International marketing capabilities development: the role of firm cultural intelligence and social media technologies

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Abstract

The purpose of this study is to analyze how firm cultural intelligence and social media technologies influence the international marketing capabilities of multinational enterprise (MNE) regional offices. The data used in the research were obtained from MNE regional offices located in the Emirate of Dubai, which were analyzed using structural equation modelling. The results indicate that firm cultural intelligence and social media technologies have unique and complementary contributions to the development of international marketing capabilities, and these capabilities play an essential role in firm performance by lessening the adverse effects of foreign market turbulence.

Keywords: international marketing capabilities; international marketing; firm performance; social media technologies; firm cultural intelligence.

Introduction

The marketing literature suggests that marketing capabilities are essential drivers of multinational organizations' performance in foreign markets, and many empirical studies confirm their contribution to firms' international performance (Acikdilli et al., 2020; da Costa et al., 2018; Fang & Zou, 2009; Kaleka & Morgan, 2019; Krasnikov & Jayachandran, 2008; Morgan et al., 2009; Morgan et al., 2012). Within this rich stream of research, cultural factors were identified as essential influencers in the capabilities-performance relationship (Eisend et al., 2016; Engelen & Brettel, 2011; Moon & Park, 2011; Samaha et al., 2014). This cultural impact is augmented by the evolution of Web 2.0 applications and the emergence of social media platforms, which highlight a new era of firms' interactions and relationships with their customers (Berthon et al., 2012; Kumar et al., 2016; Martínez-López et al., 2011; Rodriguez et al., 2016; Stephen, 2016; Thaichon et al., 2019).

These online environments have changed human interactions, as firms have seized opportunities for personalization and interactive marketing, and customers share their experiences and preferences with others, including their preferred brands (Abeza et. al., 2020; Kumar et al., 2010). Thus, any comprehensive answer to the question of what drives the development of international marketing capabilities has to seek the appropriate processes for international market conditions and the leverage of social media technologies (Adiwijaya et al., 2019; Moorman & Day, 2016; Morgan et al., 2018; O'cass & Julian, 2003).

Social media has a global reach, and it supports multinational enterprises' (MNEs) communication and relationships with international customers, as well as the acquisition of data from different foreign markets. The communication is faster, frequent, and online platforms facilitate cross-cultural interactions and reinforce firm brand image across the world (Okazaki & Taylor, 2013). Social media technologies represent an opportunity for the international marketing paradigm. However, the questions of how to integrate these online platforms into firms' processes, and the marketing capabilities to leverage these technologies in foreign markets remain a gap in the literature (Moorman & Day, 2016). This rapid advance in information technology and the foreignness of international markets underline another challenge for multinational organizations. The complexities

of cross-cultural markets are high, and the proliferation of online platforms increases cross-cultural interactions (Ang & Inkpen, 2008; Moon, 2010). Thus, MNEs' development of capabilities, which consider the fast changes in technology and higher cross-cultural interactions, are required to achieve superior performance in foreign markets.

Day (2011) states that MNEs operating in foreign countries face greater demands, since market information needs to be collected and exploited in different geographic areas. Thus, the response to market changes, with different technology penetration and media access, reveals the need for firms to effectively manage cross-cultural interactions. The organization capable of functioning effectively in diverse situations is defined as "Firm Cultural Intelligence" (Ang & Inkpen, 2008). Cultural intelligence on the individual level predicts performance, adaptation, leadership effectiveness, and successful cross-cultural interactions. However, the outcome of culturally intelligent firms needs empirical studies (Ott & Michailova, 2016).

International marketing capabilities are defined as "a firm's ability to use available resources to understand and fulfil foreign market customer needs better than its rivals to achieve international marketplace goals" (Morgan et al., 2018, p.63). Previous studies have highlighted the link between firms' marketing capabilities and performance (Krasnikov & Jayachandran, 2008; Vorhies & Morgan, 2005). However, the antecedents of marketing capabilities are fragmented, and more studies are needed for in-depth understanding of such capabilities (Tan & Sousa, 2015). This gap in the literature is emphasized by Moorman and Day (2016, p.7), who proposed as a research priority the need to identify and analyze the nature of new capabilities in digital marketing, social media, and marketing analytics.

To bridge this gap, this research will explore the nature of international marketing capabilities through the firms' social media technology usage and cultural intelligence as antecedents and complementary resources. Furthermore, this study examines the contributions of different types of international marketing capabilities on firms' performance under different levels of turbulent environment.

This research provides three contributions to the literature: (1) By identifying two distinct resources that have unique and complementary contributions to the development of international marketing capabilities, we offer a new conceptualization to the drivers of international marketing capabilities. Firm cultural intelligence and social media technologies significantly impact the development of international marketing capabilities, and might be incorporated into future MNEs' international marketing research; (2) The study found that an outside-in orientation to strategy, such as adaptive marketing capabilities, contributes to performance more efficiently than the firms' inside-out strategic posture in a higher turbulent environment. However, the firms' possession of inside-out capabilities, such as dynamic marketing capabilities, is essential to enhance these outside-in marketing capabilities; and (3) Our study found that social media technologies develop international marketing capabilities through the complementary effect of firm cultural intelligence.

The following sections highlight the theoretical perspective of the study, the research conceptual framework and hypotheses development. Then, we present the method used and the findings. Finally, we discuss the theoretical and managerial implications, limitations of the study, and the recommendations for future research.

Theoretical Framework and Hypotheses

Ang and Inkpen (2008) suggest that firms with cross-cultural capabilities will outperform less culturally intelligent firms. These authors introduce the term firm-level cultural intelligence and define it as, "a form of organizational intelligence or firm-level capability in functioning effectively in culturally diverse situations" (Ang & Inkpen 2008, p.338). In this study, we define firm cultural

intelligence as the MNE's ability to incorporate cultural knowledge in their structures, processes and routines, to develop international marketing capabilities in foreign markets.

Firm cultural intelligence consists of competitive processes and structural norms, which integrate cultural knowledge assets for effective operation in foreign markets, and a better understanding of international stakeholders (Ang & Inkpen, 2008). On the other hand, social media technologies (SMT) change the way individuals search, create, and share information. These newer online technologies change the traditional way of MNEs' communication, information acquisition, customer relationship management (CRM), and firms' learning abilities (Abeza et al., 2020; Batista et el., 2020; Lamberton & Stephen, 2016). Thus, the effective integration of these platforms might support the development of marketing capabilities (MC) in international markets, and contribute to firm performance (Kumar et al., 2016; Stephen, 2016; Wang & Kim, 2017).

