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# The Impacts of Marketing Capabilities on Business Performance in the Case of Selected Manufacturing firms in Ethiopia: The Mediating Role of Sustainable Competitive Advantage

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**Abstract:** *This study investigates the relationship between marketing capabilities, sustainable competitive advantage, and business performance within selected manufacturing firms in Ethiopia. Its primary objective was to explore the mediating role of competitive advantage between marketing capabilities and business performance. A total of 280 questionnaires were distributed, with 219 completed responses, yielding an 84% response rate. Participants were selected using purposive sampling. The study tested 20 hypotheses related to various marketing capability dimensions, including Market Sensing, Specialized Marketing Capabilities, Architectural Marketing Capability, and Dynamic Marketing Capabilities. A quantitative research methodology, using survey data, was employed to test these hypotheses. The findings revealed that several marketing capabilities, including Market Information Scanning, Pricing Capability, Channel Management Capability, and Customer Relationship Marketing, significantly impact business performance. Moreover, competitive advantage was found to mediate the relationship between marketing capabilities and business performance. These results emphasize the importance for manufacturing firms to prioritize the development of specific marketing capabilities to enhance performance and achieve sustainable growth in competitive markets. However, the study also found that Market Information Interpretation, Product Management Capability, Market Learning Capabilities, and Capability Enhancement did not significantly affect business performance, contrary to previous studies both locally and globally. The study's focus on manufacturing firms in Ethiopia limits the generalizability of its findings to firms in different industries or of varying sizes. Future research should explore the influence of firm size on the mediating effect of competitive advantage and further investigate under-explored constructs such as Market Information Interpretation and Product Management Capability. These insights can inform policymakers and practitioners in developing strategies tailored to the unique challenges faced by firms in emerging economies.*

**Keywords**: Marketing capability, Sustainable competitive advantage, Business performance

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## INTRODUCTION

Research on marketing capabilities has grown significantly as a key factor in explaining firm performance, both internationally and domestically. However, it remains unclear how international marketing capabilities differ from those in domestic contexts. Capabilities emerge when individuals and groups apply their knowledge and skills to combine resources and achieve organizational goals through interactions within the organization (Collis 1995; Mahoney & Pandian 1992; Grant 1996a; Marino 1996).Capabilities are coordinated patterns of skills and knowledge embedded in organizational routines (Grewal & Slotegraaf, 2007; Kale & Singh, 2007). Marketing capabilities exist at various levels within a firm, from individual to corporate (Grant, 1996a; Morgan & Slotegraaf, 2011). Marketing Capability (MC) is the process of leveraging firm resources to meet consumer needs, achieve differentiation, and build brand equity (Chen, Chen & Zhou, 2014). MC includes tasks like market sensing, communication, partner linking, pricing, and planning, often measured with Likert scales (Mu, 2015; Mu et al., 2018; Vorhies & Morgan, 2005).

A firm's capabilities emerge from knowledge-based processes at lower levels (Galunic & Rodan, 1998; Grant, 1991), including market sensing, cross-functional, and dynamic capabilities, which are transformed into value offerings (Day, 1994; Madhavan & Grover, 1998). While the link between marketing capabilities and firm performance is recognized, empirical studies in the Ethiopian Manufacturing Sector are lacking. Marketing capability is identified as a key driver of competitive advantage (Apasrawirote et al., 2022), and numerous studies have explored its impact on performance, though results remain mixed (Hooley et al., 1999; Vorhies et al., 1999; Tsai & Shih, 2004; Morgan et al., 2009).

The Ethiopian manufacturing sector, while holding significant potential for economic growth, faces a range of challenges that hinder its development. Despite the country's ambitious industrialization plans, the sector remains underdeveloped, with a heavy reliance on agriculture and exports of raw materials. Key obstacles include inadequate infrastructure, limited access to finance, and a shortage of skilled labor, which impede the growth of small and medium-sized enterprises (SMEs) and prevent the manufacturing industry from reaching its full potential. Moreover, the sector struggles with low productivity, inefficient supply chains, and reliance on outdated technologies, which slow its competitiveness in global markets. Given Ethiopia's vision to become an industrial hub in Africa, understanding the constraints and opportunities within the manufacturing sector is crucial for policymakers, businesses, and researchers alike. A focused study on these challenges is vital to formulating strategies that can stimulate industrial growth, boost exports, and create sustainable jobs, ultimately contributing to the nation's broader development goals (UNIDO, 2020; World Bank, 2022).

A Critical research gap exists in understanding how marketing capabilities influence firm performance, particularly in emerging markets such as the Ethiopian Manufacturing Sector. While

the link between marketing capabilities and firm performance has been well-documented in other contexts (e.g., Hooley et al., 1999; Vorhies et al., 1999), limited empirical research has explored how these capabilities operate in emerging economies, which face distinct challenges and opportunities (Apasrawirote et al., 2022). Moreover, although the broader impact of marketing capabilities on competitive advantage is acknowledged, the influence of specific marketing capability dimensions—such as market sensing, pricing, and partner linking—on competitive advantage remains underexplored, especially in non-Western settings. Even fewer studies have investigated how decomposed marketing capability dimensions mediate the relationship between marketing capabilities, competitive advantage, and firm performance, particularly in developing economies (e.g., Tsai & Shih, 2004; Morgan et al., 2009). This gap underscores the need for research that examines how these specific marketing capability dimensions interact and influence competitive advantage and firm performance in emerging markets.

This study directly addresses this research gap by examining the relationship between marketing capabilities, competitive advantage, and firm performance in the Ethiopian Manufacturing Sector. The study makes two key contributions: first, it investigates how specific market-related capabilities contribute to achieving a sustainable competitive advantage and how these marketing capability dimensions link to firm performance; second, it explores how these dimensions influence performance through sustainable competitive advantage (SCA). By answering these critical questions, this study will provide valuable insights into the dynamics of marketing capabilities, competitive advantage, and firm performance in emerging economies, offering significant contributions to both theory and practice.

To guide this exploration, the study addresses the following research questions:

- **RQ1**: Does the marketing capability dimension directly impact business performance?
- **RQ2**: How do decomposed marketing capability dimensions affect business performance?
- **RQ3**: How do decomposed marketing capability dimensions influence competitive advantage?
- **RQ4**: Does competitive advantage mediate the relationship between decomposed marketing capability dimensions and business performance?

By answering these questions, the study aims to fill a crucial gap in the literature and provide insights that can inform both academic research and practical applications in emerging markets.

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## LITERATURE REVIEW

### Business Performance

Business performance encompasses three key areas: financial performance (profits, return on assets, investment), product market performance (sales, market share), and shareholder return (total shareholder return, economic value added) (March & Sutton, 1997). Profitability, central to business success, measures a firm's ability to generate revenue from its resources (Niresh & Velnampy, 2014; Muya & Gathogo, 2016), with profit representing the difference between sales revenue and costs (Ogbadu, 2009; Stierwald, 2010). Market share reflects a firm's competitiveness, with higher market share often indicating strategic success (Sarkissian, 2010; Armstrong & Greene, 2007). Efficiency focuses on achieving goals with minimal resources or waste, and has been a key performance metric in research (Ogboso & Amah, 2016; Cameron, 1986; Drucker, 1954; Venkatraman & Ramanujam, 1986).

### Marketing Capability Dimensions

Marketing capabilities refer to the knowledge and skills a company develop to enhance resource utilization (Leemann & Kanbach, 2022). According to Wu et al. (2023), capabilities are crucial for converting resources into value and driving competitive advantage. Marketing capability involves interrelated routines that enable firms to engage in marketing activities and respond to market knowledge (Hoque et al., 2022). This study explores various dimensions of marketing capability—market sensing, specialized market capability, cross-functional marketing capability, architectural marketing capability, and dynamic capabilities—and their impact on firm performance, while also examining how competitive advantage mediates this relationship.

### Market Sensing Capability & Business performance

Market Sensing Capability involves gathering and applying market knowledge to inform decision-making (Day, 1994; Lankinen et al., 2007; Olavarrieta & Friedmann, 2008). It enables firms to monitor the market, identify opportunities, and assess threats (Fang et al., 2014), focusing on learning about consumers, competitors, and the business environment (Day, 2002; Olavarrieta & Friedmann, 2008). Market sensing includes defining the market, monitoring competition, assessing customer value, and gathering feedback (Olavarrieta & Friedmann, 2008). Day (2002) categorizes it into three activities: sensing, interpreting, and evaluating information. While critical for learning, some studies suggest it may not directly impact SME performance in sectors like leather and furniture (Tarnovskaya et al., 2008). Market sensing consists of three sub-processes: sensing, sense-making, and response (Day, 1994; 2002), with market-oriented firms adopting more systematic, anticipatory processes (Day, 2011). It is defined as generating, distributing, and responding to market intelligence related to customer needs (Jaworski & Kohli, 1993). The firm's ability to apply external knowledge depends on its existing knowledge base (Likoum et al., 2018).

Hypotheses H1a, H1b, and H1c explore the relationship between market sensing capabilities and business performance.

**H1: Market sensing capability significantly impacts business performance.**

**H1a**: Market information scanning significantly affects business performance.

**H1b:** Market information interpretation significantly impacts business performance.

**H1c:** Market response significantly influences business performance.

**Specialized Marketing Capabilities & Business Performance**

Specialized marketing capabilities refer to functionally specific processes within an organization that combine and transform resources, primarily within the marketing function, although they may involve coordination with other departments (Vorhies & Morgan, 2005). These capabilities are often linked to the tactical marketing activities necessary to implement a marketing strategy, including aspects of the marketing mix such as product, pricing, communication, and distribution (Bonoma, 1985; Hunt & Morgan, 1995; Vorhies et al., 2009). Hypotheses H2a, H2b, H2c, H2d, H2e, and H2f explore the relationship between specialized marketing capabilities and business performance.

**H2: Specialized marketing capabilities significantly impact business performance.**

**Product Management Capability**

Product management capability refers to the processes involved in adapting, maintaining, and delivering products or services to meet customer needs (Greenley & Oktemgil, 1997). It requires well-established routines for evaluating product/service performance and adjusting offerings to align with evolving customer demands and competitive pressures (Adler et al., 1996; Slater & Narver, 1995).

**H2a**: Product management capability significantly impacts business performance.

**Pricing Setting Capability**

Pricing setting capability is crucial for delivering value to customers, as price influences both cost and perceived quality (Dawar & Parker, 1994). Effective pricing management is an important marketing capability, as firms with strong pricing skills understand its impact on customer value and competitor strategies (Dutta et al., 2003; Shapiro et al., 1987; Blattberg & Wisniewski, 1989). These firms use this knowledge to develop and implement pricing strategies and make timely adjustments when needed (Irvin & Michaels, 1989; Marn & Rosiello, 1992).

**H2b**: Pricing capability significantly impacts business performance.

**Channel Management Capability**
Pricing setting capability is essential for delivering customer value, as it affects both cost and perceived quality (Dawar & Parker, 1994). Firms with strong pricing capabilities understand its impact on customer value and competitor strategies (Dutta et al., 2003; Shapiro et al., 1987; Blattberg & Wisniewski, 1989) and use this knowledge to develop and adjust pricing strategies effectively (Irvin & Michaels, 1989; Marn & Rosiello, 1992).

**H2C**: Pricing capability significantly impacts business performance.

**Marketing Communication Capability**
Marketing communication capability is based on core activities such as advertising, social media, sponsorship, public relations, and corporate image management (Aaker, 1996, 2008). It involves conveying product benefits to potential customers, reminding current users of product value, and reinforcing purchase decisions to minimize cognitive dissonance, which are essential skills for effective marketing communication capability (McKee et al., 1992).

