American Journal of Business and Management
Vol. 3, No. 4, 2014, 206-216
DOI: 10.11634/216796061403604

Effects of Political and Business Ties on Developing Marketing Dynamic Capabilities in Emerging Economies: The Evidence from Russia

Denis Khantimirov

Old Dominion University, United States

Since the effects of the institutional environment and its non-market factors have not been thoroughly explored within the relatively new domain of marketing dynamic capabilities (MDCs), this paper advances our understanding of the phenomenon by assessing whether political and business ties of MNEs may serve as the driving forces behind the development of MDCs. The findings demonstrate that managerial ties have a major impact on development of MDCs within an MNE's subsidiary in emerging markets. In essence, this paper argues for an institutionally contextualized "Dynamic Capabilities" approach by proposing that ties may compensate for institutional voids in emerging economies.

Key Words: marketing dynamic capabilities, emerging economies, marketing strategy

Introduction

With rapid technological advancements, the ease of information accessibility and prevailing globalization it is hard to overlook some major transformations the world marketplace has recently undergone. With the rise of emerging economies, their rapid economic growth and a refined legal infrastructure, Gu, Hung and Tse (2008) suggest that the growth of emerging markets has become a major recent context for international scholars and practitioners. Such markets, with their rising middle class and its massive purchasing power, represent excellent profit and growth opportunities for MNEs through establishing foreign subsidiaries (hereinafter: subsidiaries).

Given the turbulence, increased complexity and high market dynamism of emerging economies, it becomes more difficult to build and sustain competitive advantage in these high growth but challenging markets. Day (1994) suggests that the ability to create and deliver superior customer value through efficient and fast-responding marketing processes tends to be one of the most critical factors that contribute to a company's financial performance and sustainable competitive advantage. Furthermore, the empirical analysis of marketing contribution to the implementation of business strategy conducted by researchers has indicated that "superior performance at the firm or SBU level was achieved when specific marketing strategy types were matched with appropriate business strategy types" (Slater & Olson 2001, p.6). Thus, an effective marketing strategy appears to be a vital part of the overall business strategy of a firm in building a sustainable competitive advantage for its subsidiaries.

Many scholars suggest that the development of dynamic capabilities (e.g., Teece, Pisano & Shuen, 1997) can help MNEs foreign units to achieve competitive advantage in a market with rapid and unpredictable changes. Given that the role of the marketing function in business is highly significant (Day, 1994; Srivastava, Shervani & Fahey, 1999), scholars seem to have embraced the notion that increasingly market-led, competitive, global environments call for establishment and nurturing of marketing dynamic capabilities (hereafter, referred to as MDCs) (Fahy et al., 2000).

However, emerging markets, where protectionism, consumer ethnocentrism, lobbying, and corruption at times prevail, are often influenced by sociopolitical institutions with their own specific needs and strategic goals (Sheth, 2011). Such needs have to be identified and addressed properly if a subsidiary is to develop MDCs in order to be successful in emerging markets with their tremendous potential and rapid growth of purchasing parity.

Thus, it is especially important to not underestimate the effects of relatively weak institutional environment of the markets where unbranded competition, poor infrastructure and access to information along with government regulations may impede the proper growth and financial performance of a venture (Sheth, 2011). In such situations, reciprocal exchange of resources with host governments and business community through establishing profound political and business relationships becomes a critical tool in developing dynamic capabilities and achieving success for a foreign subsidiary operating in emerging markets (Peng & Luo, 2000).

Building on extant scholarly works, this paper attempts to integrate fundamental principles of institutional and political theories and marketing dynamic capabilities of a firm in the context of emerging markets. In essence, this paper argues for an institutionally contextualized "Dynamic Capabilities" approach by empirically testing whether strong political and business managerial ties may compensate for institutional voids in emerging economies.

