

The Capabilities Conundrum: How to Balance, Exploit and Integrate both the Operational and the Dynamic Marketing Capabilities of the Firm? An Emerging Market Company Perspective

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Abstract

The strategic concept of dynamic capabilities is proving a key focus for many scholars, and it has been extended into the related concept of dynamic marketing capabilities. While dynamic marketing capabilities are important and deserve scholarly attention, this paper argues that their emphasis sometimes to the exclusion of operational marketing capabilities is not warranted since firms need to make strategic choices in their marketing strategies with regard to both sets of capabilities. Through a qualitative study of Turkey's two leading home appliances manufacturers, we explore how these companies have used operational marketing capabilities and dynamic marketing capabilities successfully in their international expansion over the last twenty years, especially in the areas of knowledge and innovation. We focus on the operational marketing capability of home-country resources and three elements of dynamic marketing capabilities – managerial marketing capabilities, organizational and learning capabilities, and entrepreneurial skills of the firm – as we try to explicate the balance between the two sets of capabilities. We also point towards some capabilities that are especially important for international expansion.

Key Words: global strategy, dynamic marketing capabilities, operational marketing capabilities, innovation, knowledge acquisition, emerging market multinationals, Turkish home appliances industry

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1. Introduction

Currently, the strategic concept of dynamic capabilities is proving a key focus for many scholars (Eisenhardt and Martin, 2000; Teece, Pisano and Shuen, 1997; Zollo and Winter, 2002). Scholars now distinguish between the operational (ordinary) capabilities of the firm and the dynamic capabilities of the firm in terms of their ability to deliver competitive advantage and higher performance (Helfat and Winter, 2011; Winter, 2003; Zollo, 2003). The concept of dynamic capabilities has been extended into the related concept of dynamic marketing capabilities (Barrales-Molina, Martínez-López and Gázquez-Abad, 2014; Bruni and Verona, 2009; Fang and Zou, 2009). Such research has developed from the earlier principles of marketing strategy that take an operational perspective of the marketing function (see, for example, Cavusgil and Zou, 1994; Day, 1994; Day, 2011). This paper explicitly distinguishes between the Operational Marketing Capabilities and the Dynamic Marketing Capabilities of the firm (OMCs and DMCs hereafter). Such a distinction is important both for scholars and for companies: for example, OMCs include the background knowledge, the branding and the reputation of the firm (Day, 2011) and DMCs generate the new knowledge, new products and innovative processes of the firm (Barrales-Molina *et al*, 2014).

Within the concept of the firm's marketing capabilities, it is necessary to explore *both* the OMCs and the DMCs of the firm for two reasons. First, firms have limited resources and capabilities with the implication that managers need to make choices between such resources (Penrose, 1959; Barney, 1991; Amit and Schoemaker, 1993). Second, the extensive marketing strategy literature over the years has established that the OMCs of the firm enhance the

marketing performance of the firm (see, for example Day and Wensley, 1988; Day, 2011) while the more recent literature has identified DMCs as major contributors to future marketing performance (Baralles-Molina *et al*, 2104; Bruni and Verona, 2009; Morgan, Vorhies and Mason, 2009). Thus, firms need to make strategic choices in their marketing strategies with regard to both their OMCs and their DMCs.

For both scholars and practitioners, a key question is therefore the choice, balance, integration and management of the operational and the dynamic marketing capabilities of the firm. This complex process has not been explored to the present time to the best of our knowledge. For example, the comprehensive review of DMCs by Baralles-Molina *et al* (2104) has only limited discussion of the OMCs of the firm and focuses almost exclusively on the DMCs. Hence, there is a significant gap in existing research concerning the balance and choice between DMCs and OMCs. We call this important theoretical and practical strategic process and content gap the ‘*Capabilities Conundrum*.’ Consistent with the argument presented on dynamic capabilities by Helfat and Winter (2011: 1243) and supported empirically by Karna, Richter and Reisenkampff (2016), this paper makes the working assumption that the distinction between OMCs and DMCs is ‘blurry.’ The exploration and exploitation of this blurry interface is the prime purpose of this paper.