**H2d: Marketing communication capability significantly impacts business performance**.

**Professional Selling Capabilities**
Professional selling capabilities consist of two elements: the skills of sales personnel in analysing customer needs, providing information, and managing relationships (Brown et al., 1998), and the systems for efficient sales force management, including training, performance tracking, and coordination with product and market managers (Challagalla & Shervani, 1996).

**H2e:** Selling capability significantly impacts business performance.

Market research capability is a firm's ability to address market-related questions by designing research plans, collecting and analyzing data, and providing insights to decision-makers (Vorhies et al., 1999; Moorman, 1995). This capability has been linked to improved firm performance in marketing literature (Vorhies et al., 1999).

**H2f: Market research capability significantly impacts business performance.**

**Architectural Marketing Capability & Business Performance**
Architectural marketing capability refers to a firm’s ability to develop and implement effective marketing strategies (Morgan, 2012; Slotegraaf & Dickson, 2004). It involves cross-functional practices, where companies gather valuable market information to support marketing plan development and execution (Morgan, 2012).

**H3: Architectural marketing capability positively and significantly impacts business performance**.

**Strategic market planning capability**

Strategic market planning capability refers to a firm's ability to develop marketing strategies that leverage resources and cross-functional capabilities to sustain competitive advantage (Day & Wensley, 1988; Day, 1994; McKee et al., 1992). Key elements include market segmentation, customer and competitor analysis, internal analysis, market targeting, and defining value propositions (Menon et al., 1999; Narver & Slater, 1990).

**H3a**: Strategic market planning capability significantly impacts business performance.

**Marketing Strategy Implementation Capability**

Marketing strategy implementation capability involves acquiring, combining, and deploying resources effectively to execute marketing strategies. This includes acquiring resources both internally and externally, monitoring progress, and ensuring timely and coordinated deployment of resources such as budgets, personnel, technology, and product delivery (Olson et al., 2005; Bonoma & Crittenden, 1988; Jaworski, 1988). Successful implementation requires aligning various resources to achieve consistent, goal-directed outcomes (Bonoma, 1985).

**H3b:** Marketing strategy implementation capability significantly impacts business performance.

**Cross-Functional Marketing Capability & Business Performance**

Cross-functional marketing capabilities are more complex than specialized capabilities, as they involve integrating multiple specialized marketing skills and incorporating inputs from other functions (Aaker, 2008). Key cross-functional capabilities include brand management, customer relationship management (CRM), and new product development (NPD). Brand management, for example, combines market research, product management, pricing, and marketing communication capabilities to develop and leverage a firm's brand assets (Morgan et al., 2009; Aaker, 1991; Andriopoulos & Gotsi, 2000).

**H4: Cross-functional marketing capabilities positively and significantly impact business performance**

**Brand Management Capability**

Brand management capability involves systems and processes that develop, grow, maintain, and leverage a firm's brand assets (Morgan et al., 2009). It combines specialized marketing capabilities such as market research, product management, pricing, and marketing communications with inputs from R&D, accounting, production, and operations (Aaker, 1991; Andriopoulos & Gotsi, 2000; Aaker, 2008). This integration helps to develop and execute brand-level business plans effectively.

**H4a**: Brand management capability positively and significantly impacts business performance.

**Customer Relationship Marketing Capability**

CRM capability refers to a firm's ability to identify and engage attractive customers, maintain relationships, and convert these relationships into customer-level profits (Boulding et al., 2005; Reinartz et al., 2004; Srivastava et al., 1999). It involves coordinating various lower-level inputs, such as sales reporting systems, market research, customer databases, and service experience mapping (Morgan & Slotegraaf, 2011; Ramaswami et al., 2009).

**H4b**: Customer relationship marketing capability positively and significantly impacts business performance.

**New Product Development Capability**

New Product Development Capability refers to a firm's ability to create valuable new offerings for target markets by integrating market and technical knowledge, acquiring necessary resources, and delivering the product (Griffin & Page, 1996; Ramaswami et al., 2009). It involves concept generation, product planning, evaluation, and commercialization (PDMA, 2004). NPD capabilities influence firm performance by adapting to consumer needs and maintaining competitiveness (Lee et al., 2017; Mu, 2015; Wei et al., 2014).

**H4c**: New product development capability positively and significantly impacts business performance.

**Dynamic Marketing Capabilities & Business Performance**

Dynamic marketing capabilities refer to a firm's ability to learn from the market and use that knowledge to reconfigure resources and enhance capabilities to adapt to changing market conditions (Lado et al., 1992; McGrath et al., 1995). These capabilities involve continuous development to sustain a competitive advantage, with a focus on learning from current and potential markets to evolve resources and capabilities (Kogut & Zander, 1992; Mahoney, 1995). Failure to adapt can lead to organizational rigidity (Leonard-Barton, 1992).

H5**: Dynamic marketing capabilities significantly enhance business performance.**

**Market-Learning Capability**

Market-learning capability is a firm's ability to actively learn about customers, competitors, and the broader market, enabling deep understanding of current conditions and forecasting future changes. This capability integrates resources like leadership, formal market research, and informal intelligence to generate superior market knowledge, which is essential for dynamic capabilities (Eisenhardt & Martin, 2000; Grant, 1996b).

**H5a**: Market learning capability positively impacts business performance.

**Resource Configuration Capability**

Resource Configuration Capability refers to a firm's ability to acquire, retain, or eliminate resources to align with its environment. This can involve internal resource development or external acquisition, either through the market or by merging with another firm and redeploying its resources. The key factor in these decisions is the firm's market learning capability, which guides all resource reconfiguration choices. This aligns with research on market orientation and competitive rationality.

**H5b**: **Resource Configuration Capability positively impacts business performance.**

**Capability Enhancement**

Capability Enhancement refers to a firm's ability to acquire, improve, and refine its capabilities to meet environmental demands. While it's challenging to directly purchase capabilities, firms can gain new ones through mergers, acquisitions, or by transferring best practices and skilled personnel. However, this process is costly and infrequent. Alternatively, capabilities can be developed internally as employees combine knowledge and resources to address emerging challenges.

**H5c:** Capability Enhancement positively impacts business performance.

**Marketing Capability and Sustained Competitive Advantage**

Competitive advantage positions a firm favorably in the market, influencing customers' purchasing decisions through comparisons with competitors (Hunt & Morgan, 1995; Day & Wensley, 1988). Marketing capabilities, viewed through the resource-based lens, are organizational skills and knowledge that enable firms to effectively utilize resources for market superiority (Hunt & Madhavaram, 2012; Hunt & Morgan, 1995). These capabilities, which are valuable, non-substitutable, and inimitable, lead to sustained competitive advantage (Weerawardena, 2003). Therefore, marketing capabilities are positively linked to competitive advantage.

**H6**: Marketing Capability has a positive and significant effect on Competitive Advantage.

**Sustained Competitive Advantage and Business Performance**

Prior research has established a link between competitive advantage and business performance (Hunt & Morgan, 1995; Tan & Sousa, 2015). This study examines two types of competitive advantage—low-cost and differentiation—and their impact on business performance. Competitive

advantage, driven by resource utilization (Barney, 1991; Newbert, 2008), relationship building (Iuliana et al., 2008), and industry structure (Ankli, 1992), is crucial for improving performance. Studies by Newbert (2008) and Zhou et al. (2009) show that competitive advantage positively influences financial performance and customer outcomes. Additionally, Haseeb et al. (2019) highlight that sustainable competitive advantage predicts long-term business success.

**H7**: Sustainable Competitive Advantage has a positive and significant effect on Business Performance.

**The Mediating Role of Competitive Advantage between MC and BP**

Scholars (Hunt & Morgan, 1995) argue that competition is driven not by quantity but by comparative advantage. Previous research (Hunt & Morgan, 1995; Porter, 1985; Tan & Sousa, 2015) identifies two types of competitive advantage: low-cost and differentiation. A low-cost advantage occurs when a firm maintains lower costs than competitors, allowing it to offer lower prices (e.g., Wal-Mart). Differentiation advantage is achieved when a firm stands out by offering unique products or services (e.g., Dyson's high-quality vacuums or Zara's efficient supply chain in fast fashion). Based on these insights, it is proposed that competitive advantage mediates the relationship between marketing capability and business performance.

**H8**: Competitive Advantage mediates the relationship between Marketing Capability and Business Performance.

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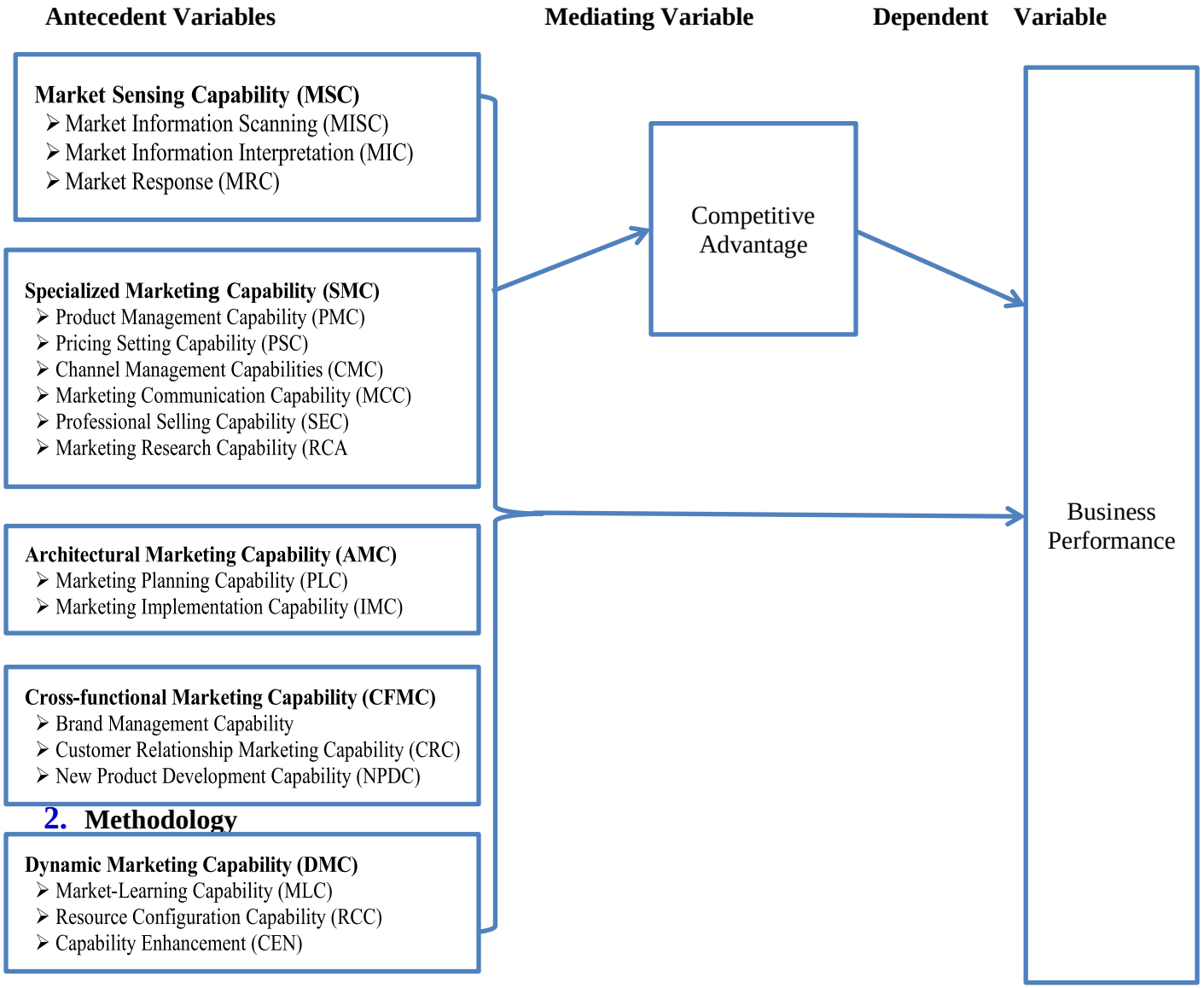
**Conceptual Framework of The Study**




## 2. Methodology

Since the 2000s, Ethiopia has emerged as one of the fastest-growing economies in Africa. Nevertheless, Ethiopia's manufacturing sector is still far from being an engine of growth and structural change. The manufacturing sector plays a marginal role in employment generation, exports, output, and inter-sectoral linkages Field study was conducted in Ethiopia, targeting all

managers of manufacturing firms in the country. To minimize selection bias, a sample size calculator from Survey Monkey was used to determine the optimal number of firms for the study. Based on this calculation, a sample of 278 manufacturing firms was deemed appropriate, with a margin of error of 5% and a 95% confidence level, given that there are 1,000 registered manufacturing firms operating in Ethiopia. Data were collected through questionnaires, distributed using simple random sampling (SRS) techniques, and included measures to reduce or eliminate errors in the survey responses.

