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Investigating the Impact of Marketing Capability, Operations Capability and Diversification Strategy on Performance of Companies Listed in Tehran Stock Exchange: A Resource-Based View

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Abstract

The current study was aimed at Effects Talent Management on employees Performance in Bank Refah The aim of this study was to investigating the impact of marketing capability, operations capability and diversification strategy on performance of companies listed in Tehran Stock Exchange. For this reason, the number of 123 companies from different industries was selected as sample and the effect of independent variables on the performance of linear regression over the 3 year period (2011 to 2013) were studied. The accounting criteria for evaluating the operations capabilities and marketing companies and the number of goods and services included in the basket of goods and services have been used for evaluating the strategy of diversification. The results show that the operations and marketing capabilities improve the performance of the sample. In addition, by using the regression results indicate the adverse effects of diversity on performance. In other words, according to the survey results, the number of goods and services companies have less diversity, its performance is better.

Keywords: systemic risk, unsystematic risk, risk management, capital structure

Introduction:

Organizations, seek ways to strengthen the advantages in today's world and even to be able to stay in the modern economic system (Vanhaverbeke, Van de Vrande and Chesbrough, 2008). That is why continuous internal and external sources to obtain new ideas, new technologies and even create businesses independent of their business that can increase the profitability of the company used (Narayanana, Zahra and Yang, 2008). Organizational capabilities are one of the most important domestic resources in

management literature. Empowerment of traditionally separate management literature study, whereas Porter believes that all functional areas of the business have to offer goods and services at either participation. In management there is also a growing body of science that focuses on the study of these sources (Balasubramanian & Bhradwaj, 2004). Sustained competitive advantage cause by improved ability and profits will be higher. It is desirable to increase the wealth of financial performance is an obvious and urgent since the shareholders and directors of each company increasing prosperity. Today's discussions capabilities and their impact on financial performance of companies have great importance. This study finds out the nature of the relationship between financial performance and capabilities. And for theoretical studies to evaluate the effect of resource-based view personal strengths and resources of its financial performance used.

Resource-based view

Understanding the origin of organization's competitive advantage allocated a wide range of research in strategic fields (Porter, 1985; Ramlet 1984). Since the 1960s, the structure of most of these studies used single framework (Andrews, 1971; Ansef, 1965; Hoffer and Shindell, 1978). The framework states that organizations sustainable gain competitive advantage through the implementation of business strategies that their internal strengths in response to environmental opportunities eliminate external threats and prevents internal weaknesses to exploit. More research in the field of competitive advantage or on separating source of the strengths and weaknesses of the organization (Porter, 1980, 1985), and describe the strengths and weaknesses (Hofer and Shindell, 1978; Penrose 1959; Stinchcombe, 1965) focused on the analysis of how to adapt the strengths and weaknesses of the chosen strategy. Although the analysis of internal organizational strengths and weaknesses and external opportunities and threats analysis have received sufficient attention in the literature, recently tendency to focus on the opportunities and threats of organization had been in a competitive environment (Barney, 1991). For example, a "five competitive forces" Porter (1980) are features fascinating industry that has more opportunities and less threatening states. Research in the area of simplifying assumptions has competitive position. First, the environmental models have assumed that the competitive advantage of companies within an industry (or organizations within a strategic group), in terms of strategic communication resources control and strategies are same that follow them (Porter, 1981; Ramlet, 1984; Scherer, 1980).

Second, these models assume that the heterogeneity of sources increases in an industry or group (perhaps through new arrivals), the heterogeneity is very short-lived because the resources that are used to implement their strategies are very animated (that are bought and sold on the market) (Barney, a1986; Hirsch Lifer, 1980). As a result, Porter (1980) argues that organizations must analyze their competitive environment, strategy choice and then gain the resources needed to implement their strategies. To implement this strategy assumes that companies have the same resources or the same access to these resources. The usefulness of these assumptions turns out to understand the effect of the environment on the company's performance and there is some doubt (Barney, 1991).

So it is clear that resource-based view of competitive advantage, because the relationship between the organization and the performance characteristics of the test cannot be based on these assumptions. These assumptions, heterogeneity and lack of mobility are resources that eliminate the source of competitive advantage (Penrose, 1959; Ramlrt, 1984; Renrflet, 1984, 1989). Resource-based view has two alternative assumptions into source of competitive advantage. First, the assumption that firms within an industry (or group) in terms of strategic resources that they can control their heterogeneous. Second, the model assumes that these resources between organizations may not fully animate, so heterogeneity can be sustained.