The research adopts the resource-based view (Barney, 1991) and dynamic capabilities (Teece et al., 1997) theories to understand the contribution of social media technologies and firm cultural intelligence on the development of international marketing capabilities and firm performance. According to Day (2011), marketing capabilities are conceptualized and classified as per their strategic orientations and functions. For example, static marketing capabilities (SMC) have inside-out orientation and exploitive function. However, dynamic marketing capabilities (DMC) have an exploratory function and implicit inside-out orientation. On the other hand, adaptive marketing capabilities (AMC) have an exploratory function and an outside-in orientation. These newer capabilities enable anticipation, fast learning from experimentation, and rapid reconfiguration of resources in a highly complex and volatile market (Day, 2011).

These theoretical frameworks might serve as a starting point to understand the nature of marketing capabilities in the presence of social media platforms and higher cross-cultural interactions (Moorman & Day, 2016). Figure 1 illustrates the study's conceptual model and hypotheses that we develop in the following sections.

Firm cultural intelligence and static marketing capabilities

The heterogeneity and cultural characteristics of foreign markets impact firms' marketing mix strategies, decision-making, and activities (Bahadir et al., 2015; Kraus et al., 2016). MNEs attempt to efficiently manage resources and processes, select prices, and promote the products that create value for international customers (Vorhies, 1998). Thus, firms' cultural intelligent processes and routines that consider the cultural attributes of foreign markets might predict higher offerings' success and highlight more excellent knowledge of international stakeholders (Ang & Inkpen, 2008). The development of marketing mix capabilities such as pricing and communication capabilities is based on the resources that are available outside the firm, such as information about the customers (Kemper et al., 2011). Culturally intelligent firms facilitate the adaptation of marketing mix through a better understanding of stakeholders' cultural differences and expectations in foreign markets (Magnusson et al., 2013). Since culture is an important component of customers' information, firms' cultural intelligence enhances the attainment of this cultural knowledge, and supports the linkage to the operations' success (van Driel & Gabrenya, 2012). Thus, firm cultural intelligence facilitates the development of MNEs' marketing mix capabilities that embed cultural cues of foreign markets (Ang & Inkpen, 2008; Moon, 2010; Yitmen, 2013). This leads us to propose that:

Hypothesis 1. Firm cultural intelligence is positively related to static marketing capabilities.
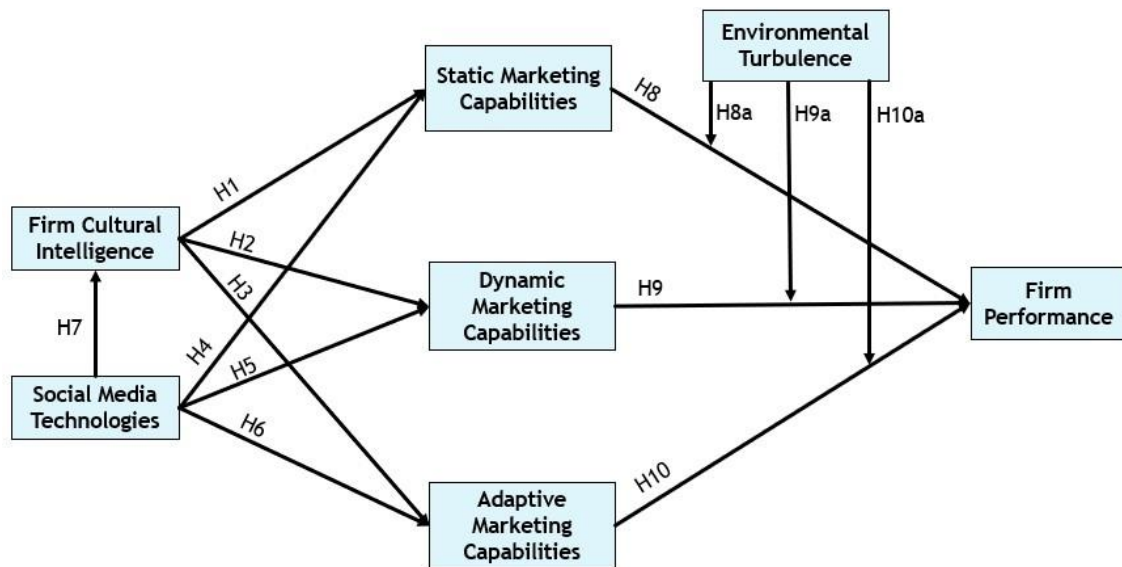
Figure 1. Proposed conceptual model.

Firm cultural intelligence and dynamic marketing capabilities

MNE' development of a high-quality relationship with foreign stakeholders is a central focus of marketing exchange, and cultural differences affect MNEs' relationships through different encoding and exploitation of social information (Samaha et al., 2014). Firm cultural intelligence improves MNEs' cross-cultural social interactions with international stakeholders, which might influence positively the quality of relationships, and facilitate the sharing and exchange of cultural knowledge (Moon, 2010). According to Skarmeas et al. (2016), MNEs' cultural sensitivity improves the relationship value with international partners, and the firm's cultural awareness enables effective interactions with foreign stakeholders. These cross-cultural coordination mechanisms enhance the firms' market knowledge, and support the development of dynamic marketing capabilities (Barrales-Molina et al., 2013; Moon, 2010). According to Ang and Inkpen (2008), firm cultural intelligence enables the integration and combination of various knowledge assets within the firm, and between the firm and the international stakeholders. Besides, cultural intelligence facilitates an MNE's learning through adequate information acquisition, and dissemination within and across organisational boundaries (Yitmen, 2013). This combination of partners' resources within culturally intelligent processes supports the development of dynamic marketing capabilities (Fang & Zou, 2009). Thus, we propose that:

>   **Hypothesis 2**.   Firm cultural intelligence is positively related to dynamic marketing capabilities.

