

Identifying Organizational Capabilities As Predictors of Growth and Business Performance

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ABSTRACT

The firms need organizational capabilities which they have or which they will need to develop in order to overcome the competition they face today and in the future. These capabilities are the collective skills, abilities, and expertise of an organization. This paper examines the implications of organizational capabilities on growth and business performance. On this study, a research model and hypotheses have been developed. This research model has been constructed among eight dimensions of organizational capabilities and dependent variables included growth and business performance factors. Data collected from 456 owners and senior managers of 121 firms have been analyzed to test the hypothesis using regression analysis. As a result of this study, it is found out that increasing of the level on organizational capabilities has significantly positive effects on growth and business performance.

INTRODUCTION

The fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage (Teece *et al.*, 1997). Organizational capabilities have vital consequences on business performance to acquire sustainable competitive advantage. Therefore, the overall problem of this study is; how do firms acquire organizational capabilities needed for sustainable competitive advantage and what are the impacts of organizational capabilities on business performance?

Competitiveness has become an axiom, a fundamental belief and goal that drive executive behavior (Ulrich, 1993). Increasingly, executives are discovering that competitiveness is derived from within the organization, from how the organization manages its people and processes (Ulrich & Lake, 1991). In order to compete successfully in an industry, managers in organizations need to learn about emerging best practices and implement them in their units. An essential part of this process is the development of organizational capabilities by its managers. The development of capabilities to be flexible rests on the mandate of top management, helps firms manage environmental uncertainty, and tends to enhance firm performance. Thus, these researches focus on the organizational capabilities and its impact on business performance.

THEORETICAL BACKGROUND

Identifying Organizational Capabilities

Capabilities have attracted the interest of researchers (e.g. Ulrich, 1987, 1989; Ulrich & Lake, 1991; Ulrich & Smallwood, 2004; Stalk *et al.*, 1992; Hall, 1993; Day, 1994; Lado & Wilson, 1994; Ashkenas, 1995; Davies & Brady, 2000; Lee, 2001; Matsusaka, 2001; Celuch *et al.*, 2002; De Saa & Garcia, 2002; Kaleka, 2002; Rogers, 2004) because of their impact on the firm's ability to identify sources of sustainable competitive advantage. When as economic and technological complexity increases, leaders must devote more attention to definition and improvement of the few critical business processes that determine success and failure. It has argued that organizational success influence by capabilities, both personal and organizational. Moreover, that organizations need to be able to manage both change and current business to achieve sustainable growth; and that the capabilities required for the management of change and current business differ (Rogers, 2004).

Many researchers often use the words "ability", "competence" and "capability" interchangeably (Ulrich & Smallwood, 2004). There is confusion in the literature of these concepts. In addition, there are various definitions for the concept of organizational capabilities. Here we used the terms of capability and organizational capability interchangeable and appropriate with resource-based theory (Wernerfelt, 1984; Barney, 1991, 1995; Grant, 1991; Peteraf, 1993; Teece *et al.*, 1997; Eisenhardt & Martin, 2000; De Saa & Garcia, 2002) approach. The term capability is a wider concept than competence, including, besides competence, strategy, linking of resources and abilities. Ability and competencies are shown on an individual's technical area and social issues. However, capabilities are shown on both technical area and social issues of an organization. Grant (1991) defines capabilities as complex patterns of coordination between people and resources that are learned through repetition. Ulrich (1993) uses the

term capabilities to describe a firm's ability to manage people to gain competitive advantage. Capabilities refer to a firm's capacity to deploy resources, usually in combination, applying organizational processes to affect a desired end (De Saa & Garcia, 2002). Ulrich and Smallwood (2004) argued that an organizational capability emerges from a bundle of activities, not any single pursuit. Therefore, organizational capabilities are the collective skills, abilities, and expertise of an organization (Ulrich & Smallwood, 2004) to adapt to changing customer and strategic needs.

Structure of Organizational Capabilities

Despite the increasing population of interest, the components and structure of organizational capabilities are still unclear as the definition of organizational capability. It has argued that, with specifying critical organizational capabilities and identifying how to assess them we can establish our organization more competitive (Ulrich, 1993). The resource-based view (RBV) points out that firms can develop sustained competitive advantage by creating value both for customers and organization, and developing organizational capabilities in a way that is rare and difficult for competitors to imitate (e.g. Barney, 1991, 1995; Grant, 1991; Peteraf, 1993; Teece *et al.*, 1997). A firm that produces high quality products that are not used by customers or that are easily imitated by competitors does not have a competitive advantage. There is no magic list of capabilities appropriate to every organization (Ulrich & Smallwood, 2004). We can easily list many dimensions of the firm-level organizational capabilities to acquire and maintain sustainable competitive advantage by offering unique goods and services. However, to deliver unique customer valued goods and services, firms attempt to develop three traditional sources of competitiveness. First, to meet customer expectations around low cost, firms attempt to reduce the cost of their products. To lowering the cost of building a product, firms need financial capability that translates to customer value and competitiveness. Second, offering diverse products or services, developing customer relationships, or being responsive to market place offers firms a unique strategic or marketing capability and translates to competitive advantage. Third, being able to build new products more efficiently translates to a technological or operational capability (Porter, 1981; 1985; Ulrich, 1987). Organizational capability integrates and sustains