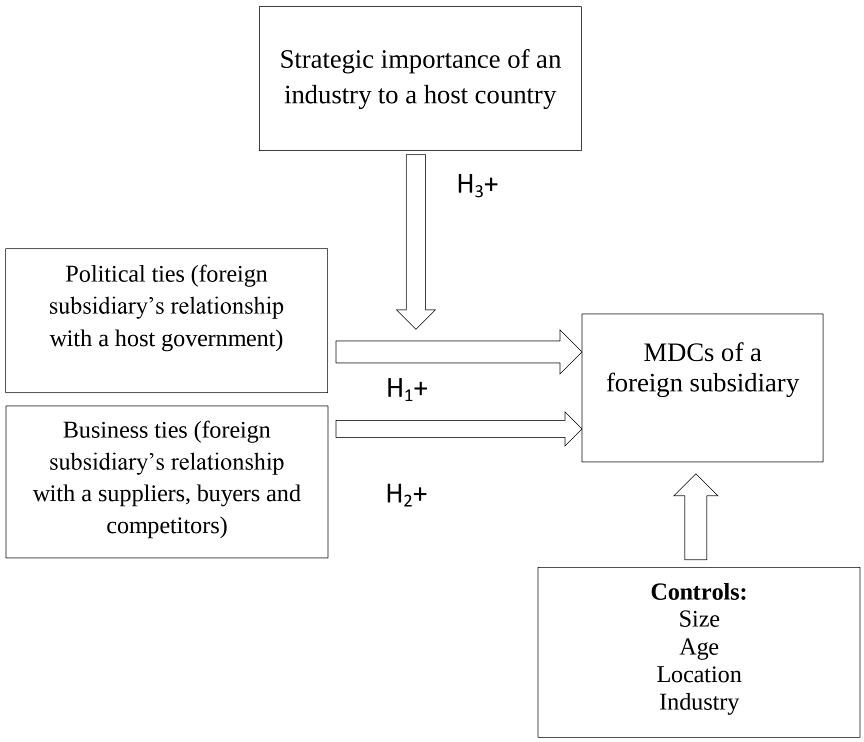

Figure 1.The proposed model of effects of managerial ties on the development of MDCs

Theoretical Development

Marketing Dynamic Capabilities

The development of the strategy literature on how firms gain and maintain competitive advantage has come a long way (Cavusgil, Seggie & Talay, 2007). The resource-based view has provided a rich theoretical foundation for understanding how to achieve and sustain competitive advantage for enterprises (Barney, 1991; Penrose, 1959). According to this literature, a firm is regarded as an idiosyncratic bundle of resources and capabilities that are available for deployment by firm's business units; if such resources are difficult for rivals to observe and imitate, this leads to competitive advantages (Amit & Schoemaker, 1993; Mahoney & Pandian, 1992).

However, the RBV literature ignores how and why certain firms can build competitive advantage in rapidly changing, sometimes turbulent environments. As Teece et al. (1997) point out, resources by themselves cannot be a direct source of competitive advantage; they must be translated into dynamic capabilities in order to realize competitive advantage and superior financial performance. To overcome this limitation, Teece and Pisano (1994) have proposed a RBV derivative "dynamic capabilities" framework which was even further elaborated by Teece et al.(1997) and defined as "the ability to build, integrate, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al., 1997, p.516). The concept has become of one of the most extensively used frameworks in this research stream (Barreto, 2010; Wang and Ahmed, 2007).

Indeed, in order for an MNE to succeed in foreign markets, it should possess not only critical firm-specific resources, but it should also develop the ability to respond to perpetual changes of the international market place and its functional operations. Furthermore, when a firm enters foreign emerging markets, its subsidiaries operate and develop dynamic capabilities under what Teece et al. (1997) describe as the regimes of rapid change. In such environments, foreign subsidiary executives encounter the element of uncertainty that represents some definite risks and costs arising from the unfamiliarity of the environment, from cultural, political, economic differences, and from the need for coordination across geographic distances, among other factors. To mitigate the negative effects of such turbulence and uncertainty, the influence of firm's dynamic capabilities has been comprehensively explored in the literature. However, despite the abundance of scholarly works on enhancing our understanding of dynamic capabilities, Barney (2001) and Priem and Butler (2001a) identify several matters that require further attention, both conceptually and empirically: the role of resources in managing marketplace uncertainty and dynamics, as well as their role in creating customer value. Furthermore, none of the scholars seem to have fully "articulated processes by which internal and market-based resources are converted into competitive advantages" (Srivastava, Fahey & Christensen, 2001, p.778).

More recently, Fang and Zou (2009) argued that there was not enough empirical evidence substantiating the effect of dynamic capabilities in the marketing context. They developed conceptualization and operationalization of dynamic capabilities in marketing function, introducing the concept of marketing dynamic capabilities (MDCs) as "the responsiveness and efficiency of cross functional business processes for creating and delivering customer value in response to market changes" (Fang & Zou, 2009, p.744). The focus on customer value is a focal point which distinguishes MDCs from dynamic capabilities in general. In short, MDCs are conceptualized around specific and idiosyncratic cross-functional processes in a foreign market: product development management, customer relationship management, and supply chain management; based on the findings Fang and Zou (2009), it is suggested that by implementing and adjusting to such business processes, MDCs "facilitate MNE's speedy and efficient responses to market changes, enable MNEs to create and deliver superior customer value, and help them develop and sustain their competitive advantage and superior performance" (Fang & Zou, 2009, p.756).