Given the potential complexity of the Capabilities Conundrum, we argue that a qualitative and process-based research study within a defined context is essential (Eisenhardt& Martin, 2003). For this paper, we have selected the strategic context of Emerging Market Multi-National Companies (EM MNCs) in their competitive battle with Developed Market Multi-National Companies (DM MNCs) in high-technology global industries. We have chosen this market scenario because ‘the possession of dynamic capabilities is especially relevant to

multinational enterprise performance in business environments that display certain characteristics' (Teece. 2007: 1320). Moreover, a recent meta-analysis has shown that 'dynamic capabilities contribute more to performance in developing economies than in developed economies' (Fainshmidt, Pezeshkan, Frazier, Nair and Markowski, 2016: 1).

Based on these considerations, this article adopts a qualitative approach and focuses on two major Turkish EM MNCs and explores how they have used OMCs and DMCs with considerable success to expand internationally over the last twenty years.

The article contributes to the literature by presenting new insights on the development, balance and exploitation of OMCs and DMCs as companies develop their international strategies, especially in the areas of knowledge and innovation. Second, the paper contributes significant new insights into the operational and dynamic capabilities literature stream. In particular, the evidence shows that the OMCs of the firm are just as important for marketing strategy as the DMCs for EM MNCs aiming to expand internationally. Hence, the evidence suggests that the recent scholarly emphasis on the high importance of DMCs, almost to the downgrading of the role of OMCs, (Barrales-Molina *et al*, 2014; Teece, 2011) needs to be challenged. Third, the paper presents a new route for managers for international expansion by explicating the balance between OMCs and DMCs and identifying some capabilities that are particularly important.

2. Literature review and hypotheses

2.1 Defining the dynamic and operational marketing capabilities of EM MNCs

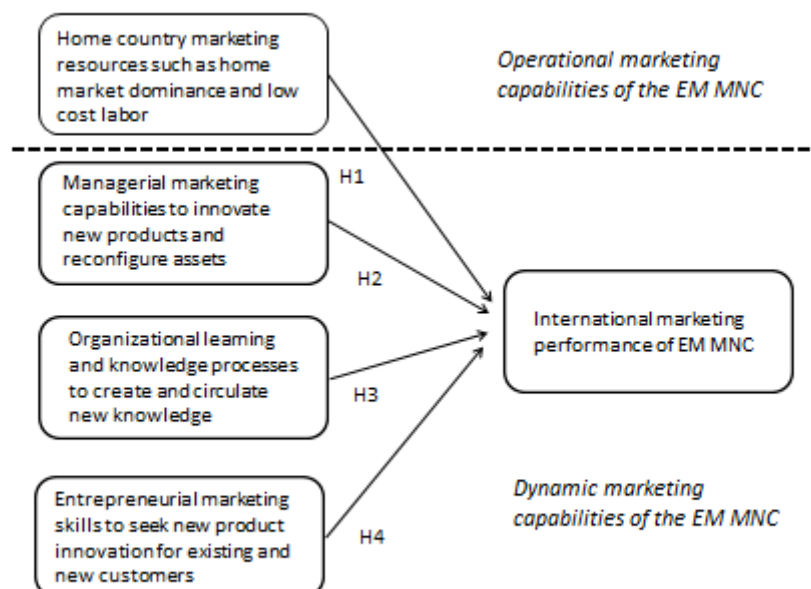
Within the literature on DMCs, recent papers present a broad ‘diversity of ideas’ surrounding DMCs (Barrales-Molina *et al*, 2014: 400) with at least three different conceptualizations of the concept (Bruni and Verona, 2009: 5 and 6; Feng and Zou, 2009: 744; Morgan, Vorhies and Mason, 2009: 911). Given this lack of an agreed definition of DMCs and for reasons of space, we have selected three elements that capture the main strands of the concept for hypothesis development in this paper. These are the managerial marketing capabilities, the organizational and learning capabilities, and the entrepreneurial skills of the firm. Our justification is that DMCs relate to the marketing management skills of those engaged in modifying the marketing resources of the firm (Morgan *et al*, 2011). They encompass the marketing knowledge management of the firm and the absorptive marketing capacity of the firm to incorporate and apply new knowledge (Barrales-Molina *et al*, 2014). They involve conscious experimentation, innovation and entrepreneurial activities to develop best practices that are replicable (Bruni and Verona, 2009; Morgan, Vorhies and Mason, 2009; Wang, Hu and Hu, 2013). We accept that there will be other ways of conceptualizing DMCs but argue that these are at least representative of the main aspects of the concept. We then employ these three areas in our hypothesis development below.