**Measurement**

The survey is organized into four sections: Section One: General Profile of Manufacturing Firms-This section collects basic demographic and organizational information about the firms. Section Two: Marketing Capability-This section assesses the firm's marketing capabilities, covering areas such as Market Sensing Capability; Product Management Capability; Pricing Setting Capability; Channel Management Capability; Marketing Communication Capability; Professional Selling Capability; Marketing Research Capability; Marketing Planning Capability; Marketing Implementation Capability; Brand Management Capability; Customer Relationship Marketing Capability; New Product Development Capability; Market-Learning Capability; Resource Configuration Capability and Capability Enhancement. Section Three: Competitive Advantage-This section evaluates the firm's competitive advantages, focusing on differentiation and strategic positioning. Section Four: Business Performance-This section examines the firm's overall performance, including both financial and non-financial indicators. The constructs and items for marketing capability, competitive advantage, and business performance were developed through a thorough review of relevant literature (e.g., Cohen & Levinthal, 1990; Nonaka et al., 1994; Škerlavaj et al., 2010). Responses are rated on a 5-point Likert scale, where 1 indicates "strongly disagree" and 5 indicates "strongly agree." Higher scores reflect a greater emphasis on innovation in product, service, technical, and process areas.

## RESULTS AND DISCUSSION

**Demographic Profile**

A total of 280 questionnaires were distributed to various manufacturing companies, and 219 completed questionnaires were returned, resulting in a response rate of 84%. The demographic profile of the respondents is summarized in Table 1. Of the 219 respondents, 86.4% were male and 13.6% were female. In terms of age, 43% were in the 18-29 age group, 37% were in the 30-39 age group, 16% were in the 40-49 age group, and 4% were over 50 years old. Regarding firm size, 56% of respondents represented medium-sized firms, while 44% were from large firms with more than 200 employees.

Table 1: Profile of Respondents

| tem | Description | Frequency | Percent (%) |
|---|---|---|---|
| Gender | Male | 189 | 86.4% |
| | Female | 30 | 13.6% |
| | Total | 219 | 100% |
| Age Category | 18-29 | 94 | 43% |
| | 30-39 | 81 | 37% |
| | 40-49 | 35 | 16% |
| | Above 50 | 9 | 4% |
| | Total | 219 | 100% |
| Years in operation | 1-5 years | 59 | 27% |
| | 6-10 years | 77 | 35% |
| | 11-20 years | 44 | 20% |
| | above 20 years | 39 | 18% |
| Position | Marketing Manager | 22 | 10% |
| | Marketing Planning Officer | 27 | 12% |
| | Marketing Research Director | 12 | 5% |
| | CRM Manager | 120 | 55% |
| | Brand Manager | 8 | 4% |
| | Business Development Manager | 24 | 11% |
| | Chief Executive Manager (CEO) | 6 | 3% |
| Type of Manufacturing Sector | Footwear Manufacturing Firms | 60 | 27% |
| | Leather Manufacturing Firms | 89 | 41% |
| | Textile Manufacturing Firms | 70 | 32% |
| Firm Size | Medium firms (51–200 employees) | 123 | 56% |
| | Large firms (>200 employees) | 96 | 44% |
| Number of Observation | | 219 | 100% |

**Data Analysis and Hypothesis Examination**

To analyze the research model, Partial Least Squares (PLS) technique using SmartPLS 3 software (Ringle, Wende, & Becker, 2018) was used. Following the two-stage analytical approach recommended by Anderson and Gerbing (1988), we first tested the measurement model to assess the validity and reliability of the measures. Next, we examined the structural model to test the hypothesized relationships (Hair et al., 2017; Ramayah et al., 2011; 2013; Rahman et al., 2016). Additionally, to assess the significance of the path coefficients and loadings, we used the bootstrapping method with 5000 resamples (Hair et al., 2017).

**Measurement Model**

Before analyzing the data using the SMART-PLS statistical tool, the data was initially entered into SPSS for the preliminary identification of measurement items. The psychometric properties of the measurement model, including internal consistency, reliability, convergent validity, and discriminant validity, were then evaluated using SMART-PLS. Additionally, the Measure of Sampling Adequacy (0.84) and the Cronbach's Alpha (0.861) reliability measure were verified using SPSS version 22. To assess the measurement model, both convergent validity and discriminant validity were examined.

**Reliability and Convergent Validity**

Convergent validity of the measurement model is typically assessed by examining the loadings, average variance extracted (AVE), and composite reliability (Gholami et al., 2013; Rahman et al., 2015). A measurement instrument is considered reliable if the items associated with each latent variable are consistently understood in the same way by different respondents. In this study, all Cronbach's alpha coefficients, which evaluate the uni-dimensionality of the scale items, were above 0.7, ranging from 0.702 to 0.889, indicating good internal consistency. However, Cronbach's alpha is based on the restrictive assumption that all indicators are equally important. An alternative approach to conceptualizing reliability is to consider it as the proportion of variance in the measure that is attributable to the underlying dimension (Werts et al., 1974). According to Chin et al. (1996, p. 33), while Cronbach’s alpha, with its assumption of parallel measures, provides a lower bound estimate of internal consistency, a more accurate estimate can be obtained using composite reliability. The composite reliability for all latent variables in this study is above 0.7, ranging from 0.704 to 0.874 for all measures. Similarly, Dhillon and Goldstein’s rho, which measures internal consistency like composite reliability, is also acceptable when above 0.7 (Gefen, 2000). Additionally, the Average Variance Extracted (AVE) for all variables exceeds the recommended threshold of 0.5, which is considered acceptable for validity (Fornell & Larcker, 1981).

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**Table 2: Reliability analysis**

| | Cronbach's alpha | Composite reliability (rho_a) | Average variance extracted (AVE) |
|---|---|---|---|
| Market Information Scanning (MISC) | 0.703 | 0.707 | 0.525 |
| Market Information Interpretation (MIC) | 0.820 | 0.752 | 0.508 |
| Market Response (MRC) | 0.708 | 0.712 | 0.587 |
| Product Management Capability (PMC) | 0.745 | 0.706 | 0.614 |
| Pricing Setting Capability (PSC) | 0.825 | 0.724 | 0.504 |
| Channel Management Capabilities (CMC) | 0.719 | 0.812 | 0.624 |
| Marketing Communication Capability (MCC) | 0.719 | 0.787 | 0.505 |
| Professional Selling Capability (SEC) | 0.702 | 0.722 | 0.546 |
| Marketing Research Capability (RCA) | 0.791 | 0.717 | 0.610 |
| Marketing Planning Capability (PLC) | 0.845 | 0.801 | 0.564 |
| Marketing Implementation Capability (IMC) | 0.725 | 0.762 | 0.559 |
| Brand Management Capability (BMC) | 0.819 | 0.712 | 0.674 |
| Customer Relationship Marketing Capability (CRC) | 0.889 | 0.710 | 0.550 |
| New Product Development Capability (NPDC) | 0.831 | 0.790 | 0.727 |
| Market-Learning Capability (MLC) | 0.783 | 0.734 | 0.759 |
| Resource Configuration Capability (RCC) | 0.852 | 0.702 | 0.566 |
| Capability Enhancement (CEN) | 0.835 | 0.706 | 0.665 |
| Business Performance (BP) | 0.739 | 0.876 | 0.591 |

**Discriminant Validity**

AVE can also be used to establish discriminant validity using the Fornell-Larcker criterion. According to this criterion, the square root of AVE for each latent variable should be higher than its correlation with any other latent variable, indicating that the variance shared with its indicators is greater than the variance shared with other variables. In the SmartPLS output, the square root of AVE is displayed in the diagonal cells, and the correlations are shown below. Discriminant validity is confirmed if the square root of AVE (diagonal) is higher than the correlations (below) in each factor column.

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Table 3: Latent variable Correlation and Discriminant Validity

| | BMC | BP | CEN | CMC | CRC | IMC | MCC | MIC | MLC | MRC | MSC | NPDC | PLC | PMC | PSC | RCA | RCC | SE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BMC** | 0.781 | | | | | | | | | | | | | | | | | |
| **BP** | 0.397 | 0.866 | | | | | | | | | | | | | | | | |
| **CEN** | 0.453 | 0.299 | 0.825 | | | | | | | | | | | | | | | |
| **CMC** | 0.521 | 0.324 | 0.529 | 0.794 | | | | | | | | | | | | | | |
| **CRC** | 0.597 | 0.501 | 0.324 | 0.332 | 0.751 | | | | | | | | | | | | | |
| **IMC** | 0.482 | 0.548 | 0.612 | 0.513 | 0.466 | 0.891 | | | | | | | | | | | | |
| **MCC** | 0.622 | 0.425 | 0.566 | 0.125 | 0.692 | 0.623 | 0.760 | | | | | | | | | | | |
| **MIC** | 0.136 | 0.535 | 0.267 | 0.264 | 0.397 | 0.240 | 0.154 | 0.718 | | | | | | | | | | |
| **MLC** | 0.389 | 0.501 | 0.586 | 0.104 | 0.367 | 0.436 | 0.448 | 0.116 | 0.732 | | | | | | | | | |
| **MRC** | 0.477 | 0.598 | 0.658 | 0.359 | 0.331 | 0.558 | 0.465 | 0.497 | 0.564 | 0.747 | | | | | | | | |
| **MSC** | 0.299 | 0.493 | 0.450 | 0.124 | 0.305 | 0.569 | 0.111 | 0.063 | 0.437 | 0.248 | 0.799 | | | | | | | |
| **NPDC** | 0.398 | 0.552 | 0.215 | 0.188 | 0.678 | 0.697 | 0.626 | 0.604 | 0.140 | 0.307 | 0.559 | 0.746 | | | | | | |
| **PLC** | 0.625 | 0.529 | 0.014 | 0.197 | 0.332 | 0.385 | 0.504 | 0.257 | 0.555 | 0.482 | 0.658 | 0.145 | 0.857 | | | | | |
| **PMC** | 0.505 | 0.422 | 0.239 | 0.229 | 0.388 | 0.596 | 0.215 | 0.264 | 0.455 | 0.104 | 0.465 | 0.311 | 0.396 | 0.748 | | | | |
| **PSC** | 0.227 | 0.585 | 0.141 | 0.501 | 0.635 | 0.267 | 0.464 | 0.066 | 0.483 | 0.312 | 0.445 | 0.202 | 0.486 | 0.478 | 0.796 | | | |
| **RCA** | 0.668 | 0.276 | 0.215 | 0.518 | 0.652 | 0.603 | 0.498 | 0.462 | 0.494 | 0.636 | 0.254 | 0.356 | 0.497 | 0.567 | 0.453 | 0.776 | | |
| **RCC** | 0.333 | 0.288 | 0.288 | 0.487 | 0.677 | 0.604 | 0.045 | 0.283 | 0.239 | 0.476 | 0.501 | 0.333 | 0.671 | 0.385 | 0.046 | 0.437 | 0.748 | |
| **SEC** | 0.283 | 0.353 | 0.219 | 0.249 | 0.312 | 0.372 | 0.397 | 0.328 | 0.160 | 0.032 | 0.244 | 0.206 | 0.307 | 0.364 | 0.464 | 0.284 | 0.388 | 0.7 |

In a good model, indicators should load strongly on their intended factors and weakly on others. Discriminant validity is confirmed when each measurement item correlates more strongly with its intended construct than with others. The latent variable's correlation with the measurement items should show a clear pattern, with items loading highly on their assigned factor and not on others. No indicator should have a higher correlation with a different latent variable than with its own. If this occurs, the model may be incorrectly specified.