However, despite providing significant contributions to the literature, recent works on MDCs and their development have some major limitations. Although Fang and Zou (2009) have comprehensively examined firm-specific internal resources that influence the development of MDCs, the extant research has not considered external, non-market forces which may serve as potential antecedents of the proposed construct; as a number of scholars have suggested, in addition to industry and firm level conditions, MNE also needs to take into account wider influences from sources such as the state and society (public opinion and intelligentsia, etc.) when crafting and implementing its strategies (DiMaggio & Powell, 1991).

Non-market forces and MNE in emerging economies

It is well suggested in the literature that firms should design an integrated strategy, taking into consideration both market and non-market environments (Baron, 1995). Dunning (1988) in his early seminal work has acknowledged the need to incorporate non-economic variables in explaining international production. Moreover, with the emergence of the institutional theory, it became apparent that MNEs, in addition to industry and firm level conditions, needed to take into account wider influences from sources such as the state and society when crafting and implementing its strategies (DiMaggio & Powell, 1991; Peng, 2002). North (1990) considered such influences as institutional frameworks which were defined by Davis and North (1976, p.6) as "the set of fundamental political, social, and legal ground rules that establishes the basis for production, exchange, and distribution". Peng (2002) argues that "no firm can be immune" from such frameworks in which it is embedded.

As a result, many firms engage in strategies or proactive actions to affect the public policy environment in a way favorable to the firm (Baysinger, 1984). Interestingly enough, in emerging markets, where protectionism, consumer ethnocentrism, lobbying, and corruption at times prevail, sociopolitical and faith-based institutions as well as strong relationships with vendors and suppliers have considerably more influence on governing the markets (Luo, 2001b). The companies are sometimes forced to go beyond the end customer as a target and inevitably get involved in so-called institutional marketing, ensuring that the needs of the state and local communities are properly addressed, as the local business environment dictates it to be a top strategic priority. In other words, building relationships with various government agencies and business community (i.e. political and business ties) is imperative for firm survival (Ambler and Witzel, 2004; Hillman, Zardkoohi & Bierman, 1999). Peng (2002) highlights that the essence of such interaction is signaling which choices are acceptable and supportable. As a result, institutions help to reduce uncertainty for organizations (Peng, 2002). Thus, it becomes critically important for foreign subsidiaries in emerging economies to attract, build, and develop relationships with various institutions, local communities and their leadership.

Conceptual Framework and Hypotheses

Political ties

Among various institutions, host governments represent major sources of uncertainty for multinational firms because they often control critical resources and opportunities that shape firms' industry and competitive environment (Jacobson, Lenway & Ring, 1993). In order to develop and maintain relationship with a host government, a firm should be involved in certain type of behavior, i.e. political behavior. Such behavior defines the strength or structure of an MNE's cooperative relationships with governmental authorities and manifests a firm's deliberate attempt to increase investment returns or reduce transaction costs through improved ties with governments, i.e. political ties (Luo, 2001).

Firms should ideally devise and execute a dynamic, multi-period network strategy, which is consistent both with their internal MDCs and with the environmental evolution (Sun, Peng, Ren & Yan, 2012). Such strategy leads to developing political ties which improve a firm's political legitimacy or the extent to which government officials or agencies assume that the focal firm's actions are desirable and proper (Suchman, 1995); ultimately, government relations help firms obtain key regulatory resources and receive exclusive government endorsements and favorable treatment (Sheng, Zhou & Li, 2011).

In emerging economies, with their relatively weak institutional environment, unbranded competition, poor infrastructure and access to information along with government regulations may impede the proper growth and financial performance of a venture (Sheth, 2011). Thus, in such highly complex and turbulent markets that are governed by sociopolitical institutions, strong political ties may compensate for institutional voids and may foster development of marketing dynamic capabilities aimed at enhancing business processes such as product development management, customer relationship management, and supply chain management.

H_1: The strength of political ties of a MNE's foreign subsidiary with host government officials will positively influence the development of MDCs in emerging economies.

Business Ties

Moreover, MNEs may embed themselves in the whole political network including not only the focal firm and host government officials, but also politically connected suppliers, distributors, nd market segments which can prove to be important driving forces of an increase in market share. Such type of relationships is defined as business ties with executives at other firms, such as suppliers, buyers, and competitors (Dubini & Aldrich, 1991; Li, Liu, Li & Wu, 2008). In order to create and deliver superior customer value, the responsiveness and efficiency of cross-functional business processes (i.e. MDCs) such as customer relationship management, supply chain management and product development management become crucial in rapidly changing and complex markets of emerging economies. Good relationships with suppliers may facilitate acquisition of quality materials, timely delivery, and good services; similar relationships with buyers may foster customer loyalty, sales volume, and reliable payment; business ties with executives at competitor firms can enhance interfirm collaboration which may help to minimize uncertainties and risks associated with operating in emerging markets (Peng and Luo, 2000). Thus, it is argued that the development of strong business ties fosters the development of subsidiary's MDCs in emerging economies.

