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# Is marketing agility important for emerging market firms in advanced markets?

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## ABSTRACT

Marketing agility has recently gained the attention of international marketing managers and scholars. However, scholars have not examined how this capability directly and indirectly influences firm performance and how the effects change under the complex market conditions facing emerging market (EM) firms in advanced economy (AE) markets. Hence, underpinned by the dynamic capability and complexity theories, this study investigates the direct effect of marketing agility—a dynamic meta-capability involving market sensing, speed, flexibility and responsiveness—on firm performance and its indirect effect via marketing program adaptation. Moreover, it explores changes in these direct and indirect relationships under varying market complexity levels. EM firms are often disadvantaged owing to AE market complexity, such as the presence of low-cost advantage of local AE firms. Hence, investigating this framework in this context is valuable. Using data on Pakistani firms exporting to AE markets, the study finds that marketing agility influences firm performance, and the influence is stronger under high market complexity. When market complexity is low, the influence is mediated by the firms' ability to adapt their marketing program to meet AE market requirements. Supporting theoretical and managerial implications are offered.

## 1. Introduction

Marketing agility, a new example of dynamic meta-capability, has emerged as a topic of interest for scholars and practitioners. However, its direct and indirect effects on firm performance are underexplored, and its effects pertaining to the variability of market complexity situations also remain unknown, particularly for emerging market (EM) firms in advanced economy (AE) markets. Hence, this study aims to fill this gap by exploring these effects and contributing valuable theoretical and practical insights.

When EM firms enter AE markets, they face challenges that arise from market complexity. Market complexity, a type of uncertainty associated with external market factors, occurs when multiple channels, organisations and processes are involved in the marketing process to sell a product (Homburg, Workman, & Krohmer, 1999). Market complexity manifests in the challenges that EM firms face owing to exposure to different market conditions in AE markets, including intense competition from established brands (Fan, 2008) and the low-cost advantage of local AE firms (Sutherland, Anderson, & Hu, 2019). In addition, EM firms may suffer from low-quality perceptions (Sharma, 2011). Market complexity is further exacerbated when customer requirements differ (Homburg et al., 1999). These challenges trigger constant shifts in the competitive landscape in which EM firms operate.

Typically, these firms are sensitive to, and less capable of, dealing with these complex shifts owing to their underdeveloped capabilities (Aslam, Blome, Roscoe, & Azhar, 2018).

To confront these challenges, EM firms must develop key capabilities that allow them to adapt and respond to the difficult AE market conditions as well as to sustain their performance. Indeed, these firms often need to adopt unique methods to compete effectively (Hernandez & Guillén, 2018). Thus, it is imperative to assess the capabilities that EM firms require to navigate the AE market intricacies successfully.

Numerous emerging studies have supported the importance of dynamic capabilities as a mechanism for firm success (Cao, Duan, & El Banna, 2019; Khan & Lew, 2018; Xu, Guo, Zhang, & Dang, 2018). In particular, market sensing and responsiveness to opportunities and threats have been discussed as unique capabilities (Battistella, De Toni, De Zan, & Pessot, 2017). Similarly, flexibility in dealing with environmental changes and speed have been highlighted (Ramamurti & Williamson, 2019). However, these studies have only investigated the separate effects of these unique capabilities on firm performance. By contrast, recent focus has shifted recently towards considering the composite effects of dynamic capabilities (Zhou, Mavondo, & Saunders, 2019). Hence, marketing agility emerged as a new example of meta-dynamic capability, comprises of unique capabilities including market sensing, flexibility, speed and responsiveness that allows firms to

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identify opportunities in a changing environment and respond rapidly by reconfiguring their marketing tactics (Zhou et al., 2019). Thus, the first objective of this study seeks an answer to this question: What are the direct effects of marketing agility on EM firm performance in AE markets?

Moreover, studies on dynamic capabilities have argued that indirect relationships between dynamic capabilities and outcome variables may also be critical (Barreto, 2010; Zhou et al., 2019). In a recent study, Zhou et al. (2019) acknowledged that further research is required to generalise the mediating effects beyond product innovation. Nevertheless, marketing agility may enable EM firms to adapt their marketing program which, in turn, affects firm performance (Helm & Gritsch, 2014). Thus, the second objective of this study is to explore the mediating effects of holistic adaptation of the marketing program (i.e. product, price, distribution and promotion). This objective addresses the following question: *How does the adaptation of the firm's marketing program mediate the impact of marketing agility on EM firm performance in AE markets?*

Given that marketing agility is an emergent topic, there are theoretical and empirical deficits as regards identifying the conditions for its effectiveness. Indeed, Hagen, Zucchella and Ghauri (2019) proposed testing its boundary conditions for theoretical development. Hence, as a corollary to the first two objectives, the third objective is to examine a moderated-mediation model to investigate the moderating effects of market complexity on the direct and indirect effects' links of marketing agility on firm performance. This objective addresses the following two questions: *How does marketing agility affect EM firm performance under low versus high complexity conditions of AE markets? How does the indirect influence of marketing agility via marketing program adaptation change under low versus high complexity conditions of AE markets?* By considering moderated-mediation effects, this study extends the boundary conditions of marketing agility as well as the body of theoretical knowledge on the mechanism of dynamic capabilities.

This study is underpinned by the theories on dynamic capability and market complexity. Its key theoretical contribution through the three objectives is developing a conceptual model to illuminate the process through which the marketing agility of EM firms influences their performance in AE markets. In doing so, this study provides valuable insights on the ways in which EM firms can deploy effective strategies to compete in AE markets. As an applied contribution, this study addresses the critical managerial challenge of handling complexity in AE markets by shedding light on the influence of marketing agility on the financial and marketing aspects of firm performance.

## 2. Conceptual development

This study's conceptualisation is depicted in Fig. 1. Next, we describe the components of this conceptualisation.