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Table 4: Discriminate Validity

| | BMC | BP | CEN | CMC | CRC | IMC | MCC | MIC | MLC | MRC | MSC | NPDC | PLC | PMC | PSC | RCA | RCC | SEC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BMC1** | 0.600 | 0.200 | 0.480 | 0.374 | 0.043 | 0.349 | 0.229 | 0.444 | 0.150 | 0.461 | 0.103 | 0.395 | 0.061 | 0.158 | 0.056 | 0.445 | 0.255 | 0.114 |
| **BMC2** | 0.799 | 0.399 | 0.411 | 0.463 | 0.081 | 0.331 | 0.290 | 0.367 | 0.032 | 0.330 | 0.317 | 0.351 | 0.162 | 0.301 | 0.045 | 0.199 | 0.336 | 0.273 |
| **BMC3** | 0.621 | 0.421 | 0.473 | 0.447 | 0.100 | 0.333 | 0.079 | 0.389 | 0.239 | 0.471 | 0.119 | 0.390 | 0.121 | 0.409 | 0.096 | 0.006 | 0.167 | 0.258 |
| **BMC4** | 0.508 | 0.008 | 0.432 | 0.360 | 0.175 | 0.482 | 0.233 | 0.025 | 0.348 | 0.063 | 0.069 | 0.407 | 0.112 | 0.420 | 0.142 | 0.063 | 0.118 | 0.106 |
| **BMC5** | 0.657 | 0.157 | 0.343 | 0.306 | 0.195 | 0.459 | 0.382 | 0.354 | 0.325 | 0.325 | 0.154 | 0.245 | 0.058 | 0.401 | 0.136 | 0.048 | 0.376 | 0.286 |
| **BP1** | 0.176 | 0.507 | 0.031 | 0.207 | 0.051 | 0.007 | 0.097 | 0.114 | 0.087 | 0.123 | 0.024 | 0.173 | 0.076 | 0.016 | 0.055 | 0.035 | 0.028 | 0.097 |
| **BP2** | 0.179 | 0.646 | 0.031 | 0.189 | 0.154 | 0.194 | 0.193 | 0.149 | 0.044 | 0.243 | 0.194 | 0.201 | 0.230 | 0.004 | 0.024 | 0.079 | 0.127 | 0.332 |
| **BP3** | 0.290 | 0.560 | 0.059 | 0.236 | 0.187 | 0.103 | 0.224 | 0.141 | 0.300 | 0.101 | 0.084 | 0.276 | 0.284 | 0.129 | 0.109 | 0.168 | 0.118 | 0.052 |
| **BP4** | 0.110 | 0.753 | 0.063 | 0.220 | 0.143 | 0.104 | 0.200 | 0.097 | 0.133 | 0.001 | 0.141 | 0.042 | 0.033 | 0.173 | 0.082 | 0.076 | 0.105 | 0.030 |
| **BP5** | 0.253 | 0.626 | 0.279 | 0.172 | 0.110 | 0.332 | 0.352 | 0.250 | 0.408 | 0.044 | 0.240 | 0.245 | 0.267 | 0.340 | 0.366 | 0.382 | 0.118 | 0.424 |
| **BP6** | 0.339 | 0.794 | 0.282 | 0.288 | 0.234 | 0.462 | 0.371 | 0.181 | 0.391 | 0.321 | 0.149 | 0.520 | 0.378 | 0.348 | 0.309 | 0.451 | 0.287 | 0.217 |
| **BP7** | 0.165 | 0.588 | 0.050 | 0.117 | 0.029 | 0.094 | 0.148 | 0.024 | 0.005 | 0.226 | 0.219 | 0.123 | 0.028 | 0.079 | 0.206 | 0.141 | 0.094 | 0.047 |
| **BP8** | 0.156 | 0.561 | 0.097 | 0.224 | 0.176 | 0.062 | 0.087 | 0.046 | 0.126 | 0.162 | 0.182 | 0.084 | 0.016 | 0.091 | 0.105 | 0.123 | 0.168 | 0.057 |
| **BP9** | 0.064 | 0.668 | 0.070 | 0.087 | 0.057 | 0.163 | 0.005 | 0.050 | 0.142 | 0.084 | 0.283 | 0.206 | 0.094 | 0.185 | 0.136 | 0.186 | 0.168 | 0.178 |
| **CEN1** | 0.264 | 0.017 | 0.662 | 0.058 | 0.178 | 0.222 | 0.034 | 0.138 | 0.153 | 0.129 | 0.041 | 0.320 | 0.207 | 0.178 | 0.041 | 0.298 | 0.355 | 0.113 |
| **CEN2** | 0.040 | 0.083 | 0.507 | 0.121 | 0.085 | 0.080 | 0.111 | 0.236 | 0.010 | 0.011 | 0.162 | 0.091 | 0.049 | 0.064 | 0.055 | 0.068 | 0.078 | 0.097 |
| **CEN3** | 0.256 | 0.274 | 0.551 | 0.307 | 0.308 | 0.336 | 0.285 | 0.139 | 0.146 | 0.114 | 0.231 | 0.189 | 0.272 | 0.434 | 0.313 | 0.463 | 0.320 | 0.188 |
| **CEN4** | 0.054 | 0.042 | 0.586 | 0.077 | 0.014 | 0.005 | 0.110 | 0.169 | 0.202 | 0.008 | 0.020 | 0.055 | 0.102 | 0.060 | 0.188 | 0.007 | 0.044 | 0.086 |
| **CEN5** | 0.163 | 0.083 | 0.657 | 0.021 | 0.270 | 0.137 | 0.170 | 0.116 | 0.234 | 0.122 | 0.259 | 0.212 | 0.343 | 0.274 | 0.178 | 0.340 | 0.267 | 0.154 |
| **CMC1** | 0.336 | 0.339 | 0.316 | 0.514 | 0.293 | 0.165 | 0.454 | 0.380 | 0.056 | 0.181 | 0.098 | 0.073 | 0.305 | 0.251 | 0.403 | 0.175 | 0.087 | 0.197 |
| **CMC2** | 0.111 | 0.049 | 0.242 | 0.650 | 0.113 | 0.130 | 0.011 | 0.121 | 0.155 | 0.196 | 0.086 | 0.058 | 0.010 | 0.187 | 0.149 | 0.052 | 0.089 | 0.150 |

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CMC3** | 0.092 | 0.114 | 0.075 | 0.506 | 0.039 | 0.078 | 0.066 | 0.036 | 0.267 | 0.003 | 0.057 | 0.085 | 0.077 | 0.100 | 0.058 | 0.062 | 0.043 | 0.082 |
| **CMC4** | 0.256 | 0.123 | 0.296 | 0.611 | 0.388 | 0.221 | 0.363 | 0.446 | 0.130 | 0.035 | 0.015 | 0.069 | 0.225 | 0.276 | 0.594 | 0.227 | 0.300 | 0.418 |
| **CMC5** | 0.179 | 0.032 | 0.063 | 0.817 | 0.275 | 0.236 | 0.152 | 0.229 | 0.120 | 0.240 | 0.103 | 0.164 | 0.183 | 0.156 | 0.121 | 0.237 | 0.230 | 0.083 |
| **CRC1** | 0.321 | 0.194 | 0.243 | 0.197 | 0.557 | 0.278 | 0.294 | 0.157 | 0.026 | 0.200 | 0.022 | 0.214 | 0.211 | 0.270 | 0.214 | 0.289 | 0.313 | 0.249 |
| **CRC2** | 0.068 | 0.018 | 0.028 | 0.011 | 0.654 | 0.181 | 0.009 | 0.102 | 0.076 | 0.056 | 0.036 | 0.031 | 0.061 | 0.130 | 0.068 | 0.054 | 0.053 | 0.049 |
| **CRC3** | 0.364 | 0.073 | 0.091 | 0.346 | 0.605 | 0.124 | 0.231 | 0.178 | 0.033 | 0.060 | 0.070 | 0.092 | 0.143 | 0.130 | 0.218 | 0.130 | 0.215 | 0.057 |
| **CRC4** | 0.175 | 0.104 | 0.210 | 0.134 | 0.534 | 0.110 | 0.255 | 0.033 | 0.137 | 0.286 | 0.181 | 0.185 | 0.186 | 0.215 | 0.341 | 0.299 | 0.112 | 0.171 |
| **IMC1** | 0.034 | 0.004 | 0.271 | 0.181 | 0.201 | 0.824 | 0.148 | 0.010 | 0.068 | 0.035 | 0.215 | 0.035 | 0.116 | 0.126 | 0.123 | 0.051 | 0.081 | 0.045 |
| **IMC2** | 0.282 | 0.236 | 0.312 | 0.259 | 0.216 | 0.755 | 0.421 | 0.295 | 0.020 | 0.092 | 0.217 | 0.194 | 0.126 | 0.126 | 0.417 | 0.424 | 0.398 | 0.400 |
| **IMC3** | 0.096 | 0.213 | 0.148 | 0.048 | 0.146 | 0.803 | 0.191 | 0.035 | 0.143 | 0.101 | 0.200 | 0.193 | 0.018 | 0.010 | 0.089 | 0.332 | 0.115 | 0.120 |
| **IMC4** | 0.102 | 0.084 | 0.027 | 0.253 | 0.208 | 0.627 | 0.241 | 0.295 | 0.080 | 0.069 | 0.211 | 0.180 | 0.002 | 0.052 | 0.322 | 0.073 | 0.110 | 0.147 |
| **IMC5** | 0.130 | 0.034 | 0.088 | 0.359 | 0.235 | 0.565 | 0.316 | 0.172 | 0.146 | 0.105 | 0.108 | 0.105 | 0.047 | 0.147 | 0.411 | 0.037 | 0.214 | 0.166 |
| **IMC6** | 0.181 | 0.306 | 0.095 | 0.031 | 0.091 | 0.754 | 0.016 | 0.131 | 0.392 | 0.217 | 0.148 | 0.207 | 0.271 | 0.171 | 0.006 | 0.247 | 0.135 | 0.066 |
| **MCC1** | 0.150 | 0.003 | 0.114 | 0.192 | 0.156 | 0.071 | 0.532 | 0.140 | 0.067 | 0.225 | 0.102 | 0.021 | 0.039 | 0.162 | 0.298 | 0.078 | 0.226 | 0.012 |
| **MCC2** | 0.229 | 0.394 | 0.329 | 0.242 | 0.308 | 0.415 | 0.599 | 0.162 | 0.167 | 0.177 | 0.140 | 0.333 | 0.217 | 0.384 | 0.260 | 0.463 | 0.309 | 0.383 |
| **MCC3** | 0.488 | 0.378 | 0.249 | 0.422 | 0.425 | 0.200 | 0.532 | 0.201 | 0.182 | 0.204 | 0.135 | 0.206 | 0.301 | 0.279 | 0.265 | 0.295 | 0.245 | 0.264 |
| **MCC4** | 0.073 | 0.091 | 0.004 | 0.417 | 0.249 | 0.017 | 0.904 | 0.189 | 0.094 | 0.052 | 0.271 | 0.075 | 0.039 | 0.079 | 0.671 | 0.161 | 0.070 | 0.255 |
| **MCC5** | 0.057 | 0.109 | 0.011 | 0.234 | 0.013 | 0.254 | 0.882 | 0.133 | 0.078 | 0.029 | 0.010 | 0.019 | 0.075 | 0.108 | 0.390 | 0.022 | 0.093 | 0.050 |
| **MIC1** | 0.209 | 0.194 | 0.219 | 0.402 | 0.189 | 0.180 | 0.146 | 0.696 | 0.070 | 0.111 | 0.042 | 0.159 | 0.176 | 0.231 | 0.140 | 0.242 | 0.036 | 0.233 |
| **MIC2** | 0.252 | 0.164 | 0.300 | 0.187 | 0.090 | 0.090 | 0.156 | 0.549 | 0.015 | 0.185 | 0.236 | 0.069 | 0.191 | 0.027 | 0.254 | 0.036 | 0.237 | 0.207 |
| **MIC3** | 0.140 | 0.004 | 0.070 | 0.138 | 0.184 | 0.044 | 0.013 | 0.685 | 0.011 | 0.162 | 0.070 | 0.071 | 0.110 | 0.118 | 0.087 | 0.270 | 0.198 | 0.015 |
| **MIC4** | 0.025 | 0.162 | 0.116 | 0.087 | 0.104 | 0.003 | 0.150 | 0.571 | 0.145 | 0.123 | 0.104 | 0.056 | 0.049 | 0.008 | 0.114 | 0.304 | 0.162 | 0.133 |
| **MLC1** | 0.229 | 0.110 | 0.110 | 0.198 | 0.266 | 0.020 | 0.090 | 0.051 | 0.588 | 0.041 | 0.090 | 0.153 | 0.191 | 0.013 | 0.113 | 0.051 | 0.194 | 0.106 |