Firm cultural intelligence and adaptive marketing capabilities

The technological disruption and consumer power evolution explain even more difficulties for MNEs' operations and growth in foreign markets (Day, 2011). According to Lima et al. (2016), firm cultural intelligence is moderated by the contextual environment, and supports the adaptability and flexibility of organizations. Thus, FCI improves firms' capabilities through extensive learning to integrate much data, to search for multiple cues, and to suspend their point of view for improved

interactions with diverse stakeholders (Triandis, 2006). Culturally intelligent firms incorporate processes that enhance cultural learning, and adapt their knowledge-sharing capabilities when the stakeholders become culturally diverse (Moon, 2010). Also, culturally intelligent firms are more prepared for change through light structural control, supporting the development of adaptive marketing capabilities (Day, 2011; Moon, 2010). These organizations are involved in cross-cultural learning that enhances their processes of learning and adaptation (Ang & Inkpen, 2008; Yitmen, 2013). Hence, they are more open to partnerships with diverse stakeholders, and better aligned with market reality and accelerated complexity (Day, 2011; Guo et al., 2018). Hence, we propose that:

Hypothesis 3. Firm cultural intelligence is positively related to adaptive marketing capabilities.

Social media technologies and static marketing capabilities

The opportunities brought by social media technologies are enormous if deployed efficiently for co-creation of value with diverse stakeholders. For example, customers engaged in social media channels comment, review and share their feedback in the form of word of mouth, enhancing the communication capability of the firm (Abdullah & Siraj, 2018; Messner, 2020). According to Okazaki and Taylor (2013), SMT explain key beneficial attributes to MNEs' international communication with their customers, and deliver effective advertising, moderated by the influence of social ties within their networks (Shen et al., 2016). Meanwhile, Wang et al. (2016) propose that SMT improve the communication capabilities of firms through the speed of message transfer and the number of simultaneous communications.

The integration of social media with traditional media improves MNEs' communication capabilities, and engaged customers influence others in their social networks through the platforms' higher interactivity features (Kumar et al., 2016; Sashi, 2012). According to Kumar et al. (2010), firms that engage their customers strategically enhance their marketing capabilities through deeper and meaningful customer interaction and participation. Therefore, SMT promotes higher customer satisfaction through efficient communication of information (Agnihotri et al., 2016). The structure of these social networks emphasizes trust-based relationships and greater competitiveness, and SMT generate superior pricing capabilities, as well as contributing to firms' performance through the mediation effect of its SMC (Pratono, 2018; Tajvidi & Karami, 2021). Thus, we propose that:

Hypothesis 4. Firm social media technologies are positively related to static marketing capabilities.

Social media technologies and dynamic marketing capabilities

The combination of SMT and firms' CRM systems facilitates the integration of customers' information acquired from interactions, and informs effective responses to various inquiries (Batista, 2020; Trainor et al., 2013). SMT usage attracts customers' attention and improves their level of engagement with the firm (Brodie et al., 2016). MNEs' social media engagement activities encourage customers to produce content and provide recommendations for new product development (Abdullah & Siraj, 2018). Thus, the accessibility and integration of customer information support a faster and innovative response to the dynamic changes in marketing environments (Wang & Kim, 2017). SMT relate positively to cross-functional marketing capabilities through improving firms' CRM capabilities and enhancing the potential of creating, developing, and maintaining valuable relationships with relevant stakeholders (Foltean et al., 2019; Thaichon et al., 2019). Social media

engagement activities facilitate firms' knowledge development, including ideas for improvements provided by their customers (Kumar et al., 2010). These online platforms imply a more significant understanding of stakeholders' current and unexpressed needs (Tajvidi & Karami, 2021). Therefore, we propose that:

Hypothesis 5. Firm social media technologies are positively related to dynamic marketing capabilities.

Social media technologies and adaptive marketing capabilities

MNEs require the development of new capabilities that cope with the complexity of foreign markets, technological disruption, and an exceptional level of interactions (Guo et al., 2018). For instance, Felix et al. (2017) suggest that firms' usage of SMT enhance the collaboration between stakeholders and motivate participants' information sharing. These online platforms support an open and permeable organizational culture, and contribute to the development of AMC through greater anticipation of market needs and an adequate translation of experiences, experimentation, and knowledge to respond quickly to fast-changing environments (Bolat et al., 2016; Day, 2011). These interactive learning experiences and up-to-date knowledge shorten the decision making processes and support MNEs' vigilant market learning through the amplification and quick sharing of customer insights (Day, 2011; Garcia-Morales et al., 2018). Meanwhile, Muninger et al. (2019) suggest that firms' SMT provide opportunities to test, experiment, and learn faster from failures, and propose that SMT enhance strong ties with stakeholders through active participation and strong capitalization of firms' network experts and influencers. Hence, we propose that:

Hypothesis 6. Firm social media technologies are positively related to adaptive marketing capabilities.

Social media technologies and firm cultural intelligence

Social media platforms explain higher levels of interaction between MNEs' geographically dispersed stakeholders (Okazaki & Taylor, 2013). SMT data insights reveal important behaviours and preferences of culturally different customers, suppliers, and partners of MNEs' subsidiaries in foreign markets. MNEs' adoption of SMT presents an opportunity to understand diverse stakeholders' cultures through the analysis of their interactions with firms' products and services, or other users within their networks (Ang & Inkpen, 2008; Moon, 2010). For example, Hsu et al. (2015) argue that the underlying behaviors of social media information seeking, entertainment and socializing differ significantly between various cultures. Thus, SMT offer a productive environment for cultural knowledge and a cross-cultural learning environment that enhances the organization's competitive cultural intelligence. The strategic use of social media platforms enhances shared knowledge strategies and contributes to the development of culturally intelligent processes and routines (Ray, 2014; Yitmen, 2013). This leads us to propose that:

Hypothesis 7. Firm social media technologies are positively related to firm cultural intelligence.

Static marketing capabilities, environmental turbulence, and firm performance

An MNEs' ability to differentiate offerings from competitors through advertising and pricing

capabilities may produce strong brands and contribute to the MNE's profitability (Kotabe et al., 2002). Moreover, the capability of the firm to communicate and identify brand identity with stakeholders explains higher brand recognition and recall (Brodie et al., 2016). Thus, firms' development of marketing capabilities is critical for delivering value to international stakeholders. These SMC, such as pricing and marketing communication capabilities, contribute positively to overall firm performance (Vorhies & Morgan, 2005). Additionally, these capabilities support the effectiveness of marketing strategy implementation, and ultimately, firms' market and financial performance (Morgan et al., 2012).

