaches will be compared and discussed theoretically in this paper and then certain propositions will be presented for further investigations in order to examine their roles on firm performance.

2. Literature Review

In his conceptual study, Day (2011) argues that neither static nor dynamic marketing capabilities are capable of responding highly changeable markets and puts forward AMCs as an alternative approach to marketing capabilities. AMCs (1) are external oriented and have explorative viewpoint; (2) are adaptive; (3) put emphasis on trial-and-error to learn the market dynamics and (4) provide firms to have sense-and-response behaviors, and (5) are executed in an open-network. They

demonstrate positive relationship with the firms' marketing performances and these relationships get even stronger during environmental turmoil (Guo, et al., 2018) and in intensely competitive international markets (Reimann et al., 2021). External opportunities are placed in the center of innovation processes, and internal resources are seen as the key for market performance of innovations. While firms need to explore new markets, they should exploit the current ones too. AMC's as organizational capabilities enable firms to drive proprietary strategies since they help to interlink the external opportunities and internal resources (Shen et al., 2020). Firms adapt to volatile market dynamics by means of AMC's and thereby comprehend current and future expectations of customers. Consequently, they can meet market needs through incremental and radical product innovations (Ali et al., 2021). Contextual ambidexterity indicates management of exploitative and explorative activities simultaneously. While exploitative activities consist of certain actions like "*refinement, choice, production, efficiency, selection, implementation, and execution*"; explorative activities involve "*searching, variation, risk taking, experimentation, play, flexibility, discovery, and innovation*" (March, 1991, p. 71). Firms that adapt to outside-in strategy can perform exploitation and exploration activities in a complementary manner, meaning that, they can execute contextual ambidexterity. Research demonstrates that AMC's strengthen the contextual ambidexterity of the firms by exploring and exploiting the market opportunities which are identified through vigilant market learning, adaptive market experimentation and open marketing mechanism (Ali et al., 2021).

Due to the devastating changes in markets emerging from complexity, unpredictability, volatility, and ambiguity, agility has become one of the mostly discussed topics in marketing domain recently as a novel approach to marketing capabilities. MA is defined as "the extent to which an entity rapidly iterates between making sense of the market and executing marketing decisions to adapt to the market" (Kalaighaman et al., p. 36). MA affects financial performance, innovation capability (Zhou et al., 2019), and marketing performance (Khan, 2020) of firms positively. Its favorable impact on firm performance is even more significant under increasing market complexities (Khan, 2020). Similarly, the relationship between MA and firm's financial performance is stronger under high market turbulence (Zhou et al., 2019). A study that has been conducted recently in Turkey with SMEs (see Demir et al., 2021) demonstrates that companies which adopted agile management strategies could overcome certain difficulties of COVID-19 within a short period of time. For instance, a software company dealing with image recognition and processing has changed its focus from individual products to a new software product for processing X-rays for distant medical diagnosis through which the company could give consultancy to the government as well. In a similar manner, the company which specializes in medical software product has achieved to accelerate the telemedicine integration into their products just after official announcement of first COVID-19 case. The real estate company that rents and sells summer houses and apartments had to intensify the virtual site tours instead of physical ones during COVID-19 due to travel restrictions (Demir, et al., 2021).

It is asserted that MA is positioned itself different than AMC's thanks to its distinct attributes, namely, speed, iteration, sense making, and marketing decisions (Kalaighaman et al., 2021). Both approaches emphasize sense-making, since understanding market changes is reactive but sensing them beforehand is explorative. As AMC's underline the importance of trial-and-error for understanding consumers' preferences in a fluctuated market (Day, 2011), iteration between marketing decisions and ongoing sense-making embarks on a similar role in MA (Kalaighaman et al., 2021). Speed refers to the time elapsed between sensing market, getting feedback, and adjusting marketing decisions in MA (Kalaighaman et al., 2021), whereas it is not specifically incorporated in AMC's. Decision making in MA might refer in certain times to decide "not to act" as an appropriate strategy, this distinction however is not a marked feature of AMC's where the firms are encouraged strongly to shift their behaviors from "a reactive to a sense-and-response approach" (Day, 2011, p. 188).