### 2.1. Marketing agility as a dynamic capability

The concept of agility that emerged from research was incorporated into business strategies and operations and has diffused to other domains, including manufacturing (Gunasekaran et al., 2018), supply chains (Russell & Swanson, 2019) and marketing (Asseraf, Lages, & Shoham, 2018). As a relatively new phenomenon, the conceptualisation of marketing agility is in its infancy (Hagen et al., 2019), and the literature has provided definitions (see Table 1) from two different perspectives. Using the dynamic capability theoretical lens, the first perspective treats marketing agility as dynamic meta-capabilities that helps firms to quickly adjust tactics to deal with changing market requirements (Zhou et al., 2019). The second perspective argues that marketing agility includes various strategic practices and focuses on how restructuring strategies may improve firm responsiveness to changes (Arbussa, Bikfalvi, & Marquès, 2017; Gomes, Sousa, & Vendrell-Herrero, 2019).

To clarify, this study adopts the first perspective and treats marketing agility as a dynamic meta-capability of firms. According to the dynamic capability theory of Teece (2007), dynamic capabilities incorporate the ability to sense and seize market opportunities and to sustain competitiveness through adjusting and reconfiguring business process implementation. Specifically, marketing agility consists of various under-studied dynamic capabilities including proactive market sensing, responsiveness, speed and flexibility. Proactive market sensing is the ability to identify, sense and anticipate market needs (Mu, Bao, Sekhon, Qi, & Love, 2018; Teece, 2014). Responsiveness concerns the ability to react to changes in requirements (Zhou et al., 2019). Speed implies rapidity in responding to these needs. Flexibility refers to the ability to produce different combinations of offerings efficiently. Collectively, these proactive and reactive elements of marketing agility allow firms to improve firm performance (Asseraf et al., 2018; Ayoub & Abdallah, 2019) and can be applied at internal and external operational levels (Gligor & Holcomb, 2012).

Marketing agility focuses on unforeseen occurrences at the tactical level by allowing firms to quickly respond to emerging circumstances (Osei, Amankwah-Amoah, Khan, Omar, & Gutu, 2019). For example, when entering a foreign market, a firm must decide whether to adapt its domestic marketing program or to simply replicate it. Marketing agility may allow the firm to identify and understand those needs and, when

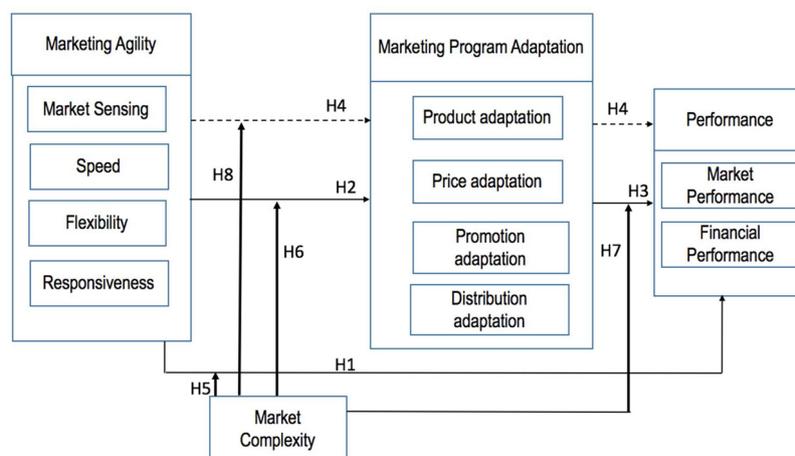


Fig. 1. Conceptual model.

Control variables: size of the firm, age of the firm.

**Table 1**

MarketingKindly check the presentation for the Tables 1–5 and amend if necessary. agility.

Source	Definition
Poolton, Ismail, Reid and Arokiam (2006) (Accardi-Petersen, 2011)	Firms that are highly agile in marketing keeps high involvement in identifying market requirements. Marketing agility is a business ability to outpace competition in the marketplace through reconfiguration of resources and capabilities.
Zhou et al. (2019)	Marketing agility is defined as a sensing and responding capability of the firm. It helps firm to bring innovation to the market. In effect, these innovations influence firm performance.
Hagen et al. (2019)	Marketing agility is defined as a flexible and responsive approach to market changes. It possesses ability to sense the market needs and reconfigure internal business abilities to provide right market offerings.

necessary, to adapt its marketing program for the host country (Gomes et al., 2019). In this regard, marketing agility is particularly important for EM firms operating in AE markets. Guillén and García-Canal (2009) argue that when EM firms operate in AE markets, they are required to develop their knowledge of critical capabilities and existing competition in those markets to improve their performance. EM firms also encounter difficulties related to integrating into a new market with distinct market conditions, such as changing customers' requirements, negative perceptions about product quality etc. These market conditions cause constant shifts in competitive landscape of EM firms in AE markets (Williamson, Ramamurti, Fleury, & Fleury, 2013).

Although AE markets provide EM firms with opportunities to grow, these firms require unique capabilities to perform efficiently in AE markets. Hence, marketing agility, through proactive sensing, flexibility and responsiveness may enable EM firms to manage fluctuating demands and threats arising from high complexity of AE markets (Osei et al., 2019). Based on these arguments, we hypothesise that:

**H1.** For EM firms exporting to AE markets, marketing agility positively influences firm performance.

Next, although a direct relationship between marketing agility and firm performance makes sense (Zhao, Lynch, & Chen, 2010), we argue in Section 2.2 that marketing program adaptation mediates the influence of marketing agility on firm performance.

## 2.2. Mediation by marketing program adaptation

A marketing program can be defined as a holistic composite of activities across different elements of the marketing mix (i.e. product, promotion, price and distribution). Marketing program adaptation allows the firm to offer customised or improved market offerings.