H_2: The strength of business ties of a MNE's foreign subsidiary with local suppliers, buyers, and executives at other firms will positively influence the development of MDCs in emerging economies.

The Economic Aspect of MNE-host government relationship

Some scholars have stressed the importance of reciprocal nature of government-firm relationship because "the pursuit of wealth interacts with the pursuit of power, government is not exogenous to the economy, while firms constantly function as both economic and political actors" (Boddewyn 1988, p.344). To understand the firm's need to "contract" with government agents, and why governments attempt to restrict internalization by MNE's, Boddewyn (1988) urges to consider political behavior as an alternative means to the economic behavior in resource allocation and appropriation, as well as justification of MNE's strategy. More recently, Dunning (1998) suggested that nature of such relationships is gradually shifting from conflicted-adversarial toward cooperative-complementary. Luo (2001) further elaborated upon Dunning's assertions, stressing the local and personal nature of such relationships and highlighted the imminent shift from conflicted to cooperative (resource sharing) view of government interactions.

The institutional dimension of political interactions concerns the accommodation of not only political, but also economic and social needs from the state (Luo, 2001). Firms, in turn, receive vitally important resources in exchange for their support of the political strategic objectives. The value of such willingness and ability of MNE to respond to the strategic and economic needs of host-country political institutions lies in its ability to obtain legitimacy, status, and access to valuable resources and information in a variety of forms (Boddewyn and Brewer, 1994; Hillman et al., 1999).

Buckley and Casson (1976) have pointed out that internationalization is facilitated not only by stable political relations, but also by considering the economic needs of the host country government: the strategic value of an industry in which the firm operates to a host country economy. Fagre and Wells (1982) suggest the latter to be a relevant instrument in bargaining power between a firm and a host government; specifically, they argue that the higher strategic importance of an industry (within which an MNE operates) to a host country can enhance the bargaining power of MNE's foreign units with a host government. The strategic importance of the industry to a host country is defined as one "which is critical to the political and economic development of the host nation" (Poynter 1982, p.18). Luo (2001b) also points out that political ties of MNE's foreign units are enhanced if a company demonstrates a potential capacity to facilitate achievement of strategic economic goals for a host country. In other words, if an industry, in which a foreign subsidiary operates, does not present any potential opportunities for development of a host country's economy, it will be a more challenging task to attract and maintain relationships with a host country government. Furthermore, the interdependence of political and economic components of a subsidiary-host government relationship can have a major impact on the development of MDCs.

Although MNEs operating in strategically important industries to a host government can benefit from a higher bargaining power (Fagre and Wells, 1982), they are also associated with higher government intervention levels than MNEs operating in other industries; in such industries, the host government intervention appears to be motivated by the expectation of political and economic benefits to the host country (Poynter, 1982). In other words, host governments seem to be more inclined to develop relationships with MNEs in strategically important industries in order to pursue their political and economic interests. At the same time, subsidiaries operating in such industries can take advantage of a higher bargaining power with a host government. In short, the effects or the benefits of the political ties developed with host government officials are enhanced by a higher government involvement on one hand and a higher bargaining power of a subsidiary on another. Thus, in addition to forming strong political ties with a host government, it is hypothesized that if an area, in which an MNE operates, presents a high strategic importance to a host nation, then the output or magnitude of developing such ties with host government officials and willingness and ability to respond to the strategic and social needs of host country political institutions could be significantly higher than that of a firm operating in a field which present a low strategic value to a host government. This, in turn, translates into developing stronger MDCs within a subsidiary.

H_3: The effects of political ties on MDCs are stronger for a firm operating in an industry which presents a higher strategic importance to a host country than industries which are viewed to be of lower strategic importance by host governments in emerging economies.

Data and Analysis

To conduct empirical test of hypotheses, the MNE's foreign subsidiaries operating in Russia served as the unit of analysis. As Litwak and Sutherland (2002) suggest, Russia is one of the largest, dynamic, yet most complex of the emerging economies. Although the economic development varies by region, the less advanced parts of the country are quickly catching up to Moscow and other most advanced regions (Judge, Naoumova & Koutzevoul, 2003).