Competitive advantage and sustainable competitive advantage

When a company has a competitive advantage and value creation strategy implemented simultaneously by any current or potential competitors are not pursued. When a company has a sustainable competitive

advantage execute the strategy of value creation that this strategy simultaneously by any current and potential competitors are not followed and these companies will not be able to replicate and reproduce the benefits of this strategy (Barney, 1991). This requires clear definitions of some debate. First, the definitions in particular do not focus on the company's competitive position against other companies in the industry. But as Baumol, Panzer and Willig (1982) stated, the competition in a company includes not only its current competitors but also potential competitors wishing to enter the industry of the future will also be included. Second, the definition here have a sustainable competitive advantage depends on the period of calendar time that the company enjoys competitive advantage. Some authors have suggested that sustainable competitive advantage, competitive advantage lasts long period of time (Jacobsen, 1988; Porter, 1985). However, understanding how organizations can gain a competitive advantage that lasts long period of time, an important research topic is the concept of "sustainable competitive advantage" in this study is considered to calendar time period that is not a competitive advantage.

The competitive advantage is sustainable or not depends on the possibility of duplicating and copying of competition. As Ramlet (1984) and Lipman, and Ramlet (1982) said, a sustainable competitive advantage is only after repeated attempts to reproduce and copying and stop advantage, continue to exist. This definition of sustainable competitive advantage is a balanced definition (Hirshelfir, 1982; Barney, 1991). Theoretically, this definition of sustainable competitive advantage has several advantages. The difficult problem is to determine the amount of calendar time required to maintain a competitive edge to make it competitive advantage is sustainable in the industry, avoided. In terms of practical sustainable competitive advantage may take a long period of time or medium. Although this is not chronological time periods that determine the sustainability sustainable competitive advantage, but, not being able to copy current and potential competitors have a sustainable competitive advantage (Barney, 1991). Finally, the sustainability of competitive advantage does not mean that the benefits remain forever. It just means that by trying to copy does not go by other organizations. Unforeseen changes in the economic structure of an industry may suddenly cause a source of sustainable competitive advantage for valuable organizations and therefore there is no other source of sustainable competitive advantage. The structural revolution in the industry (known as "shock Schumpeter" is said (Barney, c1986; Ramlet and Wensley, 1981; Schumpeter, 1934, 1950)) which is a characteristic of this source and which not to redefine the source. Some of these resources to turn in a new structure defined industry as a source of sustainable competitive advantage (Barney, c1986).

So what was the source of the previous industry may have disadvantage in the new structure, or only irrelevant considered. A company that enjoys sustainable competitive advantage it has experienced major changes in the structure of the competition and maybe watching from the loss of its competitive advantage is due to the changes. However, a sustainable competitive advantage through competition in copying it not destroyed.

Organizational resources and sustainable competitive advantage

Barney (1991) suggested that in order to understand the source of sustainable competitive advantage, it is necessary to build a theoretical model with heterogeneity and lack of exercise in resources began. Of course, all sources have not potential of competitive advantage. To have the potential of each source must have four characteristics: a) should be valuable; this means you can take advantage of the opportunities and threats to destroy. (B) Among current and potential competitors organization is rare. (C) Should be imperfectly imitable and (d) strategically viable alternative to the resources that are valuable, rare and imperfectly imitable.

Diversification Strategy

For many managers and Iranian business owner dependence on selling a product is a continuous concern. These businesses usually provide a successful product to market have witnessed rapid growth in the initial period over time, a decline in sales growth and the stabilization or even decrease their sales. Such reductions for various reasons, such as the emergence of new competitors, market saturation, the arrival

of substitute products or declining demand due to the recession. Diversification of ideas is usually among the first to respond to the situation presented. Although usually what motivates a diverse business interest is growing however, it is seen that companies are either in a recession or crisis comes to diversity. In this article some of the ways to diversify the business implications and provide the Iranian population, this strategy is followed. Diversification strategy is in the extraordinary growth of multinational corporations in the 60s and 70s. These companies mostly were not satisfied industrial groups to stay in the whole industry and went into a completely different industry. Grizzly still remains milk products in the basket of chickens to protect human remains were found. At the time, calculator promise to produce oil companies, and manufacturers of cigarettes into the insurance industry were turned. For most companies the result was this gamble was lost. After the recession of the early '80s Trivia idea of this strategy and competitive strategy based on core competence back insisted it was replaced. However, among the giant companies were also fails the test of time and were able to show brilliant performance while maintaining diversity. Knowledge gained from its experiences, principles that should be considered when adopting diversity found.