SMC are embedded within organizational processes, routines, and the surrounding environment, which create barriers to replication by rivals and support firms' competitive advantage (Krasnikov & Jayachandran, 2008). However, in highly competitive markets, its association with performance is likely to be negatively affected (Kaleka & Morgan, 2019). These turbulent environments highlight frequent changes in customer needs and preferences, and MNEs that emphasize the exploitation of resources such as advertising to satisfy only current customer needs might not be able to sense and react to the turbulent environments (Day, 2011; Guo et al., 2018). According to Song et al. (2005), high market turbulence attenuates the contribution of SMC to firm performance. Thus, SMC work within accepted market conditions, and their positive impact on firm performance is hindered in environmentally turbulent (ET) markets (Day, 2011; Guo et al., 2018). Therefore, we propose that:

Hypothesis 8. Static marketing capabilities are positively related to firm performance.

Hypothesis 8a. The relationship between static marketing capabilities and firm performance is weaker when the level of environmental turbulence is high than when it is low.

Dynamic marketing capabilities, environmental turbulence, and firm performance

Dynamic marketing capabilities (DMC) contribute to higher performance in a fast-changing environment, since they enable the firm to adjust, reconfigure, and deploy the required resources to stay synchronized with the external environment (Day, 2011). According to Brodie et al. (2016), the organization's continuous increase and integration of their stakeholders' knowledge within processes and routines reveal strong dynamic capabilities. Thus, MNEs' focus on profitable and future potential customers improves firm performance (Morgan et al., 2012). According to Fang and Zou (2009), DMC explain fast and efficient business processes that facilitate a firm's responses to market changes, and relate positively to innovation performance, as an essential mechanism to understand financial and market performance (Xu et al., 2018).

Marketing scholars confirm the significant and positive relationships between DMC, competitive advantage and a firm's overall performance (Barrales-Molina et al., 2013; Krasnikov & Jayachandran, 2008; Tan & Sousa, 2015). However, these capabilities operate in a diverse environmental context, which might influence their contribution to performance. In highly turbulent environments, diverse market demands may accelerate, and MNEs are required to develop the capabilities that match the proliferation of new channels, mass customizations, and multimedia optimization (Day, 2011). DMC have a time lag, and may not be sufficient to cope with new market realities. The reliance on outdated knowledge and information impacts upon the contribution of these capabilities to performance in high levels of environmental turbulence (Guo et al., 2018; Murray and Chao, 2005). For instance, market turbulence moderates positively the relationship between DMC and performance (Fang & Zou, 2009; Kaleka & Morgan, 2019; Kim et al., 2016). On the other hand, other researchers highlight a weaker contribution within turbulent contexts (Song et al., 2005; Su et

al., 2013). The fast technological advance and the geographically dispersed MNEs' stakeholders neutralize the positive moderation of environmental turbulence on the relationship between DMC and performance (Day, 2011; Guo et al., 2018). Hence, we propose that:

Hypothesis 9. Dynamic marketing capabilities are positively related to firm performance.

Hypothesis 9a. The relationship between dynamic marketing capabilities and firm performance is not moderated by the level of environmental turbulence.

Adaptive marketing capabilities, environmental turbulence, and firm performance

The complexities of markets have accelerated at Internet speed, and highlighted gaps in the capabilities of even the most agile firms (Moorman & Day, 2016). However, the rise of multiple touchpoints facilitates the acquisition of customers' information that reveals a better understanding of their needs, which, ultimately, improves firm performance (Watson et al., 2018). The firms that develop marketing capabilities with an outside-in and exploration approach might achieve higher performance as compared to their rivals (Mu, 2015). This strategic view highlights firms' abilities in anticipating future trends, building long-term relations with stakeholders, and coordinating other partners' resources and capabilities for value creation (Saeed et al., 2015).

The AMC explain faster learning abilities through new tools and experimentation processes, and facilitate the extraction of critical elements which affect performance (Davenport, 2009; Mu et al., 2018). In highly turbulent environments, AMC explain sensing and responding behavior, which build on current customer requests and the weak signals of their changing needs (Day, 2011). According to Day and Schoemaker (2006), these newer capabilities outperform SMC and DMC in complex and high volatile markets, since they act on incomplete information and weak signals, and interact positively and significantly with environmental turbulence to drive performance (Guo et al., 2018). Therefore, we propose that:

Hypothesis 10. Adaptive marketing capabilities are positively related to firm performance.

Hypothesis 10a. The relationship between adaptive marketing capabilities and firm performance is stronger when the level of environmental turbulence is high than when it is low.

Research Methodology

Research Context

MNEs' regional offices in the United Arab Emirates (UAE) are the context for this study. The favourable economic and political environments of the UAE have encouraged MNEs to establish regional offices in the UAE, from which they can conduct business in the Arab Gulf and Middle East regions. In 2018, the UAE was ranked 27th globally for foreign direct investment, and it was top in the Arab world (UAE Ministry of Economy, 2019). The expatriates, which represent 83% of the nation's population, originate from more than 100 different countries (Petersen et al., 2015). MNE regional offices act as the firm's regional headquarters, identifying new products and markets, and devising and implementing the regional marketing strategies (Dunning & Norman, 1983).

Measures

The research questionnaire aims to measure firm cultural intelligence, social media technology use, different types of international marketing capabilities, firm performance, and environmental turbulence. All the variables used measurement scales that were adopted or adapted from pre-existing scales. The firm cultural intelligence construct consists of 14 items adapted from Ang and Inkpen (2008). These items measure the competitive (e.g. Our firm has a process to evaluate the competitive risks of regional markets) and structural (e.g. Our firm knows how to develop information sharing strategies with our external regional business stakeholders) cultural intelligence. The social media technologies construct is measured through the 12 items adopted from Tafesse and Wien (2018). These items measure social media strategy (e.g. We have a social media strategy that is closely aligned with our marketing strategy), social media engagement (e.g. We encourage stakeholders to interact with us in social media) and social media analytics (e.g. We use social media analytics to learn about our audience).

The static marketing capabilities measurement items were adapted from Zou et al. (2003), and consist of 12 items comparing with major competitors pricing capabilities (e.g. Using pricing skills to respond quickly to competitors' pricing tactics), product development capability (e.g. Successfully launching new products for your region), distribution capability (e.g. Collaborating with customers, suppliers and partners in our regional market) and communication capability (e.g. Effectively managing marketing communication programmes). The dynamic marketing capabilities are measured through the items adapted from Kachouie et al. (2018), and underline four items that explain proactive market orientation capability (e.g. Our firm develops solutions to address unexpressed customer needs).