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **MLC2** | 0.176 | 0.416 | 0.255 | 0.175 | 0.131 | 0.341 | 0.230 | 0.022 | 0.564 | 0.192 | 0.115 | 0.264 | 0.348 | 0.177 | 0.217 | 0.285 | 0.298 | 0.100 |
| **MLC3** | 0.065 | 0.307 | 0.052 | 0.193 | 0.111 | 0.184 | 0.054 | 0.056 | 0.666 | 0.001 | 0.207 | 0.260 | 0.152 | 0.153 | 0.059 | 0.141 | 0.036 | 0.111 |
| **MLC4** | 0.018 | 0.124 | 0.154 | 0.205 | 0.009 | 0.031 | 0.116 | 0.002 | 0.524 | 0.001 | 0.028 | 0.207 | 0.177 | 0.058 | 0.007 | 0.008 | 0.146 | 0.061 |
| **MRC1** | 0.013 | 0.050 | 0.023 | 0.030 | 0.055 | 0.059 | 0.092 | 0.027 | 0.035 | 0.593 | 0.142 | 0.062 | 0.025 | 0.031 | 0.017 | 0.008 | 0.032 | 0.065 |
| **MRC2** | 0.297 | 0.138 | 0.272 | 0.395 | 0.231 | 0.207 | 0.184 | 0.174 | 0.060 | 0.677 | 0.110 | 0.065 | 0.151 | 0.077 | 0.085 | 0.217 | 0.203 | 0.068 |
| **MRC3** | 0.064 | 0.130 | 0.010 | 0.216 | 0.095 | 0.188 | 0.050 | 0.046 | 0.147 | 0.581 | 0.315 | 0.072 | 0.066 | 0.038 | 0.193 | 0.118 | 0.123 | 0.071 |
| **MRC4** | 0.319 | 0.160 | 0.150 | 0.409 | 0.395 | 0.259 | 0.365 | 0.086 | 0.018 | 0.654 | 0.172 | 0.200 | 0.229 | 0.286 | 0.506 | 0.294 | 0.293 | 0.239 |
| **MRC5** | 0.051 | 0.239 | 0.069 | 0.091 | 0.064 | 0.038 | 0.018 | 0.299 | 0.165 | 0.535 | 0.161 | 0.234 | 0.039 | 0.015 | 0.107 | 0.184 | 0.003 | 0.099 |
| **MSC1** | 0.132 | 0.154 | 0.170 | 0.002 | 0.149 | 0.332 | 0.210 | 0.014 | 0.109 | 0.336 | 0.624 | 0.082 | 0.252 | 0.246 | 0.206 | 0.226 | 0.152 | 0.305 |
| **MSC3** | 0.133 | 0.140 | 0.114 | 0.038 | 0.053 | 0.168 | 0.044 | 0.190 | 0.015 | 0.020 | 0.520 | 0.029 | 0.122 | 0.152 | 0.146 | 0.126 | 0.009 | 0.121 |
| **MSC4** | 0.033 | 0.196 | 0.201 | 0.152 | 0.079 | 0.144 | 0.036 | 0.173 | 0.262 | 0.170 | 0.610 | 0.107 | 0.295 | 0.089 | 0.029 | 0.280 | 0.135 | 0.140 |
| **NPDC1** | 0.266 | 0.286 | 0.174 | 0.141 | 0.305 | 0.317 | 0.096 | 0.059 | 0.042 | 0.284 | 0.033 | 0.649 | 0.214 | 0.101 | 0.128 | 0.355 | 0.337 | 0.108 |
| **NPDC2** | 0.052 | 0.219 | 0.140 | 0.087 | 0.008 | 0.033 | 0.232 | 0.032 | 0.242 | 0.121 | 0.074 | 0.503 | 0.077 | 0.043 | 0.150 | 0.068 | 0.126 | 0.008 |
| **NPDC3** | 0.370 | 0.489 | 0.198 | 0.018 | 0.166 | 0.345 | 0.202 | 0.145 | 0.415 | 0.191 | 0.171 | 0.665 | 0.363 | 0.208 | 0.274 | 0.497 | 0.204 | 0.184 |
| **NPDC4** | 0.180 | 0.063 | 0.397 | 0.135 | 0.330 | 0.187 | 0.290 | 0.341 | 0.060 | 0.052 | 0.229 | 0.551 | 0.266 | 0.379 | 0.132 | 0.291 | 0.146 | 0.296 |
| **NPDC5** | 0.268 | 0.042 | 0.035 | 0.102 | 0.285 | 0.030 | 0.025 | 0.172 | 0.134 | 0.096 | 0.136 | 0.643 | 0.095 | 0.001 | 0.205 | 0.054 | 0.143 | 0.024 |
| **PLC1** | 0.379 | 0.194 | 0.051 | 0.418 | 0.257 | 0.277 | 0.302 | 0.173 | 0.125 | 0.106 | 0.036 | 0.212 | 0.565 | 0.276 | 0.337 | 0.187 | 0.248 | 0.403 |
| **PLC2** | 0.393 | 0.370 | 0.238 | 0.238 | 0.223 | 0.168 | 0.214 | 0.157 | 0.350 | 0.222 | 0.308 | 0.388 | 0.524 | 0.191 | 0.262 | 0.364 | 0.213 | 0.111 |
| **PLC3** | 0.204 | 0.112 | 0.127 | 0.175 | 0.403 | 0.047 | 0.093 | 0.048 | 0.086 | 0.093 | 0.173 | 0.220 | 0.540 | 0.076 | 0.003 | 0.181 | 0.067 | 0.054 |
| **PLC4** | 0.013 | 0.010 | 0.146 | 0.281 | 0.109 | 0.029 | 0.029 | 0.216 | 0.070 | 0.100 | 0.245 | 0.012 | 0.610 | 0.157 | 0.102 | 0.128 | 0.115 | 0.131 |
| **PLC5** | 0.169 | 0.328 | 0.227 | 0.226 | 0.106 | 0.134 | 0.168 | 0.169 | 0.283 | 0.068 | 0.183 | 0.169 | 0.605 | 0.202 | 0.212 | 0.270 | 0.106 | 0.233 |
| **PMC1** | 0.137 | 0.006 | 0.176 | 0.289 | 0.090 | 0.065 | 0.080 | 0.083 | 0.146 | 0.019 | 0.269 | 0.069 | 0.050 | 0.502 | 0.130 | 0.039 | 0.160 | 0.162 |
| **PMC2** | 0.303 | 0.132 | 0.480 | 0.229 | 0.301 | 0.342 | 0.340 | 0.073 | 0.021 | 0.180 | 0.203 | 0.264 | 0.138 | 0.656 | 0.428 | 0.401 | 0.296 | 0.119 |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC3** | 0.119 | 0.237 | 0.151 | 0.260 | 0.054 | 0.222 | 0.132 | 0.159 | 0.111 | 0.014 | 0.146 | 0.075 | 0.031 | 0.665 | 0.103 | 0.014 | 0.221 | 0.080 |
| **PMC4** | 0.439 | 0.361 | 0.403 | 0.199 | 0.384 | 0.421 | 0.355 | 0.089 | 0.248 | 0.116 | 0.280 | 0.228 | 0.374 | 0.550 | 0.374 | 0.396 | 0.353 | 0.406 |
| **PMC5** | 0.065 | 0.091 | 0.056 | 0.037 | 0.113 | 0.105 | 0.201 | 0.059 | 0.007 | 0.011 | 0.185 | 0.010 | 0.057 | 0.532 | 0.310 | 0.132 | 0.029 | 0.182 |
| **PSC1** | 0.221 | 0.162 | 0.188 | 0.115 | 0.262 | 0.301 | 0.129 | 0.027 | 0.106 | 0.355 | 0.207 | 0.160 | 0.249 | 0.191 | 0.709 | 0.356 | 0.190 | 0.140 |
| **PSC2** | 0.288 | 0.241 | 0.162 | 0.283 | 0.393 | 0.293 | 0.454 | 0.072 | 0.068 | 0.150 | 0.062 | 0.298 | 0.162 | 0.418 | 0.632 | 0.305 | 0.407 | 0.367 |
| **PSC3** | 0.135 | 0.274 | 0.137 | 0.419 | 0.229 | 0.091 | 0.340 | 0.445 | 0.036 | 0.145 | 0.022 | 0.206 | 0.247 | 0.256 | 0.611 | 0.142 | 0.137 | 0.278 |
| **PSC4** | 0.305 | 0.182 | 0.263 | 0.326 | 0.220 | 0.238 | 0.367 | 0.279 | 0.083 | 0.021 | 0.149 | 0.105 | 0.182 | 0.277 | 0.767 | 0.198 | 0.297 | 0.385 |
| **PSC5** | 0.052 | 0.215 | 0.190 | 0.144 | 0.054 | 0.201 | 0.204 | 0.101 | 0.308 | 0.139 | 0.058 | 0.138 | 0.177 | 0.093 | 0.603 | 0.254 | 0.142 | 0.120 |
| **RCA1** | 0.178 | 0.347 | 0.239 | 0.132 | 0.220 | 0.350 | 0.227 | 0.173 | 0.132 | 0.396 | 0.224 | 0.241 | 0.228 | 0.123 | 0.417 | 0.547 | 0.152 | 0.231 |
| **RCA2** | 0.092 | 0.094 | 0.046 | 0.220 | 0.066 | 0.169 | 0.069 | 0.389 | 0.041 | 0.276 | 0.005 | 0.026 | 0.176 | 0.147 | 0.161 | 0.514 | 0.019 | 0.331 |
| **RCA3** | 0.070 | 0.086 | 0.087 | 0.002 | 0.090 | 0.094 | 0.071 | 0.061 | 0.006 | 0.057 | 0.012 | 0.153 | 0.101 | 0.003 | 0.242 | 0.790 | 0.214 | 0.132 |
| **RCA4** | 0.452 | 0.266 | 0.273 | 0.100 | 0.292 | 0.377 | 0.188 | 0.156 | 0.141 | 0.188 | 0.331 | 0.321 | 0.332 | 0.261 | 0.143 | 0.579 | 0.283 | 0.127 |
| **RCA5** | 0.322 | 0.004 | 0.306 | 0.082 | 0.192 | 0.265 | 0.183 | 0.093 | 0.129 | 0.041 | 0.157 | 0.141 | 0.188 | 0.313 | 0.298 | 0.733 | 0.303 | 0.131 |
| **RCA6** | 0.414 | 0.355 | 0.478 | 0.181 | 0.410 | 0.456 | 0.400 | 0.042 | 0.268 | 0.266 | 0.070 | 0.541 | 0.396 | 0.370 | 0.300 | 0.782 | 0.371 | 0.155 |
| **RCC1** | 0.214 | 0.198 | 0.172 | 0.117 | 0.217 | 0.288 | 0.165 | 0.061 | 0.244 | 0.186 | 0.229 | 0.273 | 0.263 | 0.191 | 0.313 | 0.186 | 0.546 | 0.299 |
| **RCC2** | 0.282 | 0.097 | 0.181 | 0.299 | 0.155 | 0.086 | 0.160 | 0.363 | 0.134 | 0.117 | 0.018 | 0.027 | 0.055 | 0.247 | 0.273 | 0.128 | 0.827 | 0.223 |
| **RCC3** | 0.147 | 0.082 | 0.016 | 0.173 | 0.158 | 0.088 | 0.233 | 0.031 | 0.096 | 0.014 | 0.087 | 0.061 | 0.010 | 0.212 | 0.165 | 0.140 | 0.794 | 0.251 |
| **RCC4** | 0.379 | 0.193 | 0.245 | 0.046 | 0.291 | 0.323 | 0.173 | 0.031 | 0.289 | 0.127 | 0.022 | 0.313 | 0.132 | 0.253 | 0.163 | 0.291 | 0.670 | 0.126 |
| **SEC1** | 0.029 | 0.247 | 0.003 | 0.103 | 0.034 | 0.157 | 0.003 | 0.045 | 0.170 | 0.016 | 0.026 | 0.068 | 0.216 | 0.078 | 0.108 | 0.001 | 0.057 | 0.694 |
| **SEC2** | 0.422 | 0.254 | 0.295 | 0.260 | 0.392 | 0.346 | 0.402 | 0.268 | 0.097 | 0.069 | 0.260 | 0.201 | 0.250 | 0.421 | 0.437 | 0.250 | 0.430 | 0.755 |
| **SEC3** | 0.157 | 0.070 | 0.088 | 0.028 | 0.304 | 0.164 | 0.404 | 0.106 | 0.041 | 0.182 | 0.131 | 0.155 | 0.014 | 0.223 | 0.343 | 0.349 | 0.170 | 0.718 |
| **SEC4** | 0.063 | 0.138 | 0.080 | 0.116 | 0.141 | 0.138 | 0.269 | 0.379 | 0.014 | 0.094 | 0.155 | 0.061 | 0.101 | 0.089 | 0.250 | 0.233 | 0.210 | 0.765 |