Operational capabilities enable ‘a firm to perform an activity on an on-going basis using more or less the same techniques on the same scale to support existing products and services for the same customer population’ (Helfat and Winter, 2011: 1244). Importantly, this definition does not put a time limit on such capabilities, unlike some other definitions of operational capabilities (Drnevich and Kriauciunas, 2011) because there is no evidence that operational capabilities, such as the brand names of the firm, are time-limited (Day, 2004). It is beyond the scope of this paper to review the extensive literature on the link between the operational marketing capabilities and the effective marketing performance of the firm (see, for example,

Day, 1992; Day, 1994; Cavusgil and Zou, 1994; Day, 2011). However, we conclude that this link is well-established. In summary, OMCs focus on existing marketing and innovative capabilities whereas DMCs extend the concept to the ‘higher level’ abilities of firms to seize market opportunities and cope with changing markets through the re-configuration of marketing assets (Barrales-Molina *et al*, 2014; Fang and Zou, 2009; Helfat and Winter, 2011; Teece, 2007).

Finally, many DMC papers focus largely on the DMCs of the firm – like entrepreneurial capabilities - and address only limited attention to the OMCs of the firm - like branding and reputation. However, all such studies implicitly distinguish between the operational and dynamic marketing capabilities of the firm (see, for example, Bruni and Verona, 2009; Morgan *et al*, 2009; Wang *et al*, 2013). We use the above definitions to draw a basic distinction between the OMC and DMC capabilities of the EM MNC and to structure our research and hypotheses: see Figure 1.

Figure 1 The Conceptual Framework



2, 2 Development of the research hypotheses

Over the last thirty years, the DM MNCs have spearheaded globalisation when the latter is measured by higher Foreign Direct Investment (FDI) and increased international trade (Dunning and Lundan, 2008). Scholars have sought to explain why EM MNCs that lack the firm-specific competitive advantages of DM MNCs have been successful from multiple theoretical perspectives, including those related to effective marketing strategies and product innovation (Buckley and Hashai, 2014). Part of the reason for EM MNC success rests on the institutional and structural support provided by the governments of developing countries (Porter, 1995; World Bank, 2015). From a locational perspective (Dunning and Lundan, 2008), emerging market countries have competitive advantages that may benefit EM MNCs such as natural resources, low energy costs and low wage costs. Thus, EM MNCs have the potential to exploit the natural and economic resources of their home countries. Moreover, some EM MNCs have large home-country markets that will provide basic market knowledge and cash flow to support overseas expansion (Porter, 1995; Rugman and Verbeke, 2004). In summary, these considerations about the home markets and the operational resource strengths of the EM MNCs support the following hypothesis.

Hypothesis 1: Home country marketing resources are positively associated with stronger international marketing performance in EM MNCs.

From a competitive resource-based context (Barney 1991; Collis, 1994; Wernerfelt, 1995), EM MNCs have both strengths and weaknesses that mean that they differ from their DM MNC competitors (Porter, 1995; West and De Castro, 2001). EM MNCs are located in developing countries that have lower wealth per head than developed countries and also lower

wage costs but typically also have higher economic growth rates (World Bank, 2015). One way to exploit the advantages and overcome the disadvantages is by the employment of the managerial marketing and leadership skills of the EM MNC. There is some evidence that the possession and development of such skills has not proved easy for EM MNCs (Zhu, Lynch and Jin, 2011; Wright, Filatotchev, Hoskisson and Peng, 2005) but they are essential for success (Helfat and Martin, 2015). Alternatively, EM MNCs may seek and make acquisitions and alliances. Such a strategy requires a different set of marketing and financial skills (Feng and Zou, 2009). EM MNC marketing managers will also need the leadership skills to innovate new products and reconfigure assets (Galunic and Eisenhardt, 2001; Helfat and Raubitschek, 2000; Helfat and Martin, 2015). Such managerial skills are particularly related to dynamic capabilities (Helfat and Martin, 2015). These considerations lead to our second hypothesis:

Hypothesis 2: Managerial marketing capabilities are positively associated with stronger international marketing performance in EM MNCs.