The adaptive marketing capabilities items and scale were adopted from Guo et al. (2018), and consist of 12 items that measure vigilant marketing capability (e.g. Our firm is highly sensitive to the regional market environment), experimentation capability (e.g. Our firm learns from market experiments using new technologies) and open marketing capability (e.g. Our firm actively seeks partnerships that are complementary with our resources and capabilities). The environmental turbulence (e.g. It is difficult to predict market and customer preference changes) and firm performance measurement scales (e.g. Market share growth, new customer acquisition) consist of 4 items each and are adopted from Guo et al. (2018).

Sample and Data Collection

The sampling frame was developed from MNEs that have a regional office in Dubai, which are registered at the Dubai Chamber of Commerce and Industry. This governmental entity provides information about all the MNEs that have 100% foreign ownership, and which are located in one of Dubai's free zones, which represent more than 50% of the total free zones in the UAE (Mina, 2014). These regional offices are responsible for developing and implementing the regional marketing strategies, including the identification of new products and markets (Dunning & Norman, 1983). The target population consists of 454 MNEs and includes companies that operate in different industries such as energy, technology, food and beverages, automotive, fast-moving consumer goods, healthcare, insurance, and retail. The achievement of high response rates has been a challenge in similar studies. For example, the reported response rate was 23.5% in Morgan et al. (2009); 30% in Guo et al. (2018); and 39% in Morgan and Katsikeas (2012). Thus, the questionnaire was sent to the entire population of 454 MNEs.

The first stage of key informant selection and data validation consists of searching the LinkedIn social network for regional marketing managers or directors' profiles that highlight current employment for the MNEs under study. These key informants represent their MNEs, since they are knowledgeable about their firm's resources, strategies in foreign markets, and performance (Baker

& Sinkula, 2005; Sheng et al., 2015). In the second stage, the selected firms were contacted by telephone to confirm the names of regional marketing managers or directors identified in the first stage. The third stage involved using the professional social media platform LinkedIn to connect and invite the marketing managers to participate in the study. Finally, the survey link was sent to 434 MNE regional marketing managers, and 143 responses were received after three reminders. This response rate of 33% is similar to the response rate of studies conducted in international marketing research (Guo et al., 2018; Morgan et al., 2009). Possible nonresponse bias was assessed, following the approach of Armstrong and Overton (1977). The test of variance between early and late respondents did not show any significant differences on all study items.

Final Sample Descriptives

The study sample includes different types of industries, and the firm sizes are as follows: 25 (17.5%) of the firms have less than 100 employees; 48 (33.6%) between 100 and 499 employees; 29 (20.3%) between 500 and 999 employees; and 41 (28.7%) have 1,000 or more employees. Ten firms (7.0%) have less than three years' experience in the region; 14 (9.8%) between 3 and 5 years; and 119 (83.2%) over five years of experience.

Common method bias

Common method bias exists if one factor explains the majority of the covariance among the measures during the exploratory factor analysis with unrotated factor solutions (Podsakoff & Organ, 1986; Podsakoff et al., 2012). First, the highest variance accounted for a single factor was 35.82% of the 74.5% explained variance using Harman's single factor method. Second, the correlations between constructs are below 0.90 (Table 1), and the highest value of variance inflation factor is below the threshold of 3.3, which provides additional support that common method bias might not be a problem in this study (Kock, 2015; Pavlou et al., 2007). Finally, we performed the second marker variable method (Lindell & Whitney, 2001). The job title variable is not related theoretically to the main study constructs, and was included as a marker variable to control for common method bias. When partialling out the effect of this marker variable, the mean change ($\Delta r \leq 0.04$) did not affect the significance of correlations between the main study variables (Lindell & Whitney, 2001). Thus, common method bias is unlikely to be a risk in this study.

Results

Measurement model estimations

The results of the initial exploratory factor analysis (EFA) produced eight components, as opposed to the number of main research constructs of seven. Examination of the structure matrix revealed that two items cross-loaded highly on two components. Thus, these two items were deleted from further analysis, as recommended by Hair et al. (2014). The pattern matrix that followed the re-specification and deletion of the problematic items consists of seven components, and every item loaded at a value of more than .60, and each construct achieved a Cronbach's alpha score of more than .85.

Confirmatory factor analysis (CFA) followed the EFA, which indicates how well the measured variables represent the research constructs (Anderson & Gerbing, 1988; Gallagher et al., 2008). The initial CFA results suggested the deletion of seven items that had loading values below the threshold of 0.7. The improvement procedure provided adequate goodness of fit indices ($\chi^2 = 2004$, $df = 1252$, $p < .01$; CFI = .90; RMSEA = .067), and the values of the standardized factors'

loading estimates are higher than 0.7 with statistical significance, and without any loadings above 1 or below -1.

Previous cross-cultural studies suggested the importance of equivalence to determine if the items used in the survey mean the same for different groups (Cheung & Rensvold, 2002). Our sample includes MNEs originating from different countries, and previous research has suggested that cultural distance between headquarters and local markets might affect firms' acquisition and dissemination of cultural knowledge and performance (Cuervo-Cazurra & Genc, 2008; Eisend et al., 2016). Thus, measurement invariance was conducted, to ensure that our firm cultural intelligence variable was being measured equally across different country of origin groups of firms. First, the configural model achieved acceptable goodness of fit indices ($\chi^2 = 149.386$, $df = 93$, $p = 0.000$; TLI = 0.94; CFI = 0.96; RMSEA = 0.066). Then, metric invariance was calculated by assigning constraints to each group, and the difference in chi-square ($\Delta\chi = 33.5$ ($df = 22$), $p > 0.05$) between the constrained model and the unconstrained model reveals that equivalence can be assumed between groups.

Convergent and discriminant validity

Convergent validity refers to the common shared variance between the indicators of the same construct, and discriminant validity evaluates the construct's divergence and how it differs from others, not measuring the same thing (Gallagher et al., 2008). The values of the average variance extracted (AVE) were greater than 0.5, and construct reliability (CR) above 0.7, indicating convergent validity (Anderson & Gerbing, 1988) (see Table 1). Discriminant validity is achieved if the AVE of any two constructs is higher than their squared correlation estimate. Table 1 shows that the AVE of the seven study constructs in the diagonal is greater than their squared correlations below the diagonal line (Fornell & Larcker, 1981). Thus, the research constructs achieve discriminant validity.

Table 1. Means, standard deviations, composite reliability, average variance extracted[a] and squared correlations[b].