Ideally, indicators should load above 0.6 (or 0.5) on their intended factors, demonstrating a simple factor structure. The table above shows that the indicators load appropriately on their intended factors.

**Collinearity Statistics (VIF)**

To avoid collinearity issues, the VIF should be 5 or lower (Tolerance > 0.2), with a threshold of 3.3 or less for latent variables (Hair et al., 2011). When factor loadings exceed 0.70, the correlation between predictors must be checked for multicollinearity, as it can inflate standard errors and destabilize model parameters (Kock, 2011). As shown in Table 5, all outer VIF values range from 1.003 to 1.483, well below 3.3, indicating no multicollinearity. Similarly, the inner VIF values range from 1.427 to 2.500, also within the recommended limits.

**Table 5: Collinearity Statistics (VIF)**

| **Constructs** | Factors | Outer VIF Values | BP |
|---|---|---|---|
| Brand Management Capability (BMC) | BMC1 | 1.237 | 2.064 |
| | BMC2 | 1.237 | |
| | BMC3 | 1.14 | |
| | BMC4 | 1.287 | |
| | BMC5 | 1.277 | |
| **Business Performance** | BP1 | 1.12 | |
| | BP2 | 1.07 | |
| | BP3 | 1.177 | |
| | BP4 | 1.14 | |
| | BP5 | 1.283 | |
| | BP6 | 1.203 | |
| | BP7 | 1.089 | |
| | BP8 | 1.11 | |
| | BP9 | 1.122 | |
| Capability Enhancement | CEN1 | 1.151 | 1.639 |
| | CEN2 | 1.051 | |
| | CEN3 | 1.158 | |
| | CEN4 | 1.017 | |
| | CEN5 | 1.11 | |
| Channel Management Capabilities | CMC1 | 1.237 | 2.093 |
| | CMC2 | 1.17 | |
| | CMC3 | 1.056 | |
| | CMC4 | 1.336 | |
| | CMC5 | 1.033 | |

| | | | |
|---|---|---|---|
| Customer Relationship Marketing Capability | CRC1 | 1.076 | 1.775 |
| | CRC2 | 1.051 | |
| | CRC3 | 1.106 | |
| | CRC4 | 1.099 | |
| Marketing Implementation Capability | IMC1 | 1.119 | 2.027 |
| | IMC2 | 1.309 | |
| | IMC3 | 1.121 | |
| | IMC4 | 1.304 | |
| | IMC5 | 1.196 | |
| | IMC6 | 1.136 | |
| Marketing Communication Capability | MCC1 | 1.075 | 1.817 |
| | MCC2 | 1.209 | |
| | MCC3 | 1.258 | |
| | MCC4 | 1.148 | |
| | MCC5 | 1.131 | |
| Market Information Interpretation | MIC1 | 1.065 | 1.569 |
| | MIC2 | 1.085 | |
| | MIC3 | 1.061 | |
| | MIC4 | 1.016 | |
| Market-Learning Capability | MLC1 | 1.003 | 1.427 |
| | MLC2 | 1.052 | |
| | MLC3 | 1.027 | |
| | MLC4 | 1.03 | |
| Market Response (MRC) | MRC1 | 1.087 | 1.578 |
| | MRC2 | 1.159 | |
| | MRC3 | 1.066 | |
| | MRC4 | 1.1 | |
| | MRC5 | 1.158 | |
| Market Information Scanning (MSC) | MSC1 | 1.483 | 1.532 |
| | MSC3 | 1.18 | |
| | MSC4 | 1.322 | |
| New Product Development Capability | NPDC1 | 1.095 | 1.778 |
| | NPDC2 | 1.012 | |
| | NPDC3 | 1.087 | |
| | NPDC4 | 1.015 | |
| | NPDC5 | 1.022 | |
| Marketing Planning Capability | PLC1 | 1.215 | 1.877 |
| | PLC2 | 1.263 | |
| | PLC3 | 1.383 | |

| | | | |
|---|---|---|---|
| | PLC4 | 1.313 | |
| | PLC5 | 1.101 | |
| Product Management Capability | PMC1 | 1.251 | 1.787 |
| | PMC2 | 1.131 | |
| | PMC3 | 1.123 | |
| | PMC4 | 1.351 | |
| | PMC5 | 1.256 | |
| Pricing Setting Capability | PSC1 | 1.09 | 2.092 |
| | PSC2 | 1.167 | |
| | PSC3 | 1.092 | |
| | PSC4 | 1.153 | |
| | PSC5 | 1.011 | |
| Marketing Research Capability | RCA1 | 1.075 | 2.500 |
| | RCA2 | 1.068 | |
| | RCA3 | 1.143 | |
| | RCA4 | 1.28 | |
| | RCA5 | 1.318 | |
| | RCA6 | 1.31 | |
| Resource Configuration Capability | RCC1 | 1.17 | 1.759 |
| | RCC2 | 1.099 | |
| | RCC3 | 1.176 | |
| | RCC4 | 1.237 | |
| Professional Selling Capability | SEC1 | 1.06 | 1.629 |
| | SEC2 | 1.096 | |
| | SEC3 | 1.251 | |
| | SEC4 | 1.15 | |

**R-Square and Q-square**

The R square of this study was large. The $R^2$ value, 0.604, showed that RCC, CEN, MSC, MRC, PSC, CMC, MCC, SEC, RCA, PLC, IMC, BMC, CRC, and NPDC were predicted approximately by 60.4% percent of the variations in business performance.

Table 6: Quality criteria

| | R-Square | R -Square Adjusted |
|---|---|---|
| **Business Performance** | 0.604 | 0.533 |

**F-Square**

Following Cohen (1988), effect sizes of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively. The results indicate that the effects of BMC, IMC, and SEC on business

performance are large. Similarly, the effects of CRC, MCC, MLC, NPDC, RCC, and PLC are also large

Table 7: effect size (f square)

| | f-square |
|---|---|
| BMC -> BP | 0.370 |
| CEN -> BP | 0.019 |
| CMC -> BP | 0.010 |
| CRC -> BP | 0.153 |
| IMC -> BP | 0.359 |
| MCC -> BP | 0.176 |
| MIC -> BP | 0.026 |
| MLC -> BP | 0.160 |
| MRC -> BP | 0.054 |
| MSC -> BP | 0.080 |
| NPDC -> BP | 0.191 |
| PLC -> BP | 0.270 |
| PMC -> BP | 0.015 |
| PSC -> BP | 0.006 |
| RCA -> BP | 0.007 |
| RCC -> BP | 0.220 |
| SEC -> BP | 0.387 |

**Hypothesis Testing Results**

To assess the structural model, Hair et al. (2017) recommend examining $R^2$, beta (β), and the corresponding t-values through a bootstrapping procedure with 5,000 resamples. In addition, researchers should report effect sizes ($f^2$). Sullivan and Feinn (2012) note that while a p-value indicates whether an effect exists, it does not provide information on the effect's size. Therefore, both the substantive significance (effect size) and statistical significance (p-value) are crucial to report and interpret in research (p. 279).