Dutta et al (1999) in a study with regard RBV explain the differences between the intrinsic profitability in high- technology markets. The study claimed that marketing capabilities, research and development (R & D) operations and financial performance are the main determinants. In this study of input-output framework in the field RBV was used. The stochastic frontier estimation (SFE) methods used in this study and the researcher argued input-output framework is the best method of statistical methods. This article is the basis for many of his later papers (Neth et al, 2008; De Sarbo et al., 2007), which received marketing capabilities, R & D and operations have a severe effect on performance. Using special statistical method of this study was to compare the company's capabilities provide industry with other companies. This is an important step in enterprise resource allocation decisions. For more capabilities so companies can spend money, or have the greatest effect on competition or will lead to the best performance. Neth et al (2008) in a study aims to understand the relative efficacy of functional capabilities of the company (marketing and operations) and diversification strategy on financial performance stated and they assumed that this relationship depends on the relative efficiency of the company combined three elements - capacity - performance. This study was conducted on 102 British logistics company the results indicate that marketing capabilities determine financial performance.

Results showed that market-oriented companies are likely to firms that only focus on their operations capabilities, better business performance. Also, when company focus on the limited portfolio of services / products and a wide geographic market, has better performance.

Research Methodology

Population, sample and study period

Community research is consisted of all companies listed on the Tehran Stock Exchange, according to the official website of all companies listed in Tehran Stock Exchange to 2013 includes 482 companies in 21 industrial groups. In this study, a representative sample of the target population is appropriate; the systematic elimination method is used. To this end, five criteria were considered and if the company has met all criteria to be selected as a sample.

• Prior to 2011, is listed on the stock exchange. The reason is that the number of samples analyzed in this study, are equal.

• By the end of 2013 is a member of the Stock Exchange.

• In order to compare the ability of items, the fiscal period that is now leading to 29 March as well as their fiscal year has not changed during the study period.

After considering all the above criteria, the number 123 companies as screening population remained, all of which were selected as samples. So our observations in 369 years – shown that these observations to be in 21 different industries. While the study period from 2011 to 2013 during a period of three years.

Hypothesis: This study consists of three hypotheses are as follows:
First hypothesis: Company's marketing capability has a positive impact on performance.
Second hypothesis: company's operations have a positive effect on performance.
Third hypothesis: strategy of diversification has a negative effect on firm performance.

The definition of variables

Financial Performance

In this study performance indicators are used to evaluate the variables is defined as operation profit performance will be considered (Neth et al., 2008).

Marketing capability

Marketing capabilities is continuous process through the use of company resources to achieve business objectives (Vorhies & Morgan, 2005). Purpose of marketing is product or service value for current and future customers of the company. So to measure the variables of net annual sales marketing capabilities will be used. Net sales minus sales returns and sales allowances and other deductions from sales are obtained.

It should be noted that companies that were active in the sphere of production and services their sale of service activities also will be considered in the calculations.

Operations capability

In this study, the cost of operation is used as a marketing feature. This means that the cost of delivery of goods or services is considered as the cost of operations. In an operational definition capital costs and operating costs and labor costs, in other words the ability to evaluate the operations used (Neth et al., 2008).

Diversification strategy:

To assess this strategy selling products or services on the cart used (Neth et al., 2008). The number of products available on the company's sales portfolio in the explanatory notes of the financial statements is extracted.

Data analysis method

According to the research methods were used in libraries and literature review and aims to identify the characteristics, preferences, characteristics and behavior of individuals by referring to them, can say that this study is based on the nature and method of research is descriptive-survey. In fact, research survey to study the characteristics and traits of the society and the current state of population in the form of multi-attribute or variable is evaluated. Meantime, the linear regression was used to test the hypotheses of this research.

Data normality test

Hypothesis testing data of 123 companies surveyed for the years 2011 to 2013, through SPSS software. The normal starting point test data related to each of the variables. To determine the normality of variables One-Sample Kolmogrov-Smirnov Normality test was used. If the probability of this test is larger than 0.05, 95% can be confirmed normal distribution of variables and vice versa. The results of this test (Figure 2-4) a bit of research show that the variables are normally distributed.

As seen in Figure 1, the amount of each one of the variables is greater than 0.05. So data can be examined through parametric tests.