Firms that possess dynamic marketing capabilities proactively scan the environment and use the obtained market information to redesign their market offerings (Martin, Javalgi, & Cavusgil, 2017). This market sensing element of marketing agility allows firms to identify opportunities and threats, which then guide the redesign of their existing marketing program to suit market needs. The process of marketing program adaptation also requires flexibility, speed and responsiveness to guide the redesign of the existing marketing program (Efrat, Gilboa, & Yonatan, 2017). Thus, marketing agility may play a key role in this process since it consists of these critical capabilities—proactive market sensing, speed, flexibility and responsiveness—to improve the firm's market offerings.

Moreover, marketing agility may influence marketing program adaptation for several other reasons. First, when a firm is agile in its marketing, it is actively aware of the market requirements and needs for adaptation (Tsai, Chou, & Kuo, 2008). Marketing program adaptation according to market needs would allow the firm to remain competitive in the market. Second, agile firms are more likely to offer improved products considering that they are more open and responsive to changes compared with less agile firms. This flexibility allows the agile firm to reconfigure its resources to develop and revise its offerings (Matthyssens, Pauwels, & Vandenbempt, 2005).

Marketing program adaptation can be viewed as an implemented

outcome of marketing agility. This is line with the argument that dynamic capabilities, such as marketing agility, are behind driving marketing program adaptation (Ambrosini & Bowman, 2009; Zahra, Sapienza, & Davidsson, 2006). Thus, we hypothesise that marketing agility exerts a positive influence on marketing program adaptation:

**H2.** For EM firms exporting to AE markets, marketing agility positively influences marketing program adaptation.

In adapting their marketing program to suit market needs, product adaptation allows firms to effectively customise or improve aspects such as product quality, warranty, packaging and labelling. Promotion adaptation enables firms to effectively alter their advertising and other promotional communication. Distribution adaptation facilitates firms to cope with the dynamics of managing channels, transportation and warehousing management for reducing costs and improving delivery efficiency. Pricing adaptation helps firms to set the terms of sale, profit margins, discounts and allowances in the market. Consequently, the effective implementation of an adapted marketing program would help firms to reduce costs, increase profitability, compete with established firms, provide value to customers and gain market share by enhancing market acceptability (Khan, Lee, & Lockshin, 2015; Khan, Lee, & Lockshin, 2015; Khan, Lockshin, Lee, & Corsi, 2017; Khan, 2019; O'Casey & Julian, 2003; Zou, Fang, & Zhao, 2003). In summary, we contend that marketing program adaptation also has a direct effect on firm performance, and present the following hypothesis:

**H3.** For EM firms exporting to AE markets, marketing program adaptation positively influences firm performance.

Scholars have asserted that implementing routine business activities, such as product and promotion, often directly influences firm performance (Drnevich & Kriauciunas, 2011), others have argued that dynamic capabilities, such as marketing agility usually one step behind driving this influence (Ambrosini & Bowman, 2009; Zahra et al., 2006), thus implying that marketing program adaptation mediates the influence of marketing agility on firm performance. For example, fundamental changes in the market require radical adaptation by firms to ensure effective business performance (Eisenhardt & Sull, 2001). Firms must possess the ability to sense and respond to market needs for effective implementation of adapted offerings e.g. refined products (Mu, 2015). Thus, it can be argued that the predominant relationship between marketing agility and performance is indirect. We argue that marketing agility allows firms to implement their marketing program adaptation, which, in turn, influences firm performance. Yet, effect on marketing agility on firm performance via mediating role of marketing program adaptation is yet to be established. We hypothesise that:

Corollary to H2 and H3:

**H4.** For EM firms exporting to AE markets, marketing program adaptation mediates the influence of marketing agility on firm performance.

## 2.3. The moderating effect of market complexity

Market complexity is defined as a complication or an intricacy of

external market conditions when a large number of competing brands and products are available; many people, organisations and process are involved in product distribution, pricing and promotion; customer needs differ by market segment; and many people have to be influenced to buy the product (Homburg et al., 1999). It is also viewed as an unpredictable, fluctuating and non-linear market situation (Anderson, 1999). The complexity theory postulates that the firm's fitness and its capabilities rise and fall in an unsettled manner under complex market conditions (Doherty & Delener, 2001). Since the complexity perspective requires managers to understand and respond to changing requirements, these unknown factors add to the barriers facing EM firms that export to AE markets and may weaken the effects of the firms' capabilities under such situations.

In addition, EM firms' capabilities and systems are often regarded as less efficient than those of AE firms (Wu & Chen, 2014). Since EM firms face greater risks when exporting to AE markets, they require greater entrepreneurial and management capabilities. For example, EM firms face the challenges of dealing with competitors, different market needs, and the AE markets' political and legal intricacies as regards imports, contracts, marketing, and selling of products (Helm & Gritsch, 2014). This requires EM firms to go through additional channels, influencers and processes, which further exacerbates the complications for EM firms in AE markets (Kearney, 2012). Hence, market complexity is a market situation which presents challenges that firms must overcome. Marketing agility is a dynamic meta-capability that may enable firms to deal with these market intricacies.

Certain studies have argued that dynamic capabilities are influential and valuable under market conditions characterised by high uncertainty and complexity (Drnevich & Kriauciunas, 2011; Zhou et al., 2019). However, their findings are inconclusive. Others have argued that under highly complex market situations, adaptation or innovation needs are difficult to predict, and thus, firms usually rely upon external knowledge (Runyan, Droge, & Swinney, 2008). Hence, one view is that the influence of dynamic capabilities on performance decreases in complex market conditions (Eisenhardt & Martin, 2000). By contrast, some scholars assert that complexity increases a firm's opportunities to identify market knowledge and to adapt its strategies to respond accordingly, thus allowing it to incorporate relevant developments and avoid obsolescence (Makri, Theodosiou, & Katsikea, 2017).