Many EM MNCs have not invested in R&D to the same extent as their DM MNC competitors and therefore lack the technology-based and knowledge competitive advantages of companies from more developed countries (Lynch and Jin, 2016; Wright *et al*, 2005). In some cases, EM MNCs have made acquisitions of developed country firms in order to acquire technologies and market presence (Zhu *et al*, 2011). But this has largely been a catch-up process for the EM MNCs. Hence, it has not necessarily delivered competitive advantages to the EM MNCs. Moreover, the copying process is vastly different from the learning mechanisms employed by DM MNCs to enhance their competitiveness (Henderson and Cockburn, 2000). EM MNCs are therefore likely to lack both the technological research base and the learning skills base of

their global competitors. Moreover, as Kogut has pointed out (Kogut, 2002: 271), one of the major competitive advantages of the DM MNCs lies in their ‘repository of valuable knowledge’ – which may include marketing knowledge (Barrales-Molina et al, 2014; Zou and Cavusgil, 2002) - that can be exploited in various ways. Thus the lack of such a ‘knowledge bank’ may also hinder EM MNCs.

However, both the knowledge base and the absorptive capacity of the firm are crucial to the development of DMCs (Verona and Ravasi, 2003 Barrales *et al*, 2014). The learning and knowledge process has been identified on three stages: namely (1) creation and absorption, (2) integration (3) reconfiguration (Teece, 2007; Bingham, Heimeriks and Schijven, 2015). If the EM MNC possesses the process skills for this, then it will be able to develop and exploit both its operational knowledge base – the OMC – and reconfigure and enhance its dynamic knowledge base over time – the DMC. Such capabilities may be challenging for some EM MNCs but the research suggests that they are essential for the effective development of DMCs. This leads us to our third hypothesis:

Hypothesis 3: Organizational learning and knowledge processes are positively associated with stronger international marketing performance in EM MNCs.

Teece (2007: 1320) identified four strategic market criteria that particularly support dynamic capabilities, namely (1) linkages to rapid technological change, (2) technologically advanced products that meet customer needs, (3) well-developed global markets and (4) the international expansion strategies of EM MNCs. These criteria are particularly linked to the possession of the entrepreneurial capabilities of the firm to sense, seize and reconfigure assets (Teece, 2007: 1319). Although such skills are not unique to EM MNCs, we argue that they are particularly relevant to EM MNCs. The reason is that such companies will have neither the

resource inertia that inhibits change (Rumelt, 1995) nor the sunk cost effect of the heavy commitment to an existing technology (Besanko, Dranove, and Shanley, 1996).

Entrepreneurial skills are essential to the fostering of innovation that is the essence of DMCs (Rothaermel and Hess, 2007). Equally, entrepreneurs will seek entry into new industries and products (Cepeda and Vera, 2007; Karimi and Walter, 2015; King and Tucci, 2002).. Such attributes lead us to our fourth hypothesis with regard to DMCs:

Hypothesis 4: Entrepreneurial marketing skills are positively associated with stronger international marketing performance in EM MNCs.

3. Research Methodology

This research adopts a qualitative approach following a replication logic with multi-source data collection as suggested by Eisenhardt (1989) and Woodside and Baxter (2013). Such an approach is justified by the need to explore the complex relationships between operational and dynamic capabilities (Eisenhardt and Martin, 2000; Teece, 2007).

The study employs in-depth research of two leading Turkish EM MNCs – Arçelik and Vestel – and their development of their international expansion strategies over the last twenty years. The two Turkish companies were chosen because both companies operate in high-technology yet relatively mature industries with proven track records of global expansion over the last twenty years via innovation.

The study employs both secondary and primary data. For the secondary data stage, the analysis method was the search of publicly available data on the two companies, partly in

Turkish. Primary research was then undertaken with 35 respondents, most of whom were senior managers from the two companies. The information provided by the participants in the primary stage was cross-checked, as much as possible, with company documents, published research reports, historical accounts and the business press in addition to Turkish government official statistics. Thus, for data triangulation we have used a variety of sources of evidence, as recommended (Yin, 2003: 97-98). Multiple researchers were involved in the investigation to achieve investigator triangulation, and more than one method was used to gather data (interviews and documents).