Survey questionnaires were employed as the primary tool for data collection. As literature suggests, 10-12% response rate is commonly expected to be generated from the questionnaires (Hambrick, Geletkanycz, & Fredrickson, 1993). However, as May, Stewart and Sweo (2000) point out, the main concern of conducting research in Russia is collecting data in the country where inefficiencies of the mail system, a lack of dependable and systematic lists of respondents, and, most importantly, the inherent suspicion of surveys prevail. Therefore, within such research context, it was imperative to reassess the traditional mail survey approach and to implement a valid alternative, as the research conditions dictate. Two professors of International Business from an accredited College of Business in Russia were asked to collect survey data from their last year executive MBA students. Since professors established a good rapport with the students by their last year in the program, such approach may have reduced the likelihood of non-response bias and encourage careful and forthright responses to the questionnaire, thereby increasing the resulting sample size.

Developed both in English and Russian, surveys were initially cross-checked by 3 marketing professors in Russia and pilot-tested with several executives of foreign subsidiaries to discuss their survey experience for the sake of clarity and less confusion in translation of the established measurements and constructs. This also helped to avoid mono-method bias along with using multiple measures for key constructs to ensure that the measures employed are consistent with the applied theoretical base. The initial data pool contained 111 surveys administered to the second year students of the executive MBA program. However, only 68 questionnaires were filled out by senior level executives of foreign subsidiaries operating in Russia. After discarding 4 surveys with missing data, the resulting final data set consisted of 64 usable surveys from executives in five industries: wholesale/retail, construction, automotive, oil refineries, and manufacturing.

Variables and Measures

After reviewing several established instruments and scales, the constructs in the proposed model were operationalized using the extant literature. Conceptualization and operationalization of MDCs proposed and empirically tested by Fang and Zou (2009) were employed in the paper using 7-point Likert scale (1=much worse, 7=much better). The construct of political ties was measured consistent with the established scales (Peng & Luo, 2000; Xin & Pearce, 1996), whereas operationalization of business ties was carried out on formative scale (Dubini & Aldrich, 1991; Peng & Luo, 2000) using 7-point Likert scale (1=strongly disagree, 7=strongly agree).The internal consistency and item appropriateness of constructs (3-item MDC, 4-item Political Ties and 5-item Business Ties) were validated by Cronbach's Alpha of .889, .948, and .902 respectively. To assess the measurement properties of primary variables, confirmatory factor analysis was conducted in order to test discriminant and convergent validity of the constructs. After series of CFA procedures by constraining the initial model to 1 and 2-factor model, the initial 3-factor model proved to be a significantly better fit (with Chi-square=91.8, df = 50). Thus, the results support 3-factor model with the proposed constructs.

Strategic importance of an industry was operationalized using the method proposed by Bradley (1977) and Poynter (1982). A sample of the examined subsidiaries across various industries in Russia was classified into three groups according to a 3-point scale of strategic importance of the industry (high, moderate, none) developed by Poynter (1982, 1985). This categorization was achieved by soliciting independent global industry experts and Russian government officials separately from each other to rank industries in order to check the reliability and validity of the classification (Dummy variable; 1=high importance, 0=moderate importance). As a result, oil and manufacturing industries were identified as the industries with higher strategic value to Russia, whereas construction, retail, and automotive were moderately important for the economic development of Russia (Appendix 1).

Subsidiary's size (number of full time employees), age (years of operation), and industry type may affect firm's ability to develop dynamic capabilities (Li & Atuahene-Gima, 2001). Also, the previous works have indicated that competitive dynamics in emerging economies vary significantly by geographic region (Brown & Earle, 2000). Furthermore, Peng (2002) states that an entity located in or near a capital city possess a strong competitive advantage. As a result, Judge, Naoumova and Douglas (2009) argue that geographic proximity of a firm's location with the capital should also serve as a control variable.

Results

To examine the relationship among constructs, a moderated hierarchical regression analysis was employed as the main analytical tool. The results are presented in Table 1 and 2.

	1	2	3	4	5	6	7	8	9	10	11	12
1. MDC	1.000											
2. Age	.240	1.000										
3. Location	.069	.207	1.000									
4. Size	.425	.556	.227	1.000								
5. Wholesale/Retail - industry	-.102	-.108	-.116	-.264	1.000							
6. Oil - industry	.170	.201	.147	.427	-.182	1.000						
7. Manufacturing - industry	.064	-.184	-.247	-.015	-.361	-.168	1.000					
8. Automotive - industry	.213	-.118	.002	.321	-.182	-.085	-.168	1.000				
9. Construction - industry	-.182	.229	.257	-.163	-.422	-.196	-.389	-.196	1.000			
10. Political ties	.672	-.020	-.185	.272	-.071	.137	.225	.192	-.332	1.000		
11. Business ties	.600	.114	-.161	.269	.084	.251	-.091	.028	-.157	.594	1.000	
12. Industry importance	.241	-.037	-.022	.109	-.203	.238	.357	-.095	-.219	.457	.134	1.000