Bazigos, Smet and Gagnon (2015) in *McKinsey Quarterly* asserted that currently, firms have to deal with even greater competition and complex market needs for reasons such as globalisation and accelerated innovations. Under this situation, firms should be receptive as well as perceptive in dealing with competitive needs and find better solutions for managing complexity. A recent *Forbes* article similarly mentions that building marketing agility is of high interest to business managers (Trapp, 2019). This is because it helps the firm to absorb external knowledge rapidly, consequently improving performance under turbulent situation (Zhou et al., 2019).

Based on the above arguments, it can be inferred that marketing complexity may moderate the influence of marketing agility on performance. We hypothesise:

**H5.** Market complexity positively moderates the effects of marketing agility on firm performance, such that the effects are stronger under high market complexity than under low market complexity.

Under volatile conditions, the effects of dynamic capabilities in renewing business activities are stronger than under stable market conditions (Wilden & Gudergan, 2015). This is because under volatile situations, the opportunities that firms can exploit increases, and thus, the importance and potential of their developing dynamic capabilities increases. Firms in these situations engage more proactively in market sensing and rapidly respond to new information. Thus, the benefits of reviewing and improving their business activities to manage under high complexity situation compared to low complexity situation outweigh the associated expenses. Consequently, high market complexity may

compel businesses to review and adapt their marketing program (Chari, Katsikeas, Balabanis, & Robson, 2014), and marketing agility can help firms to relate to, and address, the complex needs of the market by reconfiguring their marketing program (Robert Baum & Wally, 2003). We expect marketing agility to have stronger effects on marketing program adaptation under more complex conditions and thus propose the following hypothesis:

**H6.** Market complexity positively moderates the effects of marketing agility on marketing program adaptation, such that the effects are stronger under high market complexity than under low market complexity.

Marketing program adaptation according to the changing market requirements is a driver of success for firms (Martin et al., 2017; Westjohn & Magnusson, 2017). Such adaptation also enables the firm to deal with market complexity. When a firm faces high market complexity, it encounters challenges including complex customer needs and the increasing threat of competition. To address these challenges, firms often refine their market offerings to sustain performance and market acceptability. For example, when complexity is higher, firms improve their product designs to suit the varying needs of the market. A firm can also develop a more affordable product variant for less affluent consumers and can communicate information on this offering through advertising and in-store promotions. By adapting the offerings under a high complexity situation, a firm can improve its performance by fulfilling the complex needs of the market.

Under high complexity, firms are compelled to cope with external market-related imperatives (Anning-Dorson, 2017; Chari et al., 2014). Studies have also hinted that structural changes, such as market heterogeneity, may moderate firm performance (Bahadir, Bharadwaj, & Srivastava, 2015). As the market becomes more complex, it mitigates the effects of the existing marketing program on firm performance. Thus, we speculate that the effects of marketing program adaptation on firm performance would be stronger under high market complexity because these adaptations would allow the firm to deal with challenges and sustain performance. Hence, we propose the following hypothesis:

**H7.** Market complexity positively moderates the effects of marketing program adaptation on firm performance, such that the effects are stronger under high market complexity than under low market complexity.

Taken together, hypotheses H5-H7 imply the occurrence of a moderated mediation model. That is, marketing agility is indirectly related to firm performance through marketing program adaptation and that indirect link depends on the level of market complexity (see Fig. 1). When market complexity is low (high), weak (strong) relationships are predicted between marketing agility and marketing program adaptation, and firm performance. This approach is in line with the argument that dynamic capabilities are of greater importance in dynamic environments. Thus, we propose the following hypothesis:

**H8.** Market complexity moderates the indirect effects between marketing agility and firm performance, such that the indirect effects are stronger under high market complexity than under low market complexity.

### 3. Methodology

#### 3.1. Research context

The data for the empirical validation of the conceptual model were drawn from a study of Pakistani businesses exporting to advanced markets. As part of its globalisation effort, Pakistan has made large-scale investments in production and exports to other countries (Khan & Amine, 2004). In particular, Pakistan's major exports to advanced economies include textiles, food items, surgical instruments,

pharmaceuticals, machinery and electrical equipment (Trading Economics, 2019). The United States and the United Kingdom are the two major export markets for Pakistani firms, accounting for 16 % and 8% of Pakistan's total export revenue, respectively (Trading Economics, 2019). Thus, it is critical for Pakistani firms to build key capabilities and strategies that would enable them to meet the challenges impeding their competitiveness in AE markets.

### 3.2. Data collection

We collected quantitative data using a multi-industry design to enhance external variability. First, we compiled a list of firms' contacts from a directory on Pakistani exporters; these contacts were businesses whose principal operations were directly and chiefly exporting and marketing their products in advanced markets, particularly in the United Kingdom or the United States, or in both. Next, we contacted these firms, specifically targeting the top or mid-level managers in charge of export market operations for AE markets, via invitations to connect via LinkedIn. The invitations contained a brief message about the purpose of the invitation and requested the managers to connect if they were willing to participate in the survey. The invitations were in English to ascertain the managers' ability to complete the questionnaire in English. The questionnaire determined the managers' fit by restricting participation to only those with an active role and involvement in managing AE export strategies, including developing the firm's marketing program.

Those who accepted the connection request were then provided an online link to the questionnaire developed on the Qualtrics platform. The questionnaire, written in English, included a cover letter detailing participation information that described the survey as being conducted for academic purposes and ensured participants' confidentiality. The design of the study was one questionnaire per firm. A total of 355 questionnaires were sent to firms across different industries. The original response rate was 39 % or 139 completed questionnaires. After deleting some questionnaires using a listwise deletion method to exclude those with missing data and a few outliers, the final sample contained 100 responses, that is, 28 % of the total questionnaires sent.<sup>1</sup> The industry profile and demographic profile of the participants are presented in Table 2.

### 3.3. Scales

To represent the constructs in the conceptual model, we adapted well-established and reliable scales that previous studies have validated.