For the primary data stage, the study adopted a two-stage process using in-depth interviews with a pre-determined protocol. The protocol design process draws on Yin (1994) and follows the practices described in Eisenhardt and Martin (2000) on the collection and interpretation of dynamic capabilities and Fang and Zou (2009) on dynamic marketing capabilities. Two Turkish industry experts were also interviewed to provide and confirm the strategic context of the company interviews. The selection of interviewees employs the following criteria: sufficient managerial seniority to provide informed judgments; deep marketing knowledge and experience on the international expansion strategies of the companies; wide knowledge of the competitive and innovative activities of rival companies: see Table 1 for details. Interviews were conducted in two stages, the first with Arçelik and the second with Vestel. The interviews each lasted one to two hours. Thirty interviews were tape-recorded, and seven interviews were documented by written notes. For reasons of confidentiality, we do not identify the individual managers and the senior industry representatives that were interviewed beyond their titles. Though not all of the interviewees are quoted in the evidence below, their information served as background to this paper.

Table 1: Interview List

	<i>Respondent's Title / Position in the Company at the Time of the Interview</i>	<i>Interview Location and Date</i>	<i>Executive's Tenure at the Company or the Business Group*</i>
1	Manager (Arçelik) – International Sales, Africa Division	Istanbul, April 3, 2009; June 20, 2011	Entered Arçelik in 1982.
2	Industry body representative	Istanbul, Dec. 10, 2009	
3	Industry body representative	Istanbul, Jan. 29, 2010; March 13, 2013	
4	Assistant General Manager (Arçelik) / Finance	Istanbul, March 2, 2010	Entered the Koç Group in 2002.
5	Assistant General Manager / Marketing, Arçelik	Istanbul, Jan. 24, 2011	Entered Arçelik in 2009.
6	Director – Strategic Planning, Arçelik	Istanbul, Jan. 24, 2011	Entered Arçelik in 2009.
7	Assistant General Manager (Arçelik) / Sales – Turkey, Middle East, Africa & Turkic Republics	Istanbul, Jan. 31, 2011	Entered Arçelik in 1986.
8	Director (Arçelik) / Sales – Europe, America, Asia Pacific	Istanbul, Feb. 11, 2011; Istanbul, October 28, 2011	Entered the Koç Group in 1992.
9	Arçelik Sales Director – Turkey	Istanbul, June 13, 2011	Entered the Koç Group in 1990.
10	Beko Sales Director – Turkey	Istanbul, June 20, 2011	Entered the Koç Group in 1988.
11	R&D Director, Arçelik	Çayırova, June 22, 2011	Entered Arçelik in 1992.
12	Marketing Director (Arçelik) – Turkey	Istanbul, June 22, 2011	Entered the Koç Group in 1994.
13	Assistant General Manager / Chief Operating Officer, Arçelik	Istanbul, June 28, 2011	Entered Arçelik in 1980.
14	Director – Production Technologies, Arçelik	Çayırova, July 5, 2011	Entered Arçelik in 1991.
15	Manager – Energy and Environment, Arçelik	Çayırova, July 26, 2011	Entered Arçelik in 1992.
16	Director – Supply Chain, Arçelik	Çayırova, July 26, 2011	Entered the Koç Group in 1989.
17	Manager – Central Quality Assurance, Arçelik	Çayırova, August 9, 2011	Entered Arçelik in 1981.
18	Industrial Design Manager, Arçelik	Istanbul, September 15, 2011	Entered the Koç Group in 1990.
19	Human Resource Director, Arçelik	Istanbul, September 22, 2011	Entered the Koç Group in 1994,
20	Product Group Manager, Arçelik	Istanbul, October 7, 2011	Entered Arçelik in 1996.