Any multicollinearity among all variables in the full model (model 4) was discounted after using the mean-centering technique (1.3≤VIF≤3). The full model, which controls for all related variables and interaction terms, indicates that political ties are significantly associated with the development of marketing dynamic capabilities ($\beta = .47$, $p \leq .01$). This result provides support to Hypothesis 1, suggesting that a greater strength of political ties with host country officials positively influences the development of MDC for a foreign subsidiary operating in an emerging economy. The model 4 coefficients also indicate that a strength of business ties exerts some influence on development of MDCs ($\beta = .34$, $p \leq .01$). However, the interaction between political ties and the strategic value of an industry exhibits no support for Hypothesis 3, suggesting that there is no significant increase in predictive power of such interaction effect within the full model. Thus, the findings provide no support for the interdependence of political and economic components of host government – MNE relationships.

Table 2. Results of Moderated Hierarchical Regression Analysis

	Marketing Dynamic Capabilities (MDC)			
Variables	Model 1	Model 2	Model 3	Model 4
Controls				
Age	0.135	0.188	0.201	0.202
Location	0.023	0.136	0.191†	0.194†
Size	0.274	0.092	0.021	0.018
Industry - Construction	-0.111	-0.021	-0.011	-0.01
Industry - Oil	0.026	-0.019	-0.031	-0.022
Industry - Manufacturing	0.082	-0.016	0.092	0.1
Industry - Automotive	0.135	0.700	0.143	0.141
Main Effects				
Political Ties		0.661**	0.455**	0.470**
Business Ties			0.342**	0.337**
Interaction				
Political Ties X Industry Importance				-0.028
ΔR^2		0.344	0.062	0.000
Adjusted R^2	0.110	0.487	0.550	0.542

Note: n = 64; Standardized coefficients are presented (βs).

†p < .10; *p < .05; **p < .01 (two-tailed significance tests).

The mean-centering technique (Aiken & West, 1991) was used for political ties and the interaction term.

VIF estimates range for Model 4 (1.3-3).

Discussion and Conclusions

The rise of emerging markets has urged marketing scholars and practitioners to reconsider existing practices and perspectives on how to conduct international business operations. Sheth (2011) argues that market heterogeneity, sociopolitical governance, chronic shortage of resources, unbranded competition, and inadequate infrastructure prevail in emerging markets. This paper has examined the effects of political, business ties and the strategic value of an industry on the development of MDCs by a MNE foreign subsidiary in markets, where non-market forces and "institutional voids" frequently define the competitive business dynamics.

Boddewyn (1988) asserts that political aspect of institutional embeddedness was largely "ignored, downplayed, or passively treated in dominant economic models of the multinational enterprise" (Boddewyn, 1988, p.341). In early works and at various stages, interactions with governments and other institutions were considered to be "exogenous givens" to which the MNE responds (Dunning, 1988), or given constraints to cost-efficient or market-effective strategies and tactics (Fayerweather, 1982). Recently, scholars have acknowledged the vital importance of forming ties with political actors in host countries and although MNE-host government relations are not the sole determinant of operational success, cooperation with host governments represents a powerful predictor of performance variances (Luo 2001, p.416). In addition, Sun et al. (2012) argue that firms need to capture nonmarket resources through proactive political networking, and not merely treating them as exogenous constraints to be complied with. However, past research does not adequately tackle the issue of how managerial networking influences the development of MDCs.

The present work attempts to address this gap and findings reinforce the notion that managerial ties represent an effective tool to gratify political and social needs of the host government and business partners. Firms expect to receive vitally important resources in return for their support of the political strategic objectives. The presented findings highlight the urgent need for MNEs entering foreign emerging markets to get involved in a so-called "institutional marketing" (Sheth, 2011). As evidence from Russia suggest, it becomes imperative to develop a comprehensive network with government officials at various levels and business partners such as suppliers, customers, and competitors. Ultimately, while carrying out various marketing objectives, the strength of managerial ties should help a foreign entity to compensate for institutional voids which prevail in emerging economies. At the same time, although strategic value of an industry and political ties are rather integral parts of the institutional environment and define the boundaries of the political embeddedness of a firm, the results of the study indicate no support for the hypothesized interdependence of political and economic components of host government-MNE subsidiary interaction. Nonetheless, the major suggestion for practitioners is to view interactions with the host government and business partners from the cooperative perspective of the relationship building process.