#### 3.3.1. Marketing agility

The score for this construct is the average of the scores for proactive market sensing, responsiveness, flexibility and speed. The scale for proactive market sensing contained five items from Mu et al. (2018). The scales for responsiveness, flexibility and speed had six, three and four items, respectively, all of which were adapted from Zhou et al. (2019). To capture the full essence of marketing agility under complex situations, participants were requested to rate all items on a 7-point Likert scale (1 = strongly disagree; 7 = strongly agree) to represent the extent to which their business had undertaken or executed these

<sup>1</sup> We used LinkedIn to contact the firms. We acknowledge managers' valuable time and support in completing the online questionnaire. Some managers who accepted the invitations were highly supportive and offered to provide more details and help in data collection, if required. We did face certain difficulties, such as having to send reminders for questionnaire completion. Overall, we found LinkedIn an effective, novel tool for data collection. In fact, other recent international business studies have also used this platform successfully for data collection (Alaaraj, Mohamed, & Ahmad Bustamam, 2018; Parente, Rong, Geleilate, & Misati, 2019).

**Table 2**  
Managers and industry profile.

Manager profile	Frequency	Industry profile	Frequency
CEO/DIRECTOR	15	Food Products	23
Export Marketing/Sales/Brand Manager	20	Textile/clothing	30
Export Operations Manager	10	Electrical	6
Export Product Manager	1	Surgical	6
Export Manager	51	Technological	4
Other Strategy Manager	3	Cutlery	1
		Marbles/Tiles/Cement	4
		Cotton Products	2
		Sports good	3
		Furniture	1
		Others	20

marketing agility capabilities for their AE markets in the recent past.

#### 3.3.2. Marketing program adaptation

The score for this construct is the average of the scores for product, promotion, distribution and pricing adaptation in the AE export markets. The scales for product adaptation, promotion adaptation, distribution adaptation and price adaptation contained nine, five, six and five items, respectively, all of which were adapted from Theodosiou and Leonidou (2003). To capture the full essence of the firm's marketing program adaptation, participants were requested to rate all items on a 7-point Likert scale (1 = not adapted at all; 7 = highly adapted) to represent the extent to which their business have implemented adaptations in the marketing program over the recent past.

#### 3.3.3. Market complexity

The well-established 8-item scale for market complexity was adapted from Homburg et al. (1999). Participants were requested to rate all items on a 7-point Likert scale (1 = strongly disagree; 7 = strongly agree) to represent the level of complexity in their AE markets. Since the complexity of different markets varies, managers were also asked to state the countries to which they were exporting.

#### 3.3.4. Firm performance

Firm performance was measured based on the average of the scores for both marketing performance and financial performance to capture a more holistic measure of firm performance. The 5-item scales for marketing performance and for financial performance were adapted from Cacciolatti and Lee (2016) and from Rose and Shoham (2002), respectively. Each participant was requested to rate the firm's performance relative to that of its competitors in terms of its key financial and marketing indices over the recent past (on a 7-point scale: 1 = worse than competitors; 7 = better than competitors).

#### 3.3.5. Control variables

Firm age and size were included as control variables because of their potential confounding effects on the model (Schubert, Baier, & Rammer, 2018).

### 3.4. Data analysis

Prior to fitting the model shown in Fig. 1, we tested the item loadings of all the factors using exploratory factor analyses with maximum likelihood estimation in SPSS. All latent construct variables were loaded with their respective constructs. All items successfully converged onto their respective factors, and the lowest loading was .70 (see Table 3).

As Table 3 shows, the Cronbach's alpha values (all > .83) confirmed the reliability of the scales. The average variance extracted of each factor was greater than .50 and greater than the sum of the square of

**Table 3**  
Exploratory factor analysis for all constructs.

Constructs	Factor loading
Marketing agility: In our AE export market(s), we possess the following capabilities over the past few years:	
Proactive market sensing $\alpha = .89$	
1 We continuously scan and sense emerging market trends and events in our export market.	.82
2 We are quite alert to changing market condition in export market.	.82
3 Everyone in our company is sensitised to listen to latent problems and opportunities in the export market.	.85
4 We anticipate our export market trends and events accurately before they are fully apparent.	.86
5 We effectively listen to, understand, and rapidly respond to relevant export marketplace conversations.	.85
Speed $\alpha = .87$	
1 We can meet customer's changing needs faster than our competitors.	.88
2 We compress time from product concept to marketing to respond quickly to the changes in customer needs.	.87
3 We can quickly change our product mix in response to changing market opportunities.	.79
4 We are fast at changing activities that do not lead to the desired effects.	.87
Flexibility $\alpha = .84$	
1 We are flexible when dealing with the changes in market requirements.	.84
2 We make adjustment in dealing with the requirements to cope with changing circumstance.	.92
3 When some unexpected situation arises, we would rather work out with creation/adjustment rather than keeping the original offering.	.85
Responsiveness $\alpha = .92$	
1 We quickly decide how to respond to competitor price changes	.88
2 We respond to our customers' product/service needs.	.88
3 We periodically review our product/service development efforts to ensure that they are in line with what customers want.	.88
4 If a major competitor were to launch an intensive campaign targeted at our customers, we would implement an immediate response.	.84
5 Customer complaints are given consideration in all business units	.83
6 When we came up with a great marketing plan, we are able to implement it in a timely manner.	.81
Marketing program adaptation: In our AE market(s), we adapted the following tools of marketing program according to the changing market needs over the past few years:	
Product $\alpha = .94$	
1. Product quality	.86
2. Product design	.86
3. Product feature/performance	.87
4. Product branding	.80
5. Product packaging	.88
6. Product labeling	.83
7. Product warranty	.82
8. Product after sale service	.83
9. Product mix	.73
Promotion $\alpha = .81$	
1. Advertising	.70
2. Personal selling	.72
3. Sales promotion	.84
4. Publicity and public relations	.77
5. Direct Marketing	.76
Distribution $\alpha = .93$	
1. Channel design	.87
2. Channel intensity	.87
3. Channel control/management	.91
4. Channel coverage	.90
5. Transportation	.85
6. Warehousing	.81
Price $\alpha = .91$	
1. List Price	.85
2. Payment and credit terms	.88
3. Sales terms	.86
4. Discounts and allowances	.88
5. Profit margins	.85
Market complexity: $\alpha = .94$ ; In our AE market(s):	
1. The number of products and brands is very high in our export market.	.89
2. The number of people/organizations involved in the distribution process is very high in our export market.	.89
3. The number of people involved in the buying process is very high in our export market.	.85
4. Communication varies very much across different customer segments in our export market.	.86
5. Customer requirements vary a lot across different customer segment in our export market.	.84
6. There is a lot of variety in products for sale in our export market.	.84
7. There is a lot of variety in the type of people involved in the buying process in our export market.	.80
8. There are many people other than direct customers who must be influenced in order to sell in our export market.	.81
Firm Performance: Our performance in our AE market(s) relative to our competitors over the past few years:	
Financial Performance $\alpha = .91$	
1. Profitability	.86
2. Profit margin	.88
3. Profit growth	.92
4. Return on export sales	.86
5. Costs	.76
Market Performance $\alpha = .90$	
1. market share	.83
2. market share growth	.83