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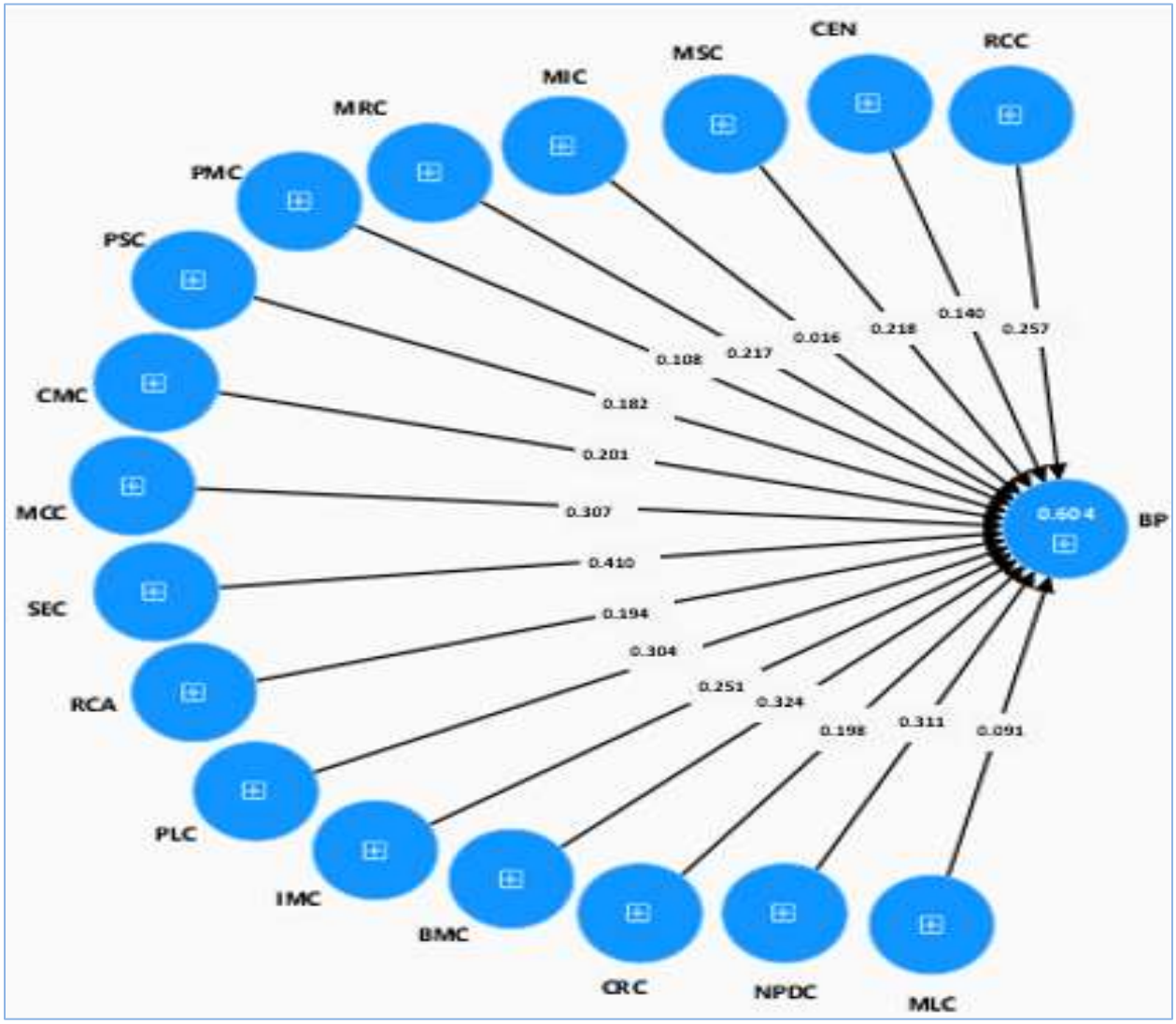


Figure 1: Result of Role of Market Capability on Business Performance: Empirical Evidence in Ethiopia

The $R^2$ value for the mediating model is 0.255, indicating a medium effect size. This means that market capability and competitive advantage explain approximately 25.5% of the variance in business performance.

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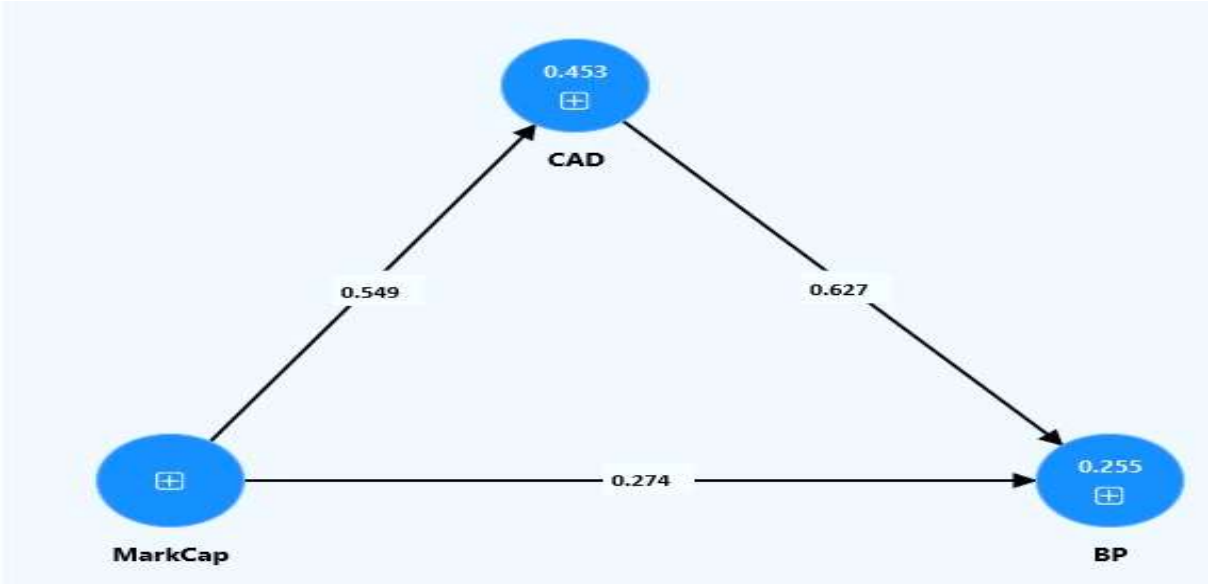


***Figure 2:*** *The Impacts of Marketing Capabilities on Business Performance of Manufacturing Companies in Ethiopia: The Mediating Role of Competitive Advantage.*

The findings of this study indicate that among the antecedents, MISC, RCC, CEN, MSC, MRC, PSC, CMC, MCC, SEC, RCA, PLC, IMC, BMC, CRC, and NPDC are positively correlated to business performance, and are found to be significant predictors of business performance. Market-Learning Capability, Capability Enhancement, Market Information Interpretation, and Product Management Capability are positively correlated with business performance but are insignificant predictors. Hahn and Ang (2017) highlight key recommendations for reporting results in quantitative studies, including using effect size estimates, confidence intervals, Bayesian methods, Bayes factors, likelihood ratios, and decision-theoretic modeling. On the other hand, Market-Learning Capability, Capability Enhancement, Market Information Interpretation, and Product Management Capability are positively correlated to business performance and found to be insignificant predictors of business performance. Hahn and Ang (2017) have summarized some of the recommended rigor in reporting results in quantitative studies which includes the use of effect size estimates and confidence intervals, the use of Bayesian methods, Bayes factors or likelihood ratios, and decision-theoretic modeling. As suggested, we have included effect sizes and confidence intervals as part of our reporting. (See Table 8).

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Table 8: Hypothesis Testing

| Hypothesis | Relationship | Std Beta(β) | STDEV | T value (\|β/STDEV\|) | P-Value | VIF | Decision |
|---|---|---|---|---|---|---|---|
| H1: Market Sensing Capability has a significant effect on Business performance | | | | | | | |
| H1 | MSC -> BP | 0.218 | 0.061 | 3.574 | 0.001 | 1.532 | Supported |
| H2 | MIC -> BP | 0.016 | 0.059 | 0.271 | 0.108 | 1.569 | Not Supported |
| H3 | MRC -> BP | 0.217 | 0.069 | 3.145 | 0.015 | 1.578 | Supported |
| H2: Specialized Marketing Capabilities has a significant effect on Business Performance | | | | | | | |
| H4 | PMC -> BP | 0.108 | 0.074 | 1.459 | 0.148 | 1.787 | Not Supported |
| H5 | PSC -> BP | 0.182 | 0.054 | 3.370 | 0.021 | 2.092 | Supported |
| H6 | CMC -> BP | 0.201 | 0.053 | 3.792 | 0.001 | 2.093 | Supported |
| H7 | MCC -> BP | 0.307 | 0.059 | 5.203 | 0.020 | 1.817 | Supported |
| H8 | SEC -> BP | 0.410 | 0.085 | 4.824 | - | 1.629 | Supported |
| H9 | RCA -> BP | 0.194 | 0.067 | 2.896 | 0.002 | 2.500 | Supported |
| H3: Architectural Marketing Capability has a positive and significant effect on Business performance | | | | | | | |
| H10 | PLC -> BP | 0.304 | 0.068 | 4.471 | 0.001 | 1.877 | Supported |
| H11 | IMC -> BP | 0.251 | 0.066 | 3.803 | 0.043 | 2.027 | Supported |
| H4: Cross-Functional Marketing Capabilities have a positive and significant effect on Business performance | | | | | | | |
| H12 | BMC -> BP | 0.324 | 0.062 | 5.226 | 0.001 | 2.064 | Supported |
| H13 | CRC -> BP | 0.198 | 0.059 | 3.356 | 0.035 | 1.775 | Supported |
| H14 | NPDC -> BP | 0.311 | 0.085 | 3.659 | 0.001 | 1.778 | Supported |
| H5: Dynamic Marketing Capabilities have a positive and significant effect on Business performance | | | | | | | |
| H15 | MLC -> BP | 0.091 | 0.067 | 1.358 | 0.948 | 1.427 | Not Supported |
| H16 | RCC -> BP | 0.257 | 0.057 | 4.509 | 0.018 | 1.759 | Supported |
| H17 | CEN -> BP | 0.140 | 0.082 | 1.707 | 0.248 | 1.639 | Not Supported |
| Marketing Capability | | | | | | | |
| H18 | MarkCap ->BP | 0.274 | 0.068 | 4.029 | 0.000 | 1.720 | Supported |
| Competitive Advantage | | | | | | | |
| H19 | CAD ->BP | 0.627 | 0.065 | 9.646 | 0.001 | 1.850 | Supported |
| H20 | MarkCap ->CAD->BP | 0.344 | 0.066 | 5.212 | 0.00 | 1.825 | Supported |

*Explaining Antecedent Factors of Marketing Capability on Business Performance Mediated by Competitive Advantage*

The mediating role of Competitive Advantage examines how it indirectly affects business performance by acting as an intermediary between antecedent factors and performance. This effect

is calculated by multiplying the path coefficient from the independent variable to the mediator by the path coefficient from the mediator to the dependent variable (Hair et al., 2010).

The SEM analysis revealed both direct and indirect impacts (mediating effect). Table 9 shows that Competitive Advantage mediates the relationship between market capability antecedents and business performance, as the indirect effect (0.344) is greater than the direct effect (0.274).

*Table 9: Mediating Role of Competitive Advantage in the Relationship Between Marketing Capability Antecedents and Business Performance*

| Hypothesis | Direct Effect | Indirect Effect | Status | Evidence |
|---|---|---|---|---|
| **H20** | 0.274 | 0..344 | Mediate | Supported |

## DISCUSSION OF RESULTS

The hypotheses of this study are structured around several key concepts, including Market Sensing Capability and Business Performance, Specialized Marketing Capabilities and Business Performance, Architectural Marketing Capability and Business Performance, Dynamic Marketing Capabilities and Business Performance, as well as the direct and indirect relationships between Competitive Advantage and Business Performance. Each of these main conceptual areas is further broken down into specific sub-constructs, with corresponding hypotheses to be tested, resulting in a total of 20 hypotheses. The findings of the study are then analyzed and compared with existing literature to assess the degree of consistency between the study's results and prior research. This analysis provides insights into the alignment of the results with previous studies and helps to contextualize the significance of the findings within the broader academic discourse.