Despite the potential contribution to the extant literature, it is worthy to stress the existence of some limitations of this paper. Overall, whether or not the presented findings are unique to an emerging economy such as Russia requires further examination. Relatively high values of R^2 for the full model (adjusted $R^2 = 0.54$) suggest a potential occurrence of a common method bias. However, collecting a dyadic data set from respondents or conducting a longitudinal study was not feasible at the time of data collection.

Furthermore, the institutional environment was thoroughly examined with a special reference to political and business actors and their strategic objectives; however, other aspects of non-market forces such as NGOs, social intelligentsia, faith-based communities, etc. were left beyond the scope of this research. Cultural peculiarities can also prove to play a vital role in shaping and developing MDCs. Thus, cultural distance can serve as a valid control for the proposed model (Li & Atuahene-Gima, 2001). In addition, as the evidence from Russia suggests, there are highly valuable strategic economic sectors to a host government, yet some are considered to be crucial for national security and foreign companies are restricted from entering them. This may somewhat contradict the empirical findings from this paper. The above mentioned limitations also represent potentially fruitful avenues for future research.

Finally, although the context of emerging markets presents a considerable relevance, the validity of the proposed model is arguably questionable across various countries at different stages of economic development. Thus, in addition to this cross-sectional study, there is a need for a longitudinal, multi-country research work. Yet, despite some major limitations, the idea behind further development and conceptualization of marketing dynamic capabilities represents a potential academic value and creates some promising streams for future research.

References

Amit, R., & Schoemaker, P. J. (1993). Strategic assets and organizational rent. *Strategic management journal*, *14*(1), 33-46.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, *17*(1), 99-120.

Barney, J. B. (2001). Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. *Journal of management*, *27*(6), 643-650.

Baron, D. R. (1995). Integrated Strategy. *California management review*, *37*(2), 47.

Barreto, I. (2010). Dynamic capabilities: A review of past research and an agenda for the future. *Journal of Management*, *36*(1), 256-280.

Baysinger, B. D. (1984). Domain maintenance as an objective of business political activity: An expanded typology. *Academy of Management Review*, *9*(2), 248-258.

Boddewyn, J. J. (1988). Political aspects of MNE theory. *Journal of international business studies*, 341-363.

Boddewyn, J. J., & Brewer, T. L. (1994). International-business political behavior: New theoretical directions. *Academy of management review*, *19*(1), 119-143.

Buckley, P. J., & Casson, M. (1976). *The future of the multinational enterprise*(Vol. 1). London: Macmillan.

Cavusgil, E., Seggie, S. H., & Talay, M. B. (2007). Dynamic capabilities view: Foundations and research agenda. *The Journal of Marketing Theory and Practice*, *15*(2), 159-166.

Day, G. S. (1994). The capabilities of market-driven organizations. *the Journal of Marketing*, 37-52.

DiMaggio, P. J., & Powell, W. W. (Eds.). (1991). *The new institutionalism in organizational analysis* (Vol. 17). Chicago: University of Chicago Press.

Dubini, P., & Aldrich, H. (1991). Personal and extended networks are central to the entrepreneurial process. *Journal of Business Venturing*, *6*(5), 305-313.

Dunning, J. H. (1988). *Explaining international production* (p. 80). London: Unwin Hyman.

Dunning, J. H. (1998). Location and the multinational enterprise: a neglected factor?. *Journal of international business studies*, 45-66.

Fagre, N., & Wells Jr, L. T. (1982). Bargaining power of multinations and host governments. *Journal of International Business Studies*, 9-23.

Fahy, J., Hooley, G., Cox, T., Beracs, J., Fonfara, K., & Snoj, B. (2000). The development and impact of marketing capabilities in Central Europe. *Journal of International Business Studies*, 63-81.

Fang, E. E., & Zou, S. (2009). Antecedents and consequences of marketing dynamic capabilities in international joint ventures. *Journal of International Business Studies*, *40*(5), 742-761.

Fayerweather, J. (1982). Elite Attitudes Toward Multinational Firms. *Host National Attitudes Toward Multinational Corporations, New York, NY: Praeger*, 1-43.

Gu, F. F., Hung, K., & Tse, D. K. (2008). When does guanxi matter? Issues of capitalization and its dark sides. *Journal of Marketing*, *72*(4), 12-28.

Hambrick, D. C., Geletkanycz, M. A., & Fredrickson, J. W. (1993). Top executive commitment to the status quo: Some tests of its determinants. *Strategic Management Journal*, *14*(6), 401-418.

Hillman, A. J., Zardkoohi, A., & Bierman, L. (1999). Corporate political strategies and firm performance: indications of firm-specific benefits from personal service in the US government. *Strategic Management Journal*, *20*(1), 67-81.