(continued on next page)

Table 3 (continued)

Constructs	Factor loading
3. sales volume	.86
4. sales growth	.87
5. market positioning	.87

Table 4

Correlations and average variance extracted (AVE).

Variables	Mean (S.D)	$\alpha$	AVE	1	2	3	4
Marketing agility	4.90 (1.19)	.95	.72		<i>.10</i>	<i>.42</i>	<i>.22</i>
Marketing program adaptation	4.41 (1.54)	.96	.77			<i>.01</i>	<i>.27</i>
Market complexity	4.98 (1.48)	.94	.71				<i>.08</i>
Firm Performance	4.99 (1.18)	.93	.73				

\*sq. of correlation is reported in italics.

correlations between the factors. Therefore, construct validity was established, and the factors were discriminately valid (see Table 4). Content validity was ascertained by clearly defining the constructs. The scores for each of the four factors of marketing agility were calculated using factor analysis with maximum likelihood estimation. The score for marketing agility was the average of these factors. The same procedure was adopted for the other latent factors. The results of a confirmatory factor analysis using structural equation modelling (using AMOS v24) further confirmed adequate convergent and discriminant validity. The measurement model had good fit (CMIN/df = 1.45,  $p < .01$ , CFI = .93, TLI = .90, IFI = .93, RMSEA = .06).

The variance inflation factor was less than 5 and the maximum correlation between any two items of the three constructs was .77, which was well below the collinearity cut-off of .90. Common method variance bias (CMV) was also controlled for using the procedural remedies that Reio (2010) suggested. We reduced bias by ensuring participant confidentiality, informing them that there is no preferred response, using a simply worded questionnaire and providing clear instructions to complete the questionnaire. Then, we tested for CMV by using the analytical procedure suggested by Podsakoff, MacKenzie, Lee and Podsakoff (2003) in which every variable in the measurement model was loaded onto a common latent factor (CLF), in addition to loading onto its respective factor. Our results show that the model with CLF is a better fit ( $\Delta\chi^2 = 241.01$ ,  $\Delta df = 53$ ;  $p < .001$ ). However, none of the items were found to be insignificant before or after the CLF addition to the model. The correlation paths among the constructs were also unaffected. This result suggested that there was some CMV bias for the observed relationships among the theoretical factors in the conceptual model, but not enough to explain the relationships observed (Mazodier & Merunka, 2012; Piercy, Cravens, Lane, & Vorhies, 2006).

#### 4. Analysis and results

Since advanced markets may vary in terms of market complexity, we first analysed the data to ascertain whether market complexity differed across firms exporting to the United States only ( $n = 13$ ), Europe only ( $n = 40$ ) and both ( $n = 29$ ). We also analysed the data on a few firms exporting to other advanced markets (e.g. Australia and Singapore;  $n = 18$ ). One sample  $t$ -test showed that market complexity was significantly higher than the mid-value of 3.5, on the market complexity scale, for all four types of markets ( $p < .001$ ). This result suggests that all four market types have high market complexity. Next, a one-way analysis of variance on market complexity comparison showed an insignificant difference (all  $p > .10$ ) across the four market types. Hence, the data were combined for all subsequent analyses.

Next, we performed structural equation modelling to test hypotheses H1–H4. We used Model #59 (moderated-mediation test) of the Process Macro to test hypotheses H5–H8. This macro is widely used to

test moderated-mediation models (Hayes, 2012). Process Macro 59 is used as an analytical strategy that simultaneously incorporates mediation and moderation analyses to examine how mechanisms vary as a function of the context (Hayes & Rockwood, 2020). This approach fits well for testing the mechanism of direct or indirect influence of marketing agility on firm performance under varying levels of market complexity. We controlled for firm age and size in the model testing. Since we found no significant effects on firm performance for the control variables (age of the firm,  $p = .27$ ; size of the firm,  $p = .25$ ), we have omitted these variables from subsequent discussions.

The structural model fitted the data well (CMIN/df = 1.96,  $p < .01$ , CFI = .92, TLI = .90, IFI = .93, RMSEA = .09). The direct effect of marketing agility on marketing program adaptation ( $\beta = .34$ ,  $p < .01$ ) and performance ( $\beta = .52$ ,  $p < .01$ ) was positive and significant. The effect of marketing program adaptation on performance was also positive and significant ( $\beta = .53$ ,  $p < .01$ ). Thus, the results support hypotheses H1–H3. The indirect effect of marketing agility on firm performance was still positive but reduced from  $\beta = .52$  to  $\beta = .37$  in the indirect or mediation model (see Table 5). This result implies that marketing program adaptation mediated the effects of marketing agility on firm performance, thus supporting H4.