	Mean	SD	CR	X1	X2	X3	X4	X5	X6	X7
X1 Firm Cultural Intelligence	5.66	1.19	.964	**.707**						
X2 Social Media technologies	5.45	1.13	.962	.213**	**.716**					
X3 Static Marketing capabilities	5.14	1.03	.952	.326**	.238**	**.715**				
X4 Dynamic Marketing Capabilities	5.29	1.08	.906	.190**	.226**	.440**	**.706**			
X5 Adaptive Marketing Capabilities	5.36	0.94	.947	.069**	.095**	.137**	.233**	**.620**		
X6 Firm Performance	5.10	1.04	.897	.272**	.169**	.228**	.176**	.323**	**.688**	
X7 Environmental Turbulence	5.19	0.89	.846	.060**	.011*	.000	.000	.147**	.056**	**.592**

[a]Average variance extracted is in bold on the diagonal
[b]Squared correlations are below the diagonal
*p < 0.05 (two-tailed test); **p < 0.01 (two-tailed test)

Hypotheses testing

In order to test the hypothesized paths, we estimated two structural models. The first model did not

count for the moderation effects of a low or high turbulent environment. For the second model, the environmental turbulence variable was recoded into a new categorical variable. The values below the median distribution were recoded to 1, and represent the low turbulence group 1. The values above 5 were recoded to 2, and represent the high turbulence group 2. This procedure was followed by a multi-group path analysis, which is suitable for testing the study hypotheses by comparing specific path parameters across the two groups of high and low environmental turbulence (Stephenson et al., 2006). Previous scholars suggest that the experience and size of the firm affect its performance and capabilities (Guo et al., 2018; Morgan & Slotegraaf, 2012; Teece et al., 1997). These two variables were included as control variables for the structural models.

As shown in Table 2, the estimates of the standardized path coefficients support ten of the thirteen hypothesized relationships (H3, H9 and H10a are not supported). The goodness-of-fit indices for the two structural models provide a good overall fit (see Table 2). The findings of path analysis indicate that firm cultural intelligence relates positively and significantly to static marketing capabilities ($\beta = .38$, $t = 5.112$, $p < .001$) and dynamic marketing capabilities ($\beta = .24$, $t = 3.026$, $p < .01$). However, this relationship is not significant with adaptive marketing capabilities ($\beta = .15$, $t = 1.764$, $p = .078$). Thus, H1 and H2 are supported. However, H3 is rejected. Social media technologies relate positively and significantly to static marketing capabilities ($\beta = .30$, $t = 4.001$, $p < .001$), dynamic marketing capabilities ($\beta = .32$, $t = 4.069$, $p < .001$), adaptive marketing capabilities ($\beta = .25$, $t = 2.818$, $p = .005$), and firm cultural intelligence ($\beta = .42$, $t = 5.588$, $p < .001$). Thus, H4, H5, H6 and H7 are supported. The relationships between static marketing capabilities ($\beta = .23$, $t = 2.672$, $p = .008$), adaptive marketing capabilities ($\beta = .43$, $t = 5.506$, $p < .001$), and firm performance are positive and significant. However, the relationship between dynamic marketing capabilities and firm performance is not significant ($\beta = .05$, $t = 0.555$, $p = .579$). Thus, H8 and H10 are supported, but H9 is rejected.

In terms of the environmental turbulence moderation effects, the chi-square difference test ($\Delta\chi = 28.856$ ($df = 14$), $p = < 0.05$) between a constrained and a non-constrained model indicates that environmental turbulence is a general moderator of the model. Further, the multi-group path analysis indicates that static marketing capabilities relate positively and significantly to performance under a low level of environmental turbulence ($\beta = .40$, $t = 3.046$, $p < .01$). However, this relationship is not significant under a high level of environmental turbulence ($\beta = .13$, $t = 1.096$, $p = .279$). Thus, H8a is supported. On the other hand, the relationships between dynamic marketing capabilities and firm performance are not significant under both low ($\beta = -.02$, $t = -.128$, $p = .903$) and high ($\beta = .10$, $t = .823$, $p = .416$) levels of environmental turbulence. Therefore, H9a is supported. Finally, the associations between adaptive marketing capabilities and firm performance are positive and significant under both low ($\beta = .38$, $t = 3.023$, $p < .01$) and high ($\beta = .35$, $t = 3.335$, $p < .001$) levels of environmental turbulence. Thus, H10a is not supported.

Further to the hypotheses testing, this study attempts to clarify the mediation effects of marketing capabilities and firm cultural intelligence. The challenges of several statistical tests for mediation effect, such as partial correlation or hierarchical regression model are resolved with the SEM bootstrap method, which is considered for testing the mediation effects for this research (Cheung & Lau, 2007). The goodness-of-fit indices for this third structural model provide a good overall fit (see Table 3). The results of the mediation tests (Table 3) indicate that the firm cultural intelligence standardized direct effect on firm performance is positive and significant; however, the standardized indirect effect is insignificant. Thus, there is no mediation between firm cultural intelligence and firm performance. The social media technologies standardized direct effect on firm performance is not significant, while the standardized indirect effect is significant. Thus, marketing capabilities fully mediate this relationship.

Table 2. Structural equation modeling results (Hypothesized paths).

	Model 1 Path coefficient (t-value)	Model 2 Path coefficient (t-value)
Firm cultural intelligence→ Static marketing capabilities **(H1)**	.377 (5.112)***	
Firm cultural intelligence→ Dynamic marketing capabilities **(H2)**	.235 (3.026)**	
Firm cultural intelligence→ Dynamic marketing capabilities **(H3)**	.154 (1.764)	
Social media technologies→ Static marketing capabilities **(H4)**	.296 (4.001)***	
Social media technologies→ Dynamic marketing capabilities **(H5)**	.317 (4.069)***	
Social media technologies→ Adaptive marketing capabilities **(H6)**	.246 (2.818)**	
Social media technologies→ Firm cultural intelligence **(H7)**	.425 (5.588)***	
Static marketing capabilities→ Firm performance **(H8)**	.231 (2.672)**	
Dynamic marketing capabilities→ Firm performance **(H9)**	.051 (0.555)	
Adaptive marketing capabilities→ Firm performance **(H10)**	.430 (5.506)***	
Moderation test paths:		
Static marketing capabilities→ Firm performance **(H8a)** (Low)		.399 (3.046)**
Static marketing capabilities→ Firm performance **(H8a)** (High)		.134 (1.096)
Dynamic marketing capabilities→ Firm performance **(H9a)** (low)		-.02 (-0.128)
Dynamic marketing capabilities→ Firm performance **(H9a)** (High)		.100 (0.823)
Adaptive marketing capabilities→ Firm performance **(H10a)** (low)		.281 (3.023)**
Adaptive marketing capabilities→ Firm performance **(H10a)**(High)		.345 (3.335)***
Overall model fit:		
χ^2	16.704, 8 df, p=.033	27.467, 15.9 df, p=.037
CFI	.967	.956
RMSEA	.088	.071