Jacobson, C. K., Lenway, S. A., & Ring, P. S. (1993). The Political embeddedness of private economic transactions. *Journal of Management Studies*, *30*(3), 453-478.

Judge, W. Q., Naoumova, I., & Douglas, T. (2009). Organizational capacity for change and firm performance in a transition economy. *The International Journal of Human Resource Management*, *20*(8), 1737-1752.

Judge, W. Q., Naoumova, I., & Koutzevol, N. (2003). Corporate governance and firm performance in Russia: an empirical study. *Journal of World Business*, *38*(4), 385-396.

Li, H., & Atuahene-Gima, K. (2001). Product innovation strategy and the performance of new technology ventures in China. *Academy of Management Journal*, *44*(6), 1123-1134.

Li, Y., Liu, Y., Li, M., & Wu, H. (2008). Transformational offshore outsourcing: empirical evidence from alliances in China. *Journal of Operations Management*, *26*(2), 257-274.

Litwak, J., & Sutherland, D. (2002). *OECD economic surveys: Russian Federation.* New York: OECD

Luo, Y. (2001). Dynamic capabilities in international expansion. *Journal of World Business*, *35*(4), 355-378.

Luo, Y. (2001b). Toward a cooperative view of MNC-host government relations: building blocks and performance implications. *Journal of International Business Studies,* 32, 104-419.

Mahoney, J. T., & Pandian, J. R. (1992). The resource-based view within the conversation of strategic management. *Strategic management journal*, *13*(5), 363-380.

May, R. C., Stewart, W. H., & Sweo, R. (2000). Environmental scanning behavior in a transitional economy: evidence from Russia. *Academy of Management Journal*, *43*(3), 403-427.

North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge university press.

Peng, M. W. (2002). Towards an institution-based view of business strategy. *Asia Pacific Journal of Management*, *19*(2-3), 251-267.

Peng, M. W., & Luo, Y. (2000). Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of management journal*, *43*(3), 486-501.

Penrose, E. (1959). *The theory of growth of the firm.* New York: Oxford University Press.

Poynter, T. A. (1982). Government intervention in less developed countries: The experience of multinational companies. *Journal of International Business Studies*, *13*(1), 9-25.

Priem, R. L., & Butler, J. E. (2001). Is the resource-based "view" a useful perspective for strategic management research? *Academy of management review*, *26*(1),22-40.

Sheng, S., Zhou, K. Z., & Li, J. J. (2011). The effects of business and political ties on firm performance: Evidence from China. *Journal of Marketing*, *75*(1), 1-15.

Sheth, J. N. (2011). Impact of emerging markets on marketing: Rethinking existing perspectives and practices. *Journal of Marketing*, *75*(4), 166-182.

Slater, S. F., & Olson, E. M. (2001). Marketing's contribution to the implementation of business strategy: an empirical analysis. *Strategic Management Journal*, *22*(11), 1055-1067.

Srivastava, R. K., Fahey, L., & Christensen, H. K. (2001). The resource-based view and marketing: The role of market-based assets in gaining competitive advantage. *Journal of management*, *27*(6), 777-802.

Srivastava, R. K., Shervani, T. A., & Fahey, L. (1999). Marketing, business processes, and shareholder value: an organizationally embedded view of marketing activities and the discipline of marketing. *The Journal of Marketing*, 168-179.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of management review*, *20*(3), 571-610.

Sun, S. L., Peng, M. W., Ren, B., & Yan, D. (2012). A comparative ownership advantage framework for cross-border M&As: the rise of Chinese and Indian MNEs. *Journal of World Business*, *47*(1), 4-16.

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic management journal*, *18*(7), 509-533.

Teece, D., & Pisano, G. (1994). The dynamic capabilities of firms: an introduction. *Industrial and corporate change*, *3*(3), 537-556.

Wang, C. L., & Ahmed, P. K. (2007). Dynamic capabilities: A review and research agenda. *International Journal of Management Reviews*, *9*(1), 31-51.

Xin, K. K., & Pearce, J. L. (1996). Guanxi: Connections as substitutes for formal institutional support. *Academy of management journal*, *39*(6), 1641-1658.

Appendix

Appendix 1. A Scale for Assessment of the Strategic Importance of an Industry (2 Subgroups: Global Industry Experts and Russian Government Officials)

Please classify the strategic importance of the following industries to the Russian Federation according to the classification provided below:

Industry	Not Important	Moderately Important	Highly Important	Not Sure
Manufacturing			X	
Wholesale and Retail		X		
Oil			X	
Construction		X		
Automotive		X		