Table 6 shows that the interaction effect of market complexity and marketing agility on firm performance was positive and significant. This result supports hypothesis H5. However, the interaction effect of market complexity and marketing agility on marketing program adaptation capability was negative and significant, as was the interaction effect of market complexity and marketing program adaptation on firm performance. Thus, we rejected H6 and H7 since these relationships were significant but in opposite directions.

The analyses also revealed the conditional indirect effects of marketing agility on performance via marketing program adaptation (see Table 7 and Fig. 2). The indirect relationship was significant under low market complexity (boot indirect effect  $\beta = .48$ ,  $p < .01$ , CI = .14, .89) and moderate market complexity (boot indirect effect  $\beta = .18$ ,  $p < .05$ , CI = .04, .37) but not under high market complexity (boot indirect effect  $\beta = .09$ ,  $p > .05$ , CI = -.02, .26). As Table 6 shows, the relationship was significant but in the opposite direction. Therefore, H8 was also not supported.

Fig. 3 illustrates all the results.

#### 5. Discussion

When emerging market (EM) firms export to advanced economy (AE) markets, they often face different market conditions, such as competition from established local AE players and complex customer needs. These challenges result in a constantly changing competitive

Table 5

SEM results for mediation model.

	Marketing program adaptation	Firm performance
Marketing agility	$\beta = .34^{**}$	$\beta = .37^{**}$
Marketing program adaptation	–	$\beta = .40^{**}$

Controlled for: age and size of the firm. Both control variables have insignificant effects on marketing program and performance.

\*\*  $p < .01$ .

**Table 6**  
Model coefficients for the Conditional Process Model (Model # 59).

Predictor	$\beta$	S.E	p	CI
Marketing program adaptation				
Marketing agility	.45	.14	< .01	.17, .72
Market complexity	-.33	.10	< .01	-.55, -.11
MA X MC	-.17	.08	.03	-.33, -.01
Firm Performance				
Marketing agility	.29	.13	.03	.02, .56
Marketing program adaptation	.52	.10	< .01	.32, .72
MA X MC	.17	.09	.05	.00, .37
Market complexity	.14	.10	.17	-.06, .36
MP X MC	-.20	.09	.02	-.37, -.02

n = 100, CI = 95 %, unstandardized regression coefficients using bootstrap sample = 5000.

The model controlled for the effects of firm size and age of the firm.

MA = Marketing agility, MP = Marketing program adaptation, MC = Market complexity.

**Table 7**  
Conditional direct and indirect effects of marketing agility on firm performance.

Predictor	$\beta$	S.E	p	CI
Direct effect				
Low Complexity	.09	.15	.54	-.21, .40
Moderate Complexity	.34	.14	.01	.06, .62
High Complexity	.46	.17	.01	.11, .81
Indirect effect (H8)				
Low Complexity	.48	.18	< .01	.14, .89
Moderate Complexity	.18	.08	< .05	.04, .37
High Complexity	.09	.07	> .05	-.02, .26

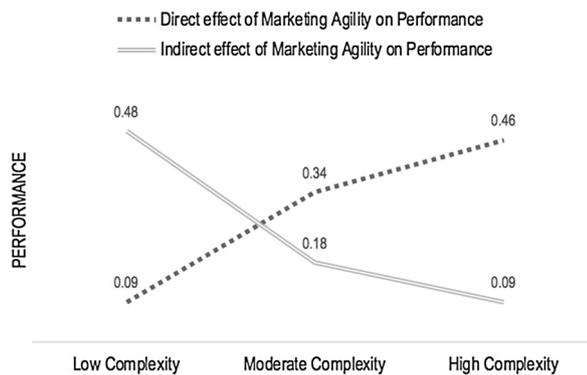


Fig. 2. Moderation effects on direct and indirect links.

landscape for EM firms, which compels them to develop key capabilities to manage market complexity. Under such a situation, firms require marketing agility and need to engage in marketing program adaptation to remain competitive. The literature on dynamic capabilities has not investigated the efficacy of this key capability for EM firms in AE markets. In this study, we examined the importance of marketing agility to the performance of these firms under varying market complexity conditions. In doing so, we contribute to the existing literature by applying established theories in the AE context to emerging economies by undertaking the research in the context of an EM.

Overall, our findings show that marketing agility influences firm performance not only directly, but also indirectly by enhancing marketing program adaptation. The presence of a direct and an indirect influence means that in addition to being able to directly affect firm performance, marketing agility is also critical in stimulating or enhancing a firm's offerings (Zhao et al., 2010). In this study, we show that marketing agility can improve marketing programs to suit the

complex market needs of advanced markets. Collectively, these results support a key contribution of this study: we extend the research on dynamic capabilities by considering marketing agility and apply the concept to consider the manner in which exporting firms from emerging markets compete in advanced economies. In doing so, we respond to a critical question of whether dynamic capabilities directly or indirectly influence performance (Schilke, 2014). The direct effects of marketing agility on firm performance also suggest that there are potentially other mediators that influence firm performance.

In addition, our findings suggest that the direct and indirect influence of marketing agility on firm performance both vary depending on the level of market complexity. Specifically, we found that the direct relationship is weaker under low complexity market conditions and stronger under high complexity market conditions. We also determined that the relationship between marketing agility and marketing program adaptation is weaker under complex market conditions. In other words, high market complexity attenuates the effects of marketing agility on marketing program adaptation. These findings are in line with those of Eisenhardt and Martin (2000), who suggested that under highly complex market conditions, learning and market sensing can be too rapid. Consequently, adaptations often become iterative and unstable owing to unpredictable outcomes. In such situations, it is essential that firms become selective and determine the appropriate adaptations to be performed for ensuring success. However, marketing agility itself can be a source of firm performance when used more astutely and more quickly than competitors use it to offer a suitable adapted marketing program that offers value to customers. In complex markets, the bundle of offerings often breaks down. In these situations, offerings are to be reconfigured and adapted. To be successful, it is critical that managers analyse when, where and how often the marketing program should be changed.