It can be understood from the studies that AMC's and MA have similar characteristics yet some differences (See Table 1). However, to the best of our knowledge, the studies that discuss and compare both approaches simultaneously have yet to be done. Such a research will be significant, because both approaches' assertions resemble each other yet differences remain which calls for

specifying the nomological domain of each approach. Such discussion would help to reveal further whether the firms utilized MA can be positioned advantageously as compared to those firms deployed AMCs.

3. Design and Methodology

This is a conceptual study which aims at comparing and contrasting two related yet distinctive approaches, namely AMCs and MA. Main concerns include (1) defining AMCs and MA in depth, (2) presenting empirical studies related to those concepts, (3) discussing their similarities and differences, and (4) discussing the propositions as to challenge their comparative relationship with firm performance.

In their theoretical study, Kalaignaman et al. (2020) discuss the concept of MA in depth and identify MA related approaches by underlining the similarities and differences among those concepts in order to specify likely research areas about MA. One of the marketing concepts related to MA is AMCs which have been conceptualized by Day (2011, s. 188) as “vigilant market learning, adaptive experimentation, and open marketing that mobilizes dispersed and flexible partner resources”. AMCs’ superiority in firm performance over static or dynamic marketing capabilities has been demonstrated (Guo, et al., 2018). However, it is still questionable, whether MA’s impact on firm performance is stronger than AMCs (Kalaignaman et al., 2021). This study emphasizes this gap and aims at presenting propositions by a review of seminal papers of AMCs and MA.

4. Theoretical Framework and Discussion

Generally, it is known that the firms which develop and utilize marketing capabilities can increase their firm performance significantly (Ngo et al., 2019). In particular the firms can have higher firm performance thanks to AMCs than the ones that use either static or dynamic marketing capabilities (Guo, et al., 2018). For instance, these companies (1) sense and predict the market conditions better and are capable to collect extensive marketing information, (2) benefit from trial-and-error learning, experimenting and technological advancements, and (3) pursue strategic partnerships, and collaborate with partners to create innovative strategies. All these abilities indicate vigilant market learning, adaptive marketing experimentation and open marketing respectively as core principles of AMCs. Likewise, by measuring proactiveness, responsiveness, flexibility, and speed of certain companies as marked indicators of MA, Kahn (2020) unveils the positive effect of agile marketing applications on those firms’ financial and market performance. Therefore, it is proposed that;

Proposition (P1): When an organization develops and utilizes its AMCs, it will be likely to increase its market performance.

Proposition (P2): When an organization develops and utilizes its MA, it will be likely to increase its market performance.

Market turbulence’s direct impact on various capabilities is observed. For instance, while market turbulence strengthens the effects of market orientation on pricing and marketing communication; it weakens the effect on new product development capability (Murray et al., 2011). As it is statically demonstrated, the positive relationship between AMCs and firm performance becomes even stronger under high environmental difficulties originating from market turbulence, technological turbulence, and competitive intensity (Guo, et al., 2018). Consequently, it is put forward that;

Proposition (P3) Market turbulence may enhance the positive relationship between AMCs and firm performance. As market turbulence increases, relationship between AMCs and firm performance may become stronger.

Additionally, it is discussed that the firms operating in unpredictable and highly volatile markets can take advantage of MA by using “small-bets”, meaning that, it is possible to reduce risk in those markets with small iterations between marketing decisions and sense-making. Specifically, it is argued that higher the unpredictability in the market, the greater the benefits of agility (Kalaignaman et al., 2021). Hence, it is asserted that;

Proposition (P4): Market turbulence may enhance the positive relationship between MA and firm performance. As market turbulence increases, the relationship between MA and firm performance may become stronger.