The study tested the following hypotheses related to **Market Sensing Capability and Business Performance:**

- Hypothesis H1**:** Market Information Scanning significantly affects Business Performance ($\beta = 0.218$, $T = 3.574$, $P = 0.001 < 0.05$), consistent with prior research (Day, 1994; 2002; 2011; Jaworski & Kohli, 1993; Likoum et al., 2018).
- Hypothesis H2**:** Market Information Interpretation does not significantly affect Business Performance ($\beta = 0.016$, $T = 0.271$, $P = 0.108 > 0.05$), contrary to previous studies (Day, 1994; 2002; 2011; Jaworski & Kohli, 1993; Likoum et al., 2018).
- Hypothesis H3**:** Market Response significantly influences Business Performance ($\beta = 0.217$, $T = 3.145$, $P = 0.015 < 0.05$), supporting earlier studies (Day, 1994; 2002; 2011; Jaworski & Kohli, 1993; Likoum et al., 2018).

The following hypotheses were formulated to examine the impact of **Specialized Marketing Capabilities on Business Performance:**

- Hypothesis H4: Product Management Capability does not have a significant effect on Business Performance ($\beta = 0.108$, $T = 1.459$, $P = 0.148 > 0.05$). This finding is inconsistent with previous research (Greenley & Oktemgil, 1997; Adler et al., 1996; Slater & Narver, 1995).
- Hypothesis H5: Pricing Capability significantly influences Business Performance ($\beta = 0.182$, $T = 3.370$, $P = 0.021 < 0.05$). The results align with earlier studies (Dawar & Parker, 1994; Dutta et al., 2003; Shapiro et al., 1987; Blattberg & Wisniewski, 1989).
- Hypothesis H6: Channel Management Capability has a significant effect on Business Performance ($\beta = 0.201$, $T = 3.792$, $P = 0.001 < 0.05$). This is consistent with a number of previous studies (Dawar & Parker, 1994; Dutta et al., 2003; Shapiro et al., 1987; Blattberg & Wisniewski, 1989; Irvin & Michaels, 1989; Marn & Rosiello, 1992).
- Hypothesis H7: Marketing Communication Capability significantly affects Business Performance ($\beta = 0.307$, $T = 5.203$, $P = 0.020 < 0.05$). These findings support earlier research (Aaker, 1996, 2008; McKee et al., 1992).
- Hypothesis H8: Selling Capability has a significant effect on Business Performance ($\beta = 0.410$, $T = 4.824$, $P = 0.000 < 0.05$). The results are consistent with prior studies (Brown et al., 1998; Challagalla & Shervani, 1996).
- Hypothesis H9: Market Research Capability significantly influences Business Performance ($\beta = 0.194$, $T = 2.896$, $P = 0.002 < 0.05$). This result aligns with earlier studies (Vorhies et al., 1999; Moorman, 1995).

The following hypotheses were tested regarding the impact of **Architectural Marketing Capability on Business Performance:**

- Hypothesis H10: Strategic Market Planning Capability has a significant effect on Business Performance ($\beta = 0.304$, $T = 4.471$, $P = 0.001 < 0.05$). These findings align with previous research (Day & Wensley, 1988; Day, 1994; McKee et al., 1997; Menon et al., 1999; Narver & Slater, 1990).
- Hypothesis H11: Marketing Strategy Implementation Capability significantly affects Business Performance ($\beta = 0.251$, $T = 3.803$, $P = 0.043 < 0.05$). This result is consistent with earlier studies (Olson et al., 2005; Bonoma & Crittenden, 1988; Jaworski, 1988; Bonoma, 1985).

The following hypotheses were tested regarding the influence of **Cross-Functional Marketing Capabilities on Business Performance:**

- Hypothesis H12: Brand Management Capability has a positive and significant effect on Business Performance ($\beta = 0.324$, $T = 5.226$, $P = 0.001 < 0.05$). This result is consistent with prior studies (Morgan et al., 2009; Aaker, 1991; Andriopoulos & Gotsi, 2000; Aaker, 2008).
- Hypothesis H13: Customer Relationship Marketing Capability positively and significantly affects Business Performance ($\beta = 0.198$, $T = 3.356$, $P = 0.035 < 0.05$). These findings align with previous research (Boulding et al., 2005; Reinartz et al., 2004; Srivastava et al., 1999; Morgan & Slotegraaf, 2011; Ramaswami et al., 2009).
- Hypothesis H14: New Product Development Capability has a positive and significant impact on Business Performance ($\beta = 0.311$, $T = 3.659$, $P = 0.001 < 0.05$). This outcome is consistent with earlier studies (Griffin & Page, 1996; Ramaswami et al., 2009; PDMA, 2004; Lee et al., 2017; Mu, 2015; Wei et al., 2014).

The following hypotheses were tested regarding the impact of **Dynamic Marketing Capabilities on Business Performance:**

- Hypothesis H15: Market Learning Capabilities do not have a positive and significant effect on Business Performance ($\beta = 0.091$, $T = 1.358$, $P = 0.948 > 0.05$). This finding is inconsistent with earlier studies (Eisenhardt & Martin, 2000; Grant, 1996b).
- Hypothesis H16: Resource Configuration Capability positively and significantly influences Business Performance ($\beta = 0.257$, $T = 4.509$, $P = 0.018 < 0.05$). This result aligns with previous research (Eisenhardt & Martin, 2000; Grant, 1996b; Lado et al., 1992; McGrath et al., 1995).
- Hypothesis H17: Capability Enhancement does not significantly affect Business Performance ($\beta = 0.140$, $T = 1.707$, $P = 0.248 > 0.05$). This finding contradicts earlier research (Kogut & Zander, 1992; Mahoney, 1995; Lado et al., 1992; McGrath et al., 1995).

The following hypotheses were tested regarding the impact of **Marketing Capabilities on Business Performance:**

- Hypothesis H18: Marketing Capability has a positive and significant effect on Competitive Advantage ($\beta = 0.311$, $T = 3.659$, $P = 0.001 < 0.05$). This result is in agreement with earlier studies (Lado et al., 1992; McGrath et al., 1995; Leonard-Barton, 1992).

The following hypotheses were formulated to examine the direct and indirect impact of **Competitive Advantage** on **Business Performance**:

- Hypothesis H19**:** Competitive Advantage has a positive and significant effect on Business Performance ($\beta = 0.627$, $T = 9.646$, $P = 0.001 < 0.05$). This finding is consistent with prior

research (Hunt & Morgan, 1995; Tan & Sousa, 2015; Barney, 1991; Newbert, 2008; Iuliana et al., 2008; Ankli, 1992; Zhou et al., 2009; Haseeb et al., 2019).

- Hypothesis H20**:** Competitive Advantage mediates the relationship between Marketing Capability and Business Performance ($\beta = 0.344$, $T = 5.212$, $P = 0.000 < 0.05$). This result aligns with previous studies (Hunt & Morgan, 1995; Porter, 1985; Tan & Sousa, 2015).

In summary, this study finds that Market Information Interpretation, Product Management Capability, Market Learning Capabilities, and Capability Enhancement do not significantly affect business performance, contrary to previous studies both locally and globally. The lack of significant impact of these constructs on business performance could stem from several factors:

- **Market Information Interpretation**: Previous studies suggest that interpreting market information plays a crucial role in enhancing business performance (Jaworski & Kohli, 1993; Day, 2002). However, in this study, the lack of significance may be attributed to contextual differences such as the industry examined or the dynamic nature of markets that can affect how firms interpret and use market data. For example, the firm's ability to act on the interpreted information may be more important than the interpretation itself (Ahearne et al., 2013).
- **Product Management Capability**: While earlier research (Greenley & Oktemgil, 1997; Slater & Narver, 1995) suggests that strong product management capabilities lead to improved business performance, the failure of this hypothesis in the current study may be due to the increasingly complex and fast-paced market conditions where traditional product management techniques may not suffice. The dynamic nature of modern markets could mean that other capabilities, such as innovation or marketing strategy, play a more significant role in driving performance (Narver & Slater, 1990).
- **Market Learning Capabilities**: The literature often links market learning with improved business performance, noting that organizations that continuously learn about their market environments can better adapt and succeed (Eisenhardt & Martin, 2000; Grant, 1996). The lack of significance in this study may be explained by the possibility that firms have already reached a threshold of market knowledge where further learning no longer yields significant returns, or that other factor like organizational culture or leadership play a larger role in performance outcomes (Boulding et al., 2005).
- **Capability Enhancement**: Earlier studies (Kogut & Zander, 1992; Mahoney, 1995) suggest that enhancing organizational capabilities contributes to superior business performance. However, the current study's findings suggest no significant effect, potentially because capability enhancement is a gradual and long-term process. Short-term performance outcomes may not fully reflect the value of ongoing capability improvement efforts, especially if the study sample included firms that are still in the early stages of enhancing their capabilities (Lado et al., 1992; McGrath et al., 1995).

The inconsistencies between the current study's findings and prior research can thus be attributed to factors such as changes in industry context, the evolving nature of markets, firm-specific strategies, or differences in sample size and methodology. These factors underscore the importance of considering contextual nuances when assessing the role of marketing capabilities in business performance.

## CONCLUSION

This study explored the relationships between marketing capabilities, competitive advantage, and business performance in manufacturing firms. It specifically investigated whether marketing capabilities directly influence business performance, how the decomposed dimensions of marketing capabilities affect performance, and the role of competitive advantage as a mediator. The findings confirmed that several marketing capabilities, including Market Information Scanning, Pricing Capability, Channel Management, and Customer Relationship Marketing, have a significant positive impact on business performance.

Furthermore, competitive advantage was found to mediate the relationship between marketing capabilities and business performance, highlighting its critical role in driving both immediate performance outcomes and long-term growth. The study underscores the importance of prioritizing specific marketing capabilities that contribute to a firm's ability to navigate competitive markets, enhance operational efficiency, and strengthen its market position.

Thus, manufacturing firms should strategically invest in the development of these key marketing capabilities to optimize their marketing strategies and achieve superior performance. The focus on building these capabilities will not only improve business outcomes but also serve as drivers of sustainable growth and competitive advantage in an evolving market landscape. The study emphasizes that firms committed to fostering these capabilities are better positioned to thrive in competitive environments and ensure long-term success.

### Limitations and Future Research

The primary objective of this study was to explore the mediating role of Sustainable Competitive Advantage between Marketing Capabilities and Business Performance in the context of selected manufacturing firms in Ethiopia. While this study provided valuable insights into the relationship between these variables across all manufacturing firms, it is important to recognize that the dynamics of small, medium, and large firms may differ significantly in terms of their marketing capabilities, resources, and competitive strategies. Given these potential differences, future research could benefit from focusing on specific categories of manufacturing firms—such as small, medium, or large enterprises—to investigate whether the mediating role of sustainable competitive advantage varies across different firm sizes. By examining these subsets, future studies could provide a more nuanced understanding of how firm size influences the relationship between

marketing capabilities, competitive advantage, and business performance. This targeted approach would offer valuable insights for policymakers, practitioners, and scholars aiming to tailor strategies that align with the unique challenges and opportunities faced by firms of varying sizes. Future research should further investigate the constructs of Market Information Interpretation**,** Product Management Capability**,** Market Learning Capabilities**,** and Capability Enhancement, as the findings of this study diverged from those of previous research. Exploring these constructs in different contexts, industries, or with alternative methodologies may provide deeper insights into the factors influencing their impact on business performance.

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