21	R & D Innovation and System Development Manager, Arçelik	Çayırova, October 11, 2011	Entered Arçelik in 1992.
22	Sales and Marketing Business Unit Manager, Ram	Istanbul, February 24, 2012	Entered the Koç Group in 1988.
23	First Country Manager of Beko UK	Istanbul, February 27, 2012	Entered the Koç Group in 1979.
24	Corporate Relations Coordinator, Arçelik (Earlier: Arctic General Manager, Romania; Country Manager Germany; General Manager, Beko Deutschland)	Istanbul, February 21, 2013	Entered the Koç Group in 1987
25	Chief Operating Officer, Vestel Electronic Operations	Istanbul, January 27, 2011; June 30, 2016	Entered Vestel in 1988 (when the company had different ownership)
26	Marketing Manager, Vestel [§]	Istanbul, February 23, 2011	Entered Vestel in 1997. Has since left the company.
27	General Manager, Vestel Foreign Trade	July 12, 2016 (telephone interview); Manisa, October 10, 2016	Entered Vestel in 1997.
28	General Manager, Vestel Ventures AR-GE AS	Istanbul, September 23, 2016	Entered Vestel in 2005
29	R&D General Manager, Vestel Group of Companies	Manisa, October 10, 2016	Entered Vestel in 1990.
30	Chief Financial Officer, Vestel Group of Companies	Manisa, October 10, 2016	Entered Vestel in 1999.
31	Human Resources Director, Vestel Group of Companies	Manisa, October 10, 2016	Entered Vestel in 1998.
32	General Manager, Vestel White	Manisa, October 10, 2016	Entered Vestel in 1998.
33	R&D Director, Vestel White	Manisa, October 10, 2016	Entered Vestel in 1990.
34	Control, Import and Budget Manager, Vestel White	Manisa, October 10, 2016	Entered Vestel in 2005.
35	Technology Development Manager, Technology Development Department, Vestel White	Manisa, October 10, 2016	Entered Vestel in 2005.
* The tenure of some of the respondents has not been continuous, with some having left the company or the business group to which the company belongs for some time before returning again. [§] Has since left the company. (Those managers who are known to have left their respective companies since the time of the interview have been noted.)			

4. Research Evidence

4.1 The strategic context and international expansion strategies of Arçelik and Vestel

As the flagship of Turkey's biggest conglomerate Koç, Arçelik is one of Turkey's biggest industrial enterprises. Founded in 1955, Arçelik mainly manufactures white goods, consumer electronics and air conditioners, as well as small home appliances. In 2015 net sales amounted to 5.2 billion dollars. The company offers its products and services in more than 130 countries, and international sales in 2015 made up 59.6% of total net sales (Arçelik Annual Report 2015).

As a subsidiary of the Turkish Zorlu group, Vestel is one of Europe's top three television manufacturers, and also ranks among the top ten white goods manufacturers. The company's net sales were around 3.39 billion dollars in 2015. The company exports to more than 150 countries worldwide, and around 65% of total revenues came from international sales (Vestel Annual Report 2015).

Arçelik and Vestel have followed different routes in their international expansion, though their trajectories were parallel in their early years. Both companies began their international expansion with a series of licensing and original equipment manufacturing contracts with American and European manufacturers, thus building economies of scale and background marketing knowledge. However, since the end of the 1990s, Arçelik has expanded via organic brand growth and a series of international acquisitions. By contrast, Vestel has remained focused on OEM and related strategies, though the company is also exporting its own branded goods in some foreign markets.

4.2 Primary data: benefits from domestic market resources

Hypothesis 1 argues that EM MNCs benefit from their substantial resources in their domestic markets. Arçelik and Vestel have major market shares in their home market, Turkey. This market of nearly 79 million people has provided basic market knowledge, product testing and cash flow to support overseas expansion. “The home market is where we are strongest. In that way, you are able to finance your expansion into new markets,” (Respondent 9). In addition, the lack of other high technology industries in Turkey has also helped the two companies. Top engineering talent that might have gone to other industries in more developed countries went to work for the home appliances and consumer electronics industries in Turkey, and, in particular Arçelik and Vestel (Respondent 14). In addition, both companies have benefited from the institutional and structural support provided by the Turkish government (Respondents 2 and 3).

One of the most important home country resources possessed by both companies is their extensive home-located R&D capability. For example, the Koç Group has more than 4,300 R&D employees (Koç Group Annual Report 2015, p. 50). Equally, one executive from Arçelik pointed out that its R&D capability allowed the company to respond quickly to market changes (Respondent 8). Moreover, the ability to develop high-technology products opened up more international opportunities and facilitated the progression from original equipment manufacturing to original design manufacturing and brand licensing (Respondent 28). The evidence shows that the development of home-located R&D capabilities has proved critical to the international expansion of both firms. This would not have been possible

without significant financial backing from their respective corporate-level groups (Respondent 8).

The above evidence supports Hypothesis 1.