** $p < 0.01$
*** $p < 0.001$

The social media technologies standardized direct and indirect effect on static marketing capabilities and dynamic marketing capabilities are significant; however, the estimated path values are lower for the indirect relationships. Thus, firm cultural intelligence partially mediates these relationships. The social media technologies standardized direct effect on adaptive marketing capabilities is significant, while the standardized indirect effect is not significant. Thus, firm cultural intelligence does not mediate the relationship between social media technologies and adaptive marketing capabilities.

Table 3. Structural equation modeling results (Mediation paths).

	Standardized direct path coefficient (p-value)	Standardized indirect path coefficient (p-value)
Firm cultural intelligence→ Firm performance	.26 (.001)	.09 (.074)
Social media technologies→ Firm performance	.09 (.245)	.28 (.001)
Social media technologies→ Static marketing capabilities	.30 (.003)	.17 (.001)
Social media technologies→ Dynamic marketing capabilities	.32 (.001)	.10 (.001)
Social media technologies→ Adaptive marketing capabilities	.25 (.022)	.06 (.090)
Overall model fit:		
χ^2	9.137, 7 df, p=.243	
CFI	.992	
RMSEA	.046	

Post-hoc analysis

Firm size may explain the abundance of resources and market power for larger MNEs, which have greater access to financial resources and more bargaining power with their business stakeholders (D'Angelo & Buck, 2019). Previous studies have highlighted the impact of firm size on the development of marketing capabilities and performance in international markets (Fang & Zou, 2009; Guo et al., 2018). These studies employed firm size as a control variable, and results were

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inconsistent for the size coefficients and significance. Thus, the investigation of how different firm sizes impact the model's hypothesized relationships might provide new insights into the development of marketing capabilities and firms' performance in international markets.

First, we recoded firm size into two new variables depending on the number of full-time employees in their regional offices. Firms employing less than 500 employees were considered small or medium sized, compared to the large firms with 500 or more full-time employees (Beamish & Lee, 2003). Then, we compared the path parameters across the two groups of small/medium and large sized firms. The results suggest that firm size impacts three of the main hypothesized relationships. First, the relationship between firm cultural intelligence and adaptive marketing capabilities is positive and significant ($\beta = 0.229$, $p < 0.1$) in small/medium sized firms, but not in large firms ($\beta = 0.115$, $p = 0.331$). Second, social media technologies relate to adaptive marketing capabilities only in large firms ($\beta = 0.348$, $p < 0.05$) compared to small/medium sized firms ($\beta = 0.124$, $p = 0.341$). Third, static marketing capabilities contribute to performance in large firms ($\beta = 0.273$, $p < 0.05$), but not in small/medium sized firms ($\beta = 0.149$, $p = 0.199$).

Discussion and Conclusion

The results indicate that firm cultural intelligence and social media technologies possess unique and complementary influence on the development of international marketing capabilities. MNEs that complement the use of online platforms with culturally intelligent processes might effectively develop static and dynamic marketing capabilities (Pratono, 2018; Tajvidi & Karami, 2021; Wang & Kim, 2017). Culturally intelligent processes and routines facilitate the effective decisions of standardized or adapted marketing mix strategies that reflect the foreign market characteristics (Kraus et al., 2016). MNE cultural intelligence enhances the firm's coordination with alliance partners or suppliers, and the organization of complex products and processes are essential for the development of dynamic marketing capabilities (Parente et al., 2011). The strategic use of social media interactive tools highlights higher and effective communications with international stakeholders (Godey et al., 2016). Also, the reach of these online networks allows higher brand awareness, successful launch of new products, and effective communication of pricing structures (Wang et al., 2016). Interestingly, the relationship between social media technologies and adaptive marketing capabilities was direct, and not mediated by firm cultural intelligence. This finding is consistent with Day's (2011) theoretical conceptualization of adaptive marketing capabilities. Social media networks and analytics reveal the shift in buying behaviors and market trends, and provide the MNEs with early insights and deep analytics to implement changes before competitors (Guo et al., 2018).

The results highlight that social media technologies relate indirectly to firm performance, and international marketing capabilities fully mediate this relationship (Foltean et al., 2019; Trainor et al., 2013). The finding is consistent with the resource-based and dynamic capabilities theories (Barney, 1991; Teece et al., 1997). On the other hand, firm cultural intelligence relates directly to firm performance, and this association was not mediated by international marketing capabilities. This finding explains that foreign stakeholders' cultural values are embodied in the processes of culturally intelligent MNEs, and are reconfigured as per the dynamic of the international markets.

The results provide additional insights into the marketing capabilities and firms' strategic view paradigms (Day, 2011; Hunt & Madhavaram, 2020; Mu et al., 2018; Saeed et al., 2015). The outside-in approach seems to be more effective as a starting point in sustaining firms' competitive advantage in foreign markets in the digital age. The results show that adaptive marketing capabilities are essential to driving performance under all environmental situations. However, static marketing capabilities contribute to performance only under a low level of environmental turbulence. For

example, MNEs operating in a highly turbulent environment, characterized by continuous technological disruption and shifts in customers' behaviors, might commit more resources to develop adaptive marketing capabilities. On the other hand, static marketing capabilities remain important for effective execution of the marketing mix in stable market environments. Also, the findings provide new insights that explain the relationship between dynamic marketing capabilities and firm performance in international markets. The post hoc analysis suggests that these dynamic capabilities are not related directly to performance, and static marketing capabilities mediate their indirect contribution to firms' outcomes under low environmental turbulence (Kachouie et al., 2018). These capabilities predict firm performance under a high turbulent environment only when complemented by adaptive marketing capabilities (Day, 2014).