Our study addresses the logical links between dynamic capability, marketing program adaptation and firm performance under varying levels of market complexity, a key area of concern for the managers of EM firms exporting to AE markets. We contribute by illuminating the process through which the marketing agility and adaptations of EM firms in AE markets can be effectively managed under complex conditions.

Given the dearth of research on the critical issue of managing complexity through capabilities and on validating how firms can maximise performance under different complexity levels, this study adds value to the relatively new field of marketing agility in the following ways. First, this study enriches the complexity theory and the dynamic capability theory by providing empirical evidence on the effects of marketing agility in a complex market situation, a topic largely requires theoretical research (Wilden & Gudergan, 2015). Second, it extends and applies the complexity theory in the context of international marketing management. Of note, the theory has been argued to be an important perspective in understanding the dynamics of complex market situations (Wong, Lai, & Bernroider, 2015). Third, a misconception among scholars is that dynamic capabilities are effective only in dynamic environmental conditions. For example, Teece, Pisano and Shuen (1997) defined dynamic capability as the ability of a firm to deal with market changes, whereas other researchers have argued that capabilities must not be confined to such an environment (Ambrosini, Bowman, & Collier, 2009; Zahra et al., 2006). In this regard, this study reveals that dynamic capability's direct and indirect effects varies under varying market complexity situations.

Finally, since studies on dynamic capabilities have only tested the moderating effects of environmental conditions on the predicting variable without considering possible mediators in the model (Drnevich & Kraicunas, 2011), testing moderating and mediating factors concurrently is another theoretical contribution of this study. Specifically, this study provides the foundation for understanding the role of marketing agility by studying different moderating and mediating factors for firm performance.

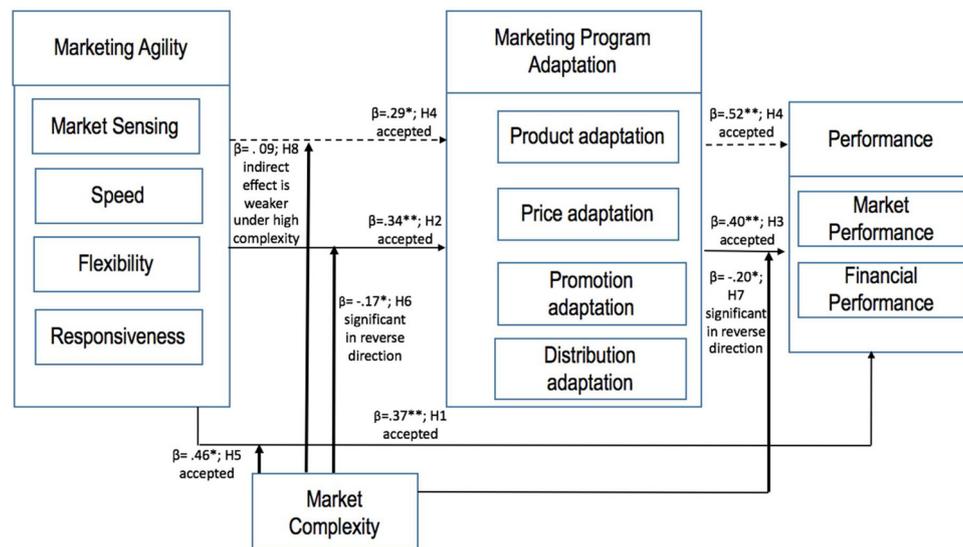


Fig. 3. Summary of results.

\*\* indicates significance at  $< .01$  level; \* indicates significance at  $.05$  level.

Further, our study offers useful implications for Pakistani exporting firms in AE markets. EM firms need to be aware of different market complexity conditions when adapting their marketing program for the target export market. Simply replicating domestic approaches or even assuming that a single adaptation would work across different markets is likely to lead to compromised firm performance. Even if EM firms realise the importance of marketing agility, a key challenge that remains is that marketing agility must be cultivated even before they venture into AE markets. Developing marketing agility would not only enable these firms to improve their performance, but also enable them to improve business programs, particularly marketing programs (that cover their range of offerings and activities) to tackle market complexity.

Given that marketing agility and marketing program adaptation are learned processes, EM firms must embed the development of agile marketing capability in their business strategies since such development requires time and effort. This would require entrepreneurial efforts to build a positive culture of change and to ensure the internal branding of employees, the required structural reconfiguration, the delegation of decision-making to the department that must perform the related action and the flexible allocation of resources to priority areas. In summary, viewing the business environment and performance orientation from the lens of market complexity and dynamic capabilities should enable EM firms to identify and respond to opportunities proactively, and in a more timely and flexible way, than through deploying traditional capabilities.

## 6. Limitations and future research directions

This study has some limitations. First, it is based on cross-sectional data. A longitudinal study to track the marketing agility development and marketing program adaptation of firms, and their influence on firm performance, would help in further illuminating the role of marketing agility. An interesting extension of our model would be to compare our findings considering scenarios involving exports from advanced to emerging, emerging to advanced, and emerging to other emerging markets. Next, this study did not examine how a particular marketing strategy (e.g. the need to introduce new products, establish brand identity or improve brand loyalty) changes the implications of marketing agility for marketing program adaptation (Borden, 1964; Houston, 1986). Examining this topic would be useful in extending the conceptualisation of marketing agility.

We speculate that learning orientation, networking capabilities, and entrepreneurial orientation could play a role in program adaptation. Market orientation versus driving behaviour, as well as innovation ambidexterity, could also be mediators. Future studies could extend this study by investigating these mediators. The role of technological complexity, digitalisation and firm size would be useful moderators. Finally, it would be interesting to study cross-disciplinary synchronisation of under-studied capabilities, such as marketing and supply chains meta-capabilities in determining the influence of agility on firm performance.

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