4.3 Primary data: managerial capabilities

The success of the two companies in international markets owes considerably to their skills in managing relationships with customers, suppliers and channel delivery companies. The close relationships Arçelik was able to establish with its retailers in Turkey (see Bugra, 2000), for example, is a home-grown capability which the company successfully then leveraged in some of the developing countries into which it expanded (Respondent 4). One company manager explained: “We choose our dealers as carefully as we choose the countries that we enter. ... That is because we view [the relationship] long-term.” (Respondent 8)

For Vestel, the relationships formed by its senior marketing and sales managers with customers and suppliers were also critical to international expansion. Effective customer relationship management relies on the company’s foreign trade arm which often serves as a “locomotive” (Respondent 27) in leading Vestel to new efforts in order to be able to serve a customer. Product Management within this group holds considerable power in the company (Respondents 28 and 29), indicating the importance given to management of customer relationships.

The above evidence supports Hypothesis 2. However, we note that such evidence covers both the OMCs developed over many years, as well as the more recent dynamic associated with DMCs.

4.4 Primary data: learning and knowledge capabilities

As outlined above, both Arçelik and Vestel have invested heavily in their research and development centers. This has resulted in significant learning and knowledge that has helped both companies to expand internationally. After Arçelik began developing its own technology, its international sales opportunities increased, and consequently its opportunities for international investment (Respondent 10). For Vestel, the ability to develop high-technology products facilitated its progression from original equipment manufacturing to original design manufacturing and brand licensing. One manager explained that when the company developed Turkey's first integrated circuit with video processing algorithms, which it patented, "the world starts to regard you differently." Consequently, brand owners were more willing to entrust their brands for licensing (Respondent 28).

Acquisitions and strategic partnerships were also used to gain access to new knowledge. For example, licensed manufacturing and OEM made considerable contributions to Arçelik's growth in the 1970s and 1980s. It delivered knowledge on economies of scale, know-how transfer, product quality improvements and better brand servicing (Respondent 8), and smoother channel acceptance for its own brands (Respondent 5). Subsequently, Arçelik's strategy of growth with its own brands in international markets and its early targeting of European channels has derived from such knowledge and learning (Respondent 8).

In a similar way, Vestel's ability to serve a wide range of OEM/ODM customers has resulted in extensive international market knowledge (Respondent 28). Along with Arçelik, Vestel also monitors the activities of European Union framework programs and technology platforms. It develops and implements research projects with university-industry partnerships, and it also follows symposia and technology fairs. The result of such intense sensing is summed up by a Vestel manager: "I have been here for ten years. In ten years I have not been surprised even once" (Respondent 28).

Managerial tenure at both Arçelik and Vestel is long (see Table 1). Some of the benefits of management continuity to organizational innovation are task knowledge and knowledge of how to manage political processes (Kimberly and Evanisko, 1981). Moreover, the camaraderie and trust bred by long-time association also facilitates knowledge sharing and decision making. A Vestel manager explained: "We may seem to be a big corporation but we take decisions as fast as if we were a small company. There is of course the friendship resulting from years of working together. ... I know very closely what the people in White Goods are doing, and they know very closely what I am doing [in Electronics]. Thereby all of us become up-to-date. When we need to support one another, we immediately adapt to one another and support one another right away" (Respondent 29). Such evidence supports a dynamic knowledge and learning marketing capability.

We conclude from the above evidence that organizational learning and knowledge capability processes are positively associated with international marketing performance. Hence, they support Hypothesis 3. However, we again note that some aspects of such capabilities, such as the lengthy managerial tenure, may be considered as operational rather than dynamic capabilities.

4.5 Primary data: entrepreneurial marketing skills

Both companies engage in intense market opportunity strategies. One manager summed up this ability: “[Arçelik] is ready for any type of attack in foreign markets” (Respondent 11). Another manager explained: “The strongest asset of the company is in its ability to foresee the needs of its customers and proactively develop solutions to best satisfy their needs” (Respondent 27). For example, one entrepreneurial skill is the ability to innovate new products region by region in world markets. Thus, early on in its international expansion Arçelik developed special models for the UK, French and German markets (Respondent 23), and continues to develop special models for different markets (Respondent 1; “Arçelik’ten Çin’e özel,” 2013, May 7). Similarly, Vestel has expanded its product range under license and after identifying market opportunities (Respondent 25).