The results of this study provide new insights on the impact of firm size on the development of international marketing capabilities and their contributions to MNE performance. The findings suggest that small and medium sized MNEs deploy effectively their cultural intelligence to develop adaptive marketing capabilities compared to large firms. This result is in line with previous studies that suggest flexible and responsive processes of smaller firms compared to larger MNEs, lacking the correction of previous knowledge before its application in new dissimilar markets (D'Angelo & Buck, 2019; Felzensztein et al., 2020; Zeng et al., 2013). Social media technologies predict the development of adaptive marketing capabilities in large firms, and not in small/medium sized MNEs. This result explains the commitment of larger MNEs to social media resources and analytics, and the possession of technological capabilities that facilitate the integration of social media information to develop adaptive marketing capabilities (Day, 2011). Finally, static marketing capabilities contribute to performance in large firms and not in small/ medium sized MNEs. This finding is expected, since large firms possess research and development capability to improve their products, and higher financial resources, which enable advertising and effective communication of their offerings in international markets (D'Angelo & Buck, 2019).

Theoretical Implications

Our research presents four implications to the international marketing capabilities literature, through an enhanced understanding of the predictors and outcomes of these capabilities, and how they differ in international markets, compared to domestic markets (Morgan et al., 2018). First, we identify two distinct resources that have unique and complementary contributions to the development of international marketing capabilities. The integration of strategic social media technologies into firms' culturally intelligent processes create a complementary effect on the development of international marketing capabilities. Second, we validated previous suggested measures of the firm cultural intelligence construct (Ang & Inkpen, 2008), and provided empirical evidence supporting the associations between international marketing capabilities and MNE performance. Third, the study found empirically that an outside-in orientation to strategy, such as adaptive marketing capabilities, contributes to performance more significantly than the firms' inside-out strategic posture in a higher turbulent environment (Hunt & Madhavaram, 2020).

These adaptive capabilities imply the observation of customers' behaviors and data processing without prejudgments, providing MNEs with early insights and deep analytics to implement changes before their competitors (Day, 2011). However, the firms' possession of inside-out capabilities, such as dynamic marketing capabilities, is essential to enhance these outside-in marketing capabilities (Day, 2014). Fourth, this research found that social media technologies developed international marketing capabilities through the complementary effect of firm cultural intelligence. Cultural values are embedded in MNEs' culturally intelligent processes and routines, and the strategic implementation of social media technologies complement the firms' ability to

develop international marketing capabilities. Also, this is the first study that confirmed the benefit of social media technologies' strategic use on the development of MNEs' adaptive marketing capabilities. Social media technologies provide real time data, allowing MNEs fast experimentation and vigilant learning abilities in high-velocity and turbulent environments.

Managerial Implications

The study provides marketing managers empirical results on how social media technologies and firm cultural intelligence relate to the development of marketing capabilities and firm performance. First, the valid and reliable measurement scale of firm cultural intelligence is beneficial for these managers, to diagnose how their processes embed the stakeholders' cultural values (Ang & Inkpen, 2008; Moon, 2010). The assessment and improvement of firm cultural intelligence support managers' marketing mix strategic decisions such as pricing, product characteristics, advertising, and distribution channels that are influenced by national cultures (Song et al., 2017). MNEs might provide training and tasks in foreign markets to enhance their managers' understanding of dissimilar cultures, and their impacts on product content, launch times and advertising intensity, which might improve the chance of acceptance by foreign customers. Also, managers that enhance their cultural intelligence are more able to develop effective information sharing strategies, and anticipate foreign customers' unexpressed needs which predict the development of dynamic marketing capabilities.

Second, marketing managers should align social media strategies into their firm's overall marketing strategy. Managers need to build trust-based customer networks, which enhance the flow of information for effective implementation of pricing and communication capabilities (Pratono, 2018). Engagement programmes should be stimulating and exciting, to motivate customer participation, feedback and suggestions for product enhancement (Abdullah & Siraj, 2018). Marketing managers should enhance the responsiveness and interactivity of their social media platforms, to facilitate knowledge sharing and the development of solutions to address their latent needs (Gensler et al., 2013). Additionally, managers should use the analytics to measure effectiveness and learn about their stakeholders' current and future needs (Tafesse & Wien, 2018). Real time data analysis provides managers with early signals about market trends and their customers' changing preferences. The integration of new knowledge enhances their firms' vigilant learning capabilities, enabling fast experimentation of new products and offerings (Day, 2011). Marketing managers may deploy these data to build culturally intelligent standard operating procedures and enhanced the information-sharing strategies outcomes. The knowledge of stakeholders' cultural use of social media platforms presents a learning ability for MNEs to elevate their level of cultural intelligence (Hoehle et al., 2015).

Third, marketing managers should build a portfolio of capabilities, and enhance the firms' readiness to work with the new contingencies, understanding the rapid changes in customers' preferences in high-velocity markets. (Morgan et al., 2009; Morgan et al., 2012). Our results suggest that marketing mix capabilities are effective tools for managers to predict firm performance, by allowing the execution of MNEs' marketing strategies (Morgan et al., 2012). However, these managers should develop other types of capabilities in highly turbulent environments, to update and reconfigure their marketing mix capabilities (Kachouie et al., 2018). Besides, managers are required to build adaptive marketing capabilities to close the gap between resources available and resources required, to achieve performance in highly volatile and complex markets (Day, 2011). These new capabilities imply a proactive approach to sense and respond quickly to customers' needs, providing firms the ability to act on weak signals, speedily experiment, and benefit from their partners' resources through an open marketing approach to strategy (Guo et al., 2018).

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Limitations and Future Research Directions

This research presents several limitations. First, despite the study's findings confirming the hypothesized relationships between the variables, the cross-sectional nature of survey data collection presents the associations between the constructs at a certain point in time. Thus, the causal directions between the resources, capabilities, and firm performance cannot be generalized as a rule in this research. This limitation can be resolved with longitudinal studies, which might validate the directions of the relationships between the study variables. Second, the study examined the relationships between two types of resources, three levels of capabilities, and firm performance. Future studies might explore the impact of other types of resources, such as financial, physical, and human capital on firm performance. Third, the study found that the strategic use of social media technologies predicts the development of newer adaptive marketing capabilities. Future studies might explain how social media technologies interact with other firms' information system resources, such as e-commerce, to develop newer capabilities in the digital age. Fourth, the data were collected from MNEs that established a regional office in the Middle East/Arab Gulf region. Thus, the cultural intelligence measurement scale might be validated in future studies across different cultures, focusing on MNEs' varied entry modes such as export or international joint ventures.

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