Figure 1: data normality test				
Variable	Marketing capability	Operations capability	Diversification Strategy	Preferences

Kolmogorov-Smirnov Z	0.678	0.234	0.913	0.223
significance level	0.875	0.885	0.344	0.466

The correlation between the variables
In Figure (1) the correlation between the independent variables and the dependent variable is given.
Figure (2): the relationship between independent and dependent variables

	Correlation	Significance level
Marketing capability	0.375	0.03
Operations capability	0.564	0.00
Diversification Strategy	0.206-	0.007

As the figure (2) shown, there is a strong positive correlations between marketing and operational capabilities and performance of companies. While the high correlation between diversification strategy and performance correlation is negative.

The results of hypothesis testing

First hypothesis: in this hypothesis positive effect of company's marketing capabilities was tested on the performance. The results show a significant positive relationship between marketing capability and performance. The regression model fitted to the F statistic is significant and based on the coefficient of determination; these variables explained 14 percent of variance in performance. So it can be concluded that companies with increased marketing capabilities, their performance improved.
Figure (3): Results of a multivariate regression between independent variables and performance

Variable	Factor	significance level	T-statistic	F statistic	coefficient of determination	Durbin-Watson
Marketing capability	0.375	0.03	8.967	12.935	0.14	1.859
Operations capability	0.564	0.00	8.819	77.77	0.318	1.673
Diversification Strategy	0.206-	0.007	2.720-	7.398	0.142	1.857

Second hypothesis: This hypothesis was tested positive effect of company’s operation capability on the performance and results show there is a positive and significant relationship between operations capability and performance. Factor variables shows operational capability is directly related to performance. The regression model fitted to the F statistic is significant and based on the coefficient of determination; these variables explained 32 percent of variance in performance. So it can be concluded that increasing the operational capabilities of companies, their performance improved.

Third hypothesis: This hypothesis was tested positive effect on the performance of the company's strategy that results show a significant relationship between diversification strategy and performance. Factor variables shows the strategy of diversification is inversely related to performance. The regression model fitted to the F statistic is significant and based on the coefficient of determination; these variables explained 14 percent of variance in performance. So it can be concluded that the increased variety of products and services supplied by the companies, decreases their performance.

Conclusion

This study aimed to investigate the effect of marketing and operational capabilities and the strategy of diversification on firm's performance is done. By objectives that exist in this research, three hypotheses have been examined. The results of the first hypothesis suggests that organizations that are capable of better marketing to achieve higher performance. This means that organizations that are capable of better marketing to achieve higher performance. In other words, the costs for their companies to market their products ultimately lead to more sales, and also offset the investment costs, the company leads to better performance. The total effect of company's marketing capability on performance is 0.375. So it can be said 0.375 changes in the studied companies is justified by marketing capabilities.

These results are similar to results of research conducted in the UK (NAS et al., 2008). The results of the second hypothesis suggests that organizations that have a better operational capability to achieve higher performance. This means that organizations that have a better operational capability to achieve higher performance. As a result, companies with better operational capability can earn high returns and earnings. These results highlight the importance of infrastructural development, such as improving equipment and improve the use of technology tells. Therefore, superior performance in operations tasks, the ability of companies Tehran stock exchange with customers and suppliers, providing greater flexibility in operations and improving the value offered throughout the supply chain. Increase in operational capabilities lead to sustainable competitive advantage. Kevin (1986) states for a sustainable competitive advantage, customers must see the difference between the firms and recognizes its rivals. These differences must be due to resources that are firm but had not competitors (Cohen, 1986). The total effect of company's operational capability on the performance is 0.564. So we can say 0.564 changes in the studied companies justified by operations capability. These results are similar to results of research conducted in the UK (NAS et al., 2008). In a similar study of Wu et al (2008) investigated the relationship between the company's operational capabilities on the financial performance, results show that there is a significant relationship between the operational and financial performance. The results of the third hypothesis suggests that organizations that have less diversity in products and services to achieve higher performance. The organizations have fewer options in their products to achieve higher performance. It seems that the results of this hypothesis stems from decline in company's profit margins and increase in the number of products and decline in profit margins will eventually lead to lower performance company. In other words, fewer products makes the company had to be more careful in choosing your product and the production and sale of their products in the basket that better expertise in manufacturing with lower cost or better in selling their expertise and each of these modes will eventually lead to better performance for them.

According to the results the company is recommended to strengthen marketing capabilities and its operations improve the performance of its product portfolio will be less diversified. It seems that companies in the Tehran Stock Exchange ready to create a variety of goods and their service and their control do not have to gain better performance. In addition, the following suggestions for future research seem necessary.

1. In future research on the subject of the present study considered two factors: company size and industry. In particular, according to tests done by various industries.
2. The effect of other internal features measured on performance.
3. Why diversification strategy adverse effect on the performance of companies listed on the stock exchange is analyzed.

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