Zhou et al. (2019) claim that firms that have MA reach external information faster in order to be hedged against the turbulence in markets and they perform better financial performance consequently. In a similar manner, firms which adopted international marketing agility and are operating in international markets where the market dynamics are quite complex can produce more competitive goods and hence can have better international market performance (Asseraf et al., 2019). From theoretical perspective, it is also claimed that despite the need for empirical investigation, MA is the most suited approach for highly unforeseen market conditions, because uncertainties in those markets pose high levels of risk for up-front investments which should be taken into consideration by marketing professionals so as to execute crucial marketing activities like content creation, new product development, and media buying (Kalaigman et al., 2021). Practical evidence also supports this assertion; since, for instance, start-ups operating in international markets where the level of complexity is considerably high can adapt to varying circumstances by internalizing agile marketing capabilities (Moi and Cabiddu, 2020). Unique characteristics of MA promote modularizing tasks and processes (Homburg et al., 2020) which enable firms to be more flexible, quick and responsive, i.e. more “agile”, towards volatile market dynamics. However, AMCs can only be adaptive than responsive under uncertainties as its definition suggests (Day, 2011). Although this difference is theoretically posed in the literature, there is no observation yet which demonstrates the relative impact of these two strategic approaches on firm performance under unforeseen market conditions. In this paper, relying on the definitions of AMCs and MA, it is claimed that;

Proposition (P5): Under high level of market turbulence, MA’s positive effect on firm performance is likely to be stronger than those of AMCs.

Table 1: Comparison between Adaptive Marketing Capabilities and Marketing Agility

Concept	Adaptive Marketing Capabilities	Marketing Agility
Definition	“Vigilant market learning, adaptive experimentation, and open marketing that mobilizes dispersed and flexible partner resources” (Day, 2011, s. 188)	The extent to which an entity rapidly iterates between making sense of the market and executing marketing decisions to adapt to the market (Kalaigman et al., 2020, s. 36)
	Iteration	✓
	Flexibility	✓
	Speed & Modularization	✓
Link to Firm Performance	Development and utilization of AMCs increase market performance (P1) Market turbulence enhances positive relationship between AMCs and firm performance (P3)	Development and utilization of AMCs increase market performance (P2) Market turbulence enhances positive relationship between MA and firm performance (P4) MA’s positive effect on firm performance is likely to be stronger than those of AMCs (P5)
Responsiveness in Uncertainty	Low	High

Source: Based on Kalaigman et al., 2021, p. 37

5. Conclusion

Capabilities such as firms’ knowledge and skills are defined as mostly intangible and unobservable and also nontransferable firm-specific resources (Murray et al., 2011) that have

potential to contribute to firm performance by improving other resources' productivities (Makadok, 2001). Related to this definition, specifically marketing capabilities point out firm-specific resources through which companies sense the market developments in early stages, increase customer loyalty and gain competitive advantage as ultimate reward. Marketing capabilities are categorized as static, dynamic and adaptive marketing capabilities (AMCs) (Day, 2011). Each of these concepts' impact on firm performance have been investigated and found that AMCs' positive effect is greater than the former two capabilities (Guo, et al., 2018). In recent years, however MA has been discussed in marketing literature as an alternative strategic approach in order to benefit from market dynamics more effectively particularly during highly volatile times (Kalaignaman et al., 2021). From this point of view, this study points out the main theoretical similarities and differences of MA and AMCs and argues that the firms operated in highly volatile markets where unpredictability is great and marketing tasks are quite complex, like during COVID-19 pandemic, can benefit from MA in order to increase their market performance.

Even though certain concepts of marketing capabilities, namely static, dynamic, and adaptive marketing capabilities have been examined in various studies (see for example; Guo, et al., 2018; Day, 2011; Ali, et al., 2021), there is a limited number of studies in the literature that investigate marketing agility (Kalaignaman, et al., 2021; Khan, 2020). Therefore one of the major purposes of this study is to contribute to the marketing agility literature by discussion AMCs and MA simultaneously. By doing this, it also targets to encourage further empirical studies regarding agility concept in marketing domain. For instance, it would be precious to test main arguments of MA like sense-making, speed, iteration, and marketing decisions so as to explore the extent to which the firms utilized MA can response to the needs of volatile markets as compared to the firms used AMCs.

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