

Competence-Based View in the Marketing Theory

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SUMMARY

The study analysis the dominant marketing theories created in the last decades. In the comparison the author states that the different approaches did not mean paradigm changes in the marketing, but they approve the theoretical and methodological development of a practice-oriented, practical and generalizing field of science, which gives an appropriate basis for the marketing management of the enterprises. The paper specifies the characteristics of the competence-based approach of the marketing resources, as marketing, strategic and methodological answers given to the network cooperation, integrated costumer requirements and the challenges related to a technology-oriented economy.

The development of marketing applications and interpretations has undergone several development stages in the past few years, starting from distribution functions, later focusing on customer needs, then appearing as a management function, market-based concept and strategy and after this as an individual element, multioptional and interconnecting relationship marketing. In the implementation of professional tasks and the content focus of marketing activity more and more new participants and phenomena are involved so that an enterprise is able to meet the challenges of competition of the implementing organisation in the best way taking into account the view changes to be listed below. The stages and content weight-point changes are as follow (Meffert 2000):

- distribution-based
- user-based
- trade-based
- competitor-based
- environment-based
- network-based.

In the elaboration of the development trend of applications there are several different theoretical views despite the fact that marketing has often been accused of being a ‘statement system without theory’.

A view or a paradigm is a basic ruling principle and a problem-solving example shared by a wide range of representatives of the science. Scientific progress means denying the ruling paradigm and proposing new problem-solving solutions. Scientists have disagreements regarding the use of the term paradigm in the science of management and the field of marketing. Several results of scientific researches and theoretical views concerning

marketing, supplementing or competing with each other, have appeared in the past few years, most of which are defined as basic paradigm changes especially by their promoters. There have been continuous disputes about paradigm changes for several decades.

Theoretical approaches and schools of marketing basically differ in the following:

- the way they take advantage of exchange whether they look at it as an ordinary transaction or a relationship built on longstanding cooperation,
- what is considered to be a factor, a process, skills and environmental linkage mechanisms leading to success,
- the role interactivity plays in solutions,
- what is considered to be the basis and possibility of development of competitive advantages, and how they are determined. The question is whether the scientific approach is based on outside expectations, specifications, clearly outside market-based (outside in) effects or mainly on its own resources, development of competencies having the outside requirements met and acceptance (inside-out).

1. SCHOOLS OF MARKETING THEORIES

There are numerous evaluations and classifications (Sheth-Garrett, 1986; Meffert, 2000) on the basis of which a development trend, certainly not linear, not strictly following each other can be determined:

- Classical approaches:
 - institution-oriented

- product type-oriented
- function-oriented
- Modern, but rather traditional theories of nowadays:
 - behavior-oriented
 - decision-oriented
 - system-oriented
 - situation-oriented
- New, post modern views:
 - new institutional
 - information economics
 - process-oriented
 - relationship-oriented
 - society-oriented
 - competence-oriented
 - organisational dynamic (network) oriented

Among the classical views developed in Europe in the fifties the institution-oriented approach focuses on varieties of factory forms in trade and on research of their changes, whereas the product-oriented view taking into account the peculiarities of certain product types (consumer goods, industrial goods, services, etc.) concentrates on marketing decisions. The function-oriented approach gives priority to contextual, chronological, geographical and object related optimization of certain marketing functions.

Among the modern views which follow and are considered to be traditional nowadays we came across the following approaches, the starting point of which is undoubtedly market-based:

- Decision – oriented approach, which became internationally acknowledged in the first half of the seventies adjusting itself to traditional concepts of company economics, lays foundation of solutions to definite marketing problems (decision logic, evaluation of alternatives, answers given to environmental challenges, analysis and determination of target and tool systems, etc.).
- The system-oriented approach, which gained attention because of complexities of assignments and increase of their dynamics, focuses on evaluation of market-related system analysis, exchange relationships between elements of the system and system behaviour. In spite of 'tough' expansion and popularization of the system theory in the '60s and '70s this model was a great disappointment for marketing science and its practical application especially because of the complex and comprehensive exploration of its correlation.
- The behaviour or attitude oriented approach is built on research conducted in the field of consumer and customer behaviour. They are expressed by the well-known S-R, S-O-R models and the so-called process model developed in the seventies. On the basis of these the outside and inside factors determining several customer decisions were identified. In the 70s and 80s this view was further developed and by concentrating on key factors it focused on attitude, image and satisfaction studies.

- The situational approach highlighted the necessity of the environment-determined adaption related to organization-theoretical experience, trying to identify the relevant situational changes. The essence and weakness of this view lies in various interpretations and manageability of these situations (market: its size, competition, life cycle, etc; environment: prosperity, technology, society, ecology, etc; enterprise: its size, structure, image, technology, financial power, etc; programs: production process, life cycle, structure, etc.)

Since the mid 80s the latest approaches have been trying to find an answer to market management of the changing market processes arising from accelerated technological changes. *The new institutional economics theory*, as compared to neoclassical promotional theory, dealt with various partial areas, e.g.: market deficiencies, potential development of markets (e.g.: analysis of institutions as target-oriented system of norms, enforcement of instrumental view, management of coordination problems, etc.) Laying a new basis to the elaboration of theory of transactional costs and information-economics interpretation is of great importance. *The information-economics approach* is a supplement to the behaviour and decision-based view. It focuses on the need for comprehensive and systematic analysis of market-specific information of uncertainty and risk structure, pointing out that during realistic transaction processes an informational asymmetry arises between the seller and the buyer, the reduction of which results in an increase in transaction costs and produces a multiple effect on transaction processes.

The process-oriented view, which has a strong environmental differentiation and divides company activity into product, function and regional views showed the necessity for a decrease in complexities as well as its contra-productive impacts. The effects of marketing extending over company functions and realization of its direction clearly expressed the fact that its division can be made accepted by a process-based view. Marketing missed a process-oriented proposal and recommendation for a long time. This long felt need has been met by both science and practice since the end of the 80s by putting more emphasis on Lean Management and Business Process Reengineering, which relating to marketing can be summarized as process-based view giving priority to internal marketing through functions extending over integration process thinking (process costs analysis) in effective realization strategies.

The society-oriented (macro marketing) view takes into account relationships between marketing methods and a society. Its essence lies in the fact that it looks at marketing as something the efficiency of which is affected by several environmental factors, and thus, it focuses on comprehensive and rational analysis of environmental variables having impact on marketing. It points out the effects of the society (environmental consciousness, social sensibility) and its consequences on

marketing systems and activities. Marketing attempted to form these environmental expectations into competitive factors (environmental friendly packaging, decrease of hazardous materials, recycling of materials) and include them into the marketing strategies of companies. (Meffert-Kirchgeorg, 1994).

The main term in *organisational dynamic-oriented approach* built on relationship marketing is the concept of power, conflict, control and its management. This trend uses terms taken from organisational behaviour, social psychology and sociology, focuses on the comprehension of behaviour between organizations, their interrelationships mainly in the field of B2B and consummates itself in a network marketing concept. (Achrol-Kotler, 1999; Ford 2003). In a time of interactive business networks, emphasis was put on the understanding of customer relations and the development of new organizational forms (strategy alliances, virtual organizations) instead of ideas built on certain transactions, which resulted in replacing the 'influence' of transactions by *relationship marketing*. As far as B2B is concerned relationship management at various interaction levels has long standing traditions. The novelty of relationship marketing lies in the extension of partnership forms in the direction of every outside and inside target group, the development of durable relationships and maintenance of their economic encouragement focusing on the confidence factor. The responsibility for consumer relationship encompasses the whole company organization.

According to the *competence-oriented marketing approach* developed from the so called '*resource-based view*' an enterprise has to concentrate on inside circumstances and competencies (inside out) to be competitively strong and flexible. This is the reason why competence marketing is considered to be a real turning point and a real paradigm change as it seems to interpret the essence of marketing, without taking into account the direct market needs or answers given to the needs.

Each marketing view described in this study lays emphasis on evaluation and problem solving methodology, which plays an important role in settlement marketing as well. The specific features, difficulties of development, qualities of settlement-product, the determining role it plays in the development of its current values and their operation put the resource-based marketing view in the center of attention of our further analysis.

2. COMPETENCE MARKETING

The competence marketing originates from the theories of Anglo-Saxon micro-economy, according to which advantages in competition resulting from the special resources, abilities and strength of a company result in returns above the average. (Penrose, 1959; Chandler, 1962)

The term competence means being competent (e.g.: in an assignment) or having an ability (to do something). In the science of management this term was misinterpreted. In marketing the concept of capability is taken into account, meaning types of competencies a company has when it enters a market and approaches customers. Becker was the first to call the conscious development of competencies a marketing objective and considered the company image to be a core competence (an ability, a factor ensuring advantage in competition). He considers competence development a communicative task.

Competence has two dimensions. The so called *experience competence* is based on background general experience and means the problem solving ability of a company, whereas the *possible competence* is related to abilities on the basis of which new problems are solved, and the acceptance and demonstration of which are primarily a matter of image.

Competence transfer involves acquiring competencies in the interest of customers and their utilization and realization for customers. On the other hand, competence transfer leads to specific knowledge transfer between a seller and a buyer. It is an essential tool in achieving customer satisfaction and development of custom-based process.

The competence-oriented approach (as an inside-out prospective type) and the market approach targeting customers' needs (the market-based view) seem to be in contradiction with each other at first, but only at first sight, as the inside features, the abilities of an enterprise and their values are never independent from the market conditions. The core competence and its values can be determined from the customer side, meaning that due to the core competence an enterprise is able to acquire considerable values in competition comparison.

Considering marketing to be a resource-based view makes it possible to interpret important interdependencies and relationships, as a market is nothing else but a solution method of a bilateral resource-problem. (Freiling, 2001). A customer demand is a lack of resources explored in a subjective way, where the responsibility of a seller lies in satisfying the demand and meeting the needs by utilizing his own resources and competencies. Strategy-competence marketing develops durable competitive advantages on the basis of understanding the market conditions and exploration of core competence of an enterprise.

According to the technology-based view taken in a broader sense the introduction of competence marketing fits into the above mentioned market-based view:

- considering it a porter's value chain, according to which competence can be identified or has an identifying ability, which can be registered in the value creating process and can be included in the value chain (Strothmann, 1997)
- laying emphasis on the competence-profit by a buyer and a principal as a buyer-integration (e.g. information, knowledge about a principal gained in the

process of a particular work can help the promotion of the following task solution). Customer satisfaction or

its feedback can also lead to the increase of competencies.

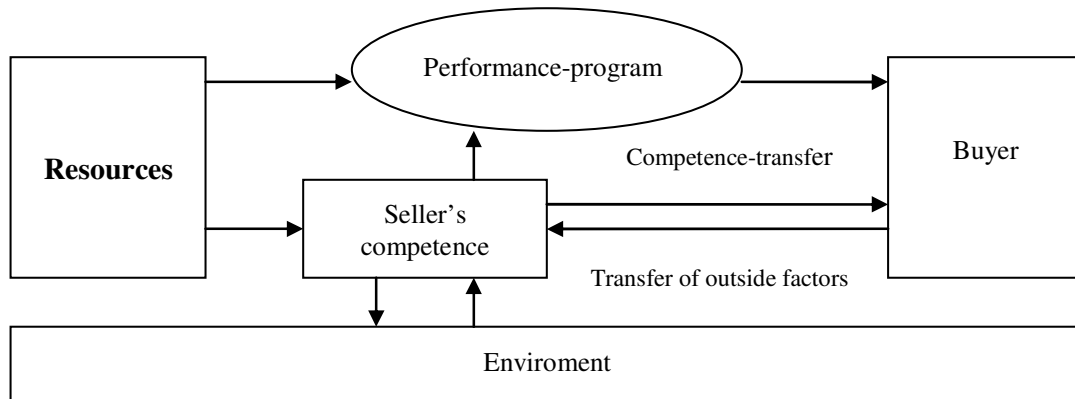
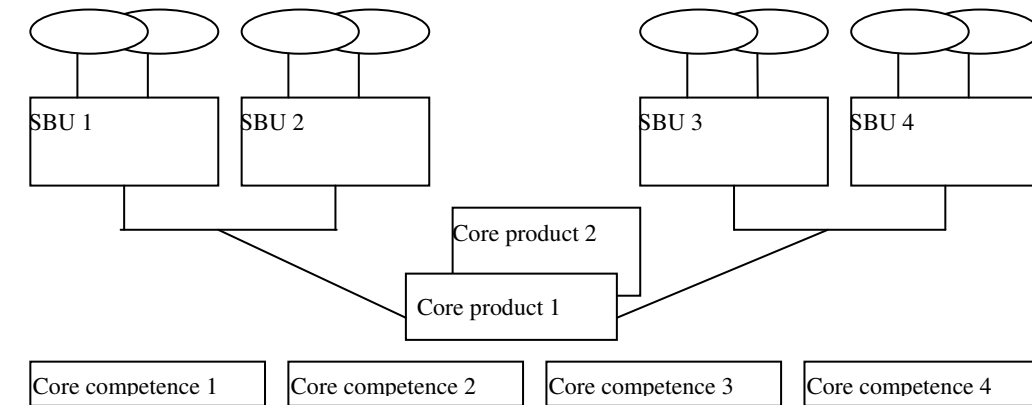


Figure 1 Competencies and transfers in broader interpretation

The resource-based views can be divided into two groups (Buchholz, (1996.) p. 48): *practice* (Core Competencies – Prahalad and Hamel (1990) and Capabilities – Stalk et.al (1992)) and *theory-based types* (Resources, Capabilities – Grant (1991) and Strategic Assets - which-Schoemaker (1993)). Prahalad and Hamel without, giving a definition of the term of core competence, illustrated with several

examples how competitive advantages can be generated by definite technological capabilities. Stalk et al. (1992) widened the concept of competence marketing, originally technology-oriented perspectives by giving interpretation to non-technology-dependent competencies (e.g. sales-management, etc.) and considering resources to be capabilities.



(From Prahalad and Hamel 1990, p.81)

Figure 2 Core competencies as basis of competitive products

Prahalad and Hamel (1990) criticizing the previous management views see the keys to success and company expansion in the core competencies, which are to be explored, transformed into a new product and sold by management. It differs from the traditional organization-based view and from the product-market combination of strategic business units. Its essence lies in the development of efficient portfolios of core competencies. The core competencies (e.g. microelectronics, laser-technology, special optics etc.):

- offer several potential possibilities in the market on the basis of which a wide range of final products and not particular product-oriented combinations can be developed;
- determine the acceptance of the buyer's side and the standard of the final product, which result in differentiation in competitors,
- lead to a constant competitive advantage only if the partners involved in competition are able to simulate them.

Achieving uniqueness and distinguish ability (the frame of which is made up by the concept of Corporate Identity) as a corporate objective depends on the prevailing atmosphere in competition and the intensity of competition.

Buyers' satisfaction appears as a result of a competence-transfer. However, in B2B the buyer's satisfaction is not a clearly defined concept, because due to the BC decision the satisfaction of several actors leads to buyer's satisfaction and can be considered as a contributor to the optimization of the buyer's value creating process.

Competence-marketing – compared with the traditional marketing concepts - brings about certain changes in priorities and weight shift in certain assignments. While traditional marketing, focusing primarily on the near future, was trying to create competition advantages, competence marketing puts emphasis on integration of development processes in the past, the current situation and future development. It can happen that potential processes in the near and distant future can be utilized and predicted, and we can take advantage of the situation when the market circumstances can be created in our own image. As a result the following activity weight points can be distinguished:

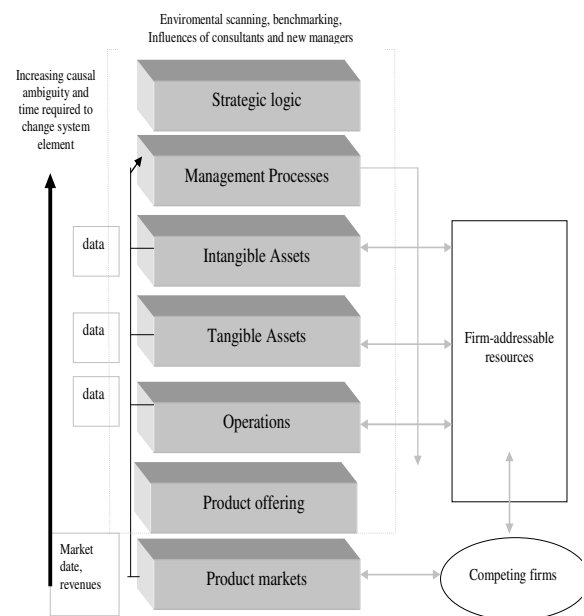
- concentration on traditional strengths taking into account the important decisions made in the past;
- research of future needs;
- elaboration of future business models taking into consideration the 'forecasting in the industrial sector';
- development of competencies, their transfer into core competencies which will play an important role in marketing and management.

The essence of marketing lies in adaptation and creation of something new. Considering the current market circumstances and targeting successful market activity it is essential to meet the buyer's expectations, which requires an extensive adaptation-based orientation. Analyzing the long-term interdependences it can be claimed that the buyer does not usually have the proper knowledge needed for describing potential problems or needs, thus, it is almost impossible and very difficult for marketing to determine the trends in needs in potential demand. In such cases lead users and elaboration of pilot-projects are of utmost importance, as cooperation with them makes need shifts possible as well as permitting the identification of need areas. It is obvious that our expectations and visions as far as the market supply is concerned are to be compared with the assessment of our own target groups. Consequently, it is not adaptation but the creative development that points this.

In the last few years marketing has been focusing primarily on strategic business areas. Having evaluated the competence-management it has become obvious that the utilisation of certain critical resources requires crossing certain business area borders. Branding belongs to one of these factors, but distribution and logistics networks as well as particular inside and outside types of

service resources are not related to certain business areas. They make up the competitive advantages using contexts spreading beyond these areas. The above mentioned facts show that there is a need for constant regeneration in order to achieve a more intensive portfolio-management of current resources and competence facilities, on the basis of which proper investment and reduction decisions are to be made. *Thus, marketing is nothing else, but a constant development and conscious utilization of resources and competencies.*

The shortage and lack of resources can be overcome only if the cooperation with the market and network partners is placed on strategic basis.



(Sanchez- and Heene 1997; in: Freiling 2002, p. 22)

Figure 3 Open System View

This also means that outside resources have to be consciously integrated into our enterprise, value creation and production have to be strengthened in a business like-manner, but this is possible only if our processes are supported by available resources in order to achieve more efficient product types and customer-oriented productivity packages, which meet the current customer's needs within certain transaction processes (Figure 3).

Emphasis should be laid not only on transactions, but on the experience gained during them as well. During organizational study processes our own value creation processes should be taken into account as on the basis of this proper structures and thus, efficient process operations will be created within an enterprise. (Reketye 1999.) The task of marketing is not simply to take part in transaction processes, but to utilize the experience gained and use it in our own value creation process. It is only natural that marketing is used at different activity levels. The basic level is created by the whole market and its

selected segments. Continuous observation is required to identify the level we are at and to decide whether there is a possibility to open a more attractive new market:

The whole market or its segment:

- a continuous, competence-marketing based revision of the market choice
- development of competition-advantage marketing activity
- competence leveraging and not fragmenting

Business relationships:

- resource-based customer relation
- advantages developed on combinations of relationship platforms

Transactions:

- transaction as a requirement of customer-based resources and competence activity
- market learning and knowledge transfer in the company

The analysis of the above mentioned ideas show that competence-based marketing provides a different answer to certain sub-questions than the traditional one. It concerns market analysis, which requires a development of a comprehensive Marketing- Intelligence system and harmonizes market research with modern knowledge management. The 4Ps of McCarthy have to be more precisely defined and the weight points in the tool system have to be developed.

The Resource-Based View can not be opposed to the Market-Based View, since the inside-out types are also provided with market appropriacy as described in the classical article by Prahalad and Hamel (1990) in which customer value and competitor differentiation are two basic features of the core competence. The inside-out and

the inside-in views are, actually, two sides of the same coin, but they are thought to make an important content unity. (Backhaus 2001)

After this short overview of schools of marketing theory the following question can be put: Does a paradigm change exist and is there a need for it?

It would be easy and very simple to give a positive answer to the question, as there are so many things that have led to changes in the operation of the market and the factor of success that marketing can not be considered to be the same. Nevertheless, I am convinced that *there is no need for a change in the paradigm*, and it has not happened since the development of the basic concept of marketing. *The changes marketing have undergone in the past few years prove the development and the capability for the development of a science which is practice-based, experience-gained and generalizes both practice and experience.* Similar to the economy, the society and the technological development also rearrange business and competition relations when their determining processes undergo some transformation. Marketing theories and their practical implementors look for and find possibilities for their successful implementations even going ahead of market development processes.

It is not the essence, paradigm or the concept of marketing that have changed, but new 'organizing principles', logical and practical implementation frames, methodological approaches, weight points have emerged on basic elements of target-orientation and market-orientation as responds to challenges of competition and constantly changing conditional systems.

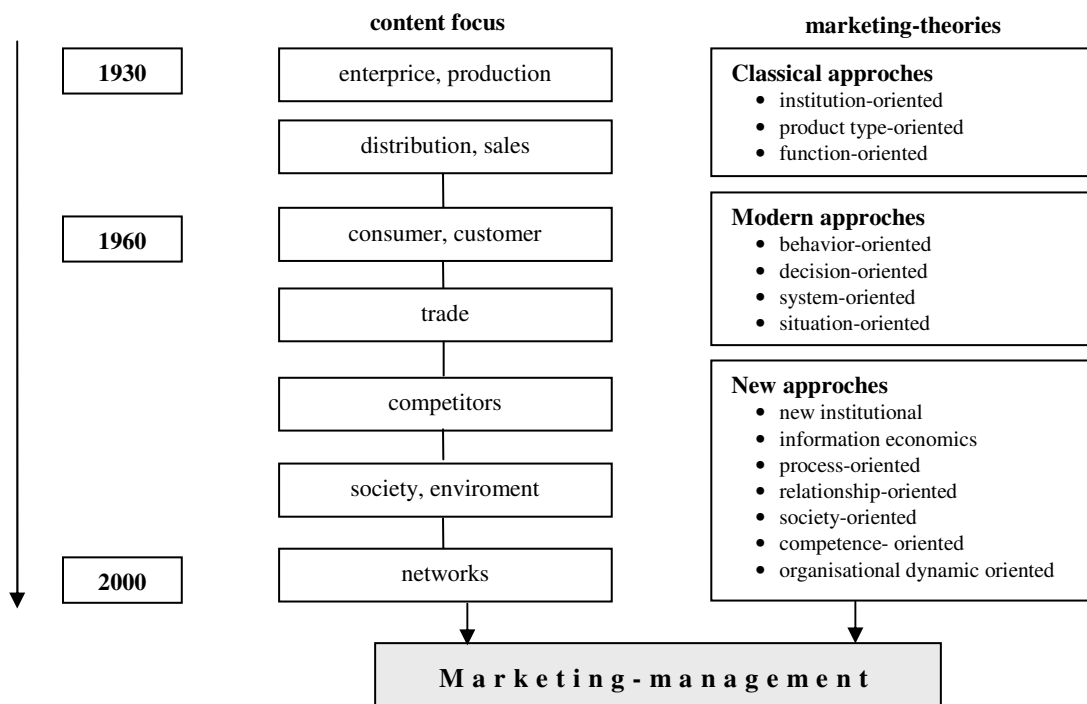


Figure 4 Marketing theories and content focus relationships in marketing management my own ideas on the basis of Meffert's (2002) page 20.

Development of marketing involves new solutions and combinations of methodology and tool system. These new solutions do not erase or annul, but further develop the previous experience of marketing. In case of most markets the application of traditional methodology is advised. Moreover, as the content of the already mentioned classical, modern and new views has proved, marketing today is *their 'mixture' where the marketing-orientation, the actual cocktail has to be mixed taking into consideration the current market and actual peculiarities.* (Brodie et.al,1997)

Marketing is becoming more and more complex, integrated and total. Its task is not only sales optimization, but developing purchasing, inside, the so-called public sphere and competitor strategy, whether it is built on the market or resource based view.

The task of marketing is to combine and integrate resources in a specific way adjusting them to market requirements. Competence-marketing appeared as a methodology elaborated on the basis of experience gained in the high-tech market and small and middle size enterprises, but it is related to other special market areas, like settlement and regional marketing. (Piskoti etc.2002).

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Összefoglaló

A tanulmány az elmúlt évtizedekben megalkotott, domináns marketingelméleti iskolákat elemzi. Az összehasonlításban a szerző megállapítja, hogy a különböző megközelítések nem jelentettek állandó paradigmaváltást a marketingben, hanem a gyakorlatorientált, a gyakorlat tapasztalataiból táplálkozó, s azt általánosító tudomány fejlődését, elméleti és módszertani fejlődőképességét bizonyítják, mellyel a vállalkozások mindenkori marketing menedzsmentje számára megfelelő háttérteremtettek. A cikk részletezi a marketing erőforrás kompetencia alapú megközelítésének sajátosságait, mint a napjaink hálózati együttműködések, integrált vevőelvárásokra, technológia-orientáltságra épülő gazdaság kihívásaira adott marketingelméleti, stratégiai, módszertani választ.

Резюме

Статья анализирует доминантные теоретические маркетинговые школы последних десятилетий. В сравнениях автор делает выводы, что разные подходы не являются постоянными парадоксальными изменениями в маркетинге, а ориентированный на практику, питающийся с практического опыта маркетинга. Доказывает теоретическое и методологическое развитие обобщающей науки, которая создаёт для маркетолога на предприятии необходимую перспективу.

Статья характеризует ресурс маркетинга, как своеобразный подход основ компетентности, сетевое сотрудничество, интегрированные требования покупателей, основанные на экономическом вызове теории маркетинга, стратегии и методологии.