Leadership support is an important antecedent to the exercising of entrepreneurial skills. One Vestel manager explained: “If [the main shareholder] believes in the [potential investment area], he says: ‘Let us go ahead!’ From that point on he opens up our path and supports us. ... You may be acting with foresight and make your preparations but you may not be able to get the necessary decision. ... The decision may be made, but it may not be supported by the requisite budget. With us, both the decision and the budget are approved,” (Respondent 29).

Vestel proactively approaches clients and convinces them that the company can design and produce new product lines for them. “Otherwise they would have to invest in expanding their own manufacturing facilities and establishing R&D functions. ... Plus, Vestel offers them a

great(er) variety. This variety is a big convenience for clients,” (Respondent 27). Once this approach had been successfully tried on one client, “others were quick to follow suit.”

The above evidence supports Hypothesis 4. However, in this case, the evidence suggests that such entrepreneurial capabilities are more closely aligned with dynamic marketing than with operational marketing resources. This contrasts the conclusions reached above on Hypotheses 2 and 3.

5. Conclusions and managerial implications

This study provides support for all four individual hypotheses. However, these were four specific tests of the broader argument that both the OMCs and the DMCs may contribute to the growth strategies of the two EM MNC companies. The evidence from these two Turkish EM MNCs shows that the managerial marketing capabilities and the learning and knowledge capabilities are related to OMCs as well as DMCs. Hence, while all four hypotheses are supported, the evidence from Hypotheses 2 and 3 suggests that there is a broader and more complex relationship between the OMCs and the DMCs of a company.

A constant theme amongst the senior managers was the need to seek and enhance various knowledge and innovation processes to deliver international growth strategies. Another response was the search for entrepreneurial opportunities, even though the companies were large and well-established. The knowledge and innovation flow was clear, claimed to be effective and constantly interactive. Senior management leadership coupled with freedom to experiment is crucial to the effective international strategies of the two companies. However, such capabilities are built over many years and therefore have elements of operational

effectiveness as well as being dynamic. Hence, the data shows that both companies have grown significantly as a result of both their OMC and their DMC strategies and that both were crucial elements of success for the two companies.

This conclusion is not consistent with much of the recent scholarly research on dynamic capabilities. For example, Teece (2007) has argued that it is largely, if not exclusively, the ability of the firm to upgrade existing or create new capabilities that is crucial to increased performance. Dynamic capabilities encompass the intentional and systematic efforts of the firm to enhance the firm's resource base (Helfat, Finkelstein, Mitchell, Peteraf, Sing, Teece and Winter, 2007). The evidence from the two companies supports the upgrading and creation strategies. However, it also shows that the continued investment in existing capabilities, such as those linked to the home market and to government institutional support, is also crucial to success. Moreover, the evidence shows that market knowledge, learning and long term leadership and management are constructed over lengthy time periods. They have dynamic elements but also involve capabilities that are not time-constrained and, in this sense, not dynamic. It follows that DMC strategies are only part of the overall strategic marketing mix. Fundamentally, this challenges some of the recent scholarly research on dynamic capabilities that has argued that dynamic strategies are the main source of higher business performance (Barrales et al, 2014; Drnevich and Kriauciunas, 2011; Helfat and Winter, 2011; Teece, 2011).

There are two main limitations in this paper. First, the evidence is confined to two Turkish EM MNCs. While it represents an in-depth study of senior management marketing decision-making in these two companies, it may not be representative of a broader range of firms. Second, there were only four capabilities of the firm researched in this study. This selective

approach to operational and dynamic capabilities may not be appropriate for other companies and other industries.

Finally, in terms of management implications, the research suggests that the answer to the Capabilities Conundrum lies particularly in the managerial and leadership skills of the two companies. Balancing OMCs and DMCs will to some extent be unique to each company because, by definition, each company will have its own areas of competitive advantage (Helfat and Winter, 2011). However, managers will recognize the effective strategy of building on basic, long-term operational capabilities such as those associated with a home market. The evidence suggests that these need to be combined with more dynamic marketing capabilities such as those linked to knowledge and innovation. Entrepreneurial activities are a particular dynamic attribute that managers may wish to support. The evidence suggests that the capability that balances, exploits and integrates these capabilities rests fundamentally on the management and leadership marketing capabilities of the firm.

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