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# **Market Driven Intangibles: Critical Indicators for Firm Performance Superiority in Small Open Economies**

**F**irm intangibles or intangible assets and capabilities are hard for rivals to imitate, which makes them a source of sustainable positional and performance advantages (Kaplan and Norton, 2004). Market driven intangibles are conceptualised as any attribute, intellectual or relational that can be deployed advantageously in the marketplace. Performance superiority, in turn, is defined here as the achievement of overall profit levels, profit margins, and ROI, emphasising financial outcomes and internal efficiency relative to main rivals (Day and Wensley, 1988).

## EXECUTIVE SUMMARIES

Following this conceptualisation, we distinguish between two key marketing intangibles: market orientation with a market driven emphasis and market driven capabilities. Market orientation is seen as a deeply embedded cultural character of firms that in itself forms a distinctive market driven intangible. Market orientation has been systematically demonstrated to create superior performance, but the impact of other market driven capabilities on firm performance remains largely untested. This paper takes this argument and expands the framework supplied by Day (1994). Our conceptual model is grounded on the foundation of the resource based theory (RBT) of the firm. We adopt the relational view within the RBT and our study attempts to address the preceding research gaps by examining the causal links between marketing intangibles and firm performance outcomes.

In order to test our path model, an empirical study was conducted deploying mailed questionnaires. Our survey was carried out in 2001–2002. Given however that we are bedded in the etic tradition in our cross-national study, and to enable meaningful comparison to be made, we needed to take account of equiva-

lence. Following the *Standard Industrial Classification* – SIC -code (Dun and Bradstreet), our sample covered small (20–60 employees), medium size (61–299 employees) and large (300 or more employees) firms or business units operating in industries such as the ICT sector, technology industry, forest and paper industry, food processing industry, and wholesale and retail sector, and representing business products, consumer products, business services and consumer services in Finland and New Zealand. The sampling frame was supplied by national research institutes in both countries.

In summary, we found good empirical support for the hypotheses stated and conceptual model developed. Our structural model demonstrates the importance of market driven intangibles in contributing to the explanation of superiority in firm competitive performance. Following the relational view of the RBT, we can anticipate that performance advantages created through deployment of intellectual and relational capital in marketing are more likely to be superior. In essence they constitute the integration of organizational intangibles both in cognitive and behavioural level to create an idiosyncratic combination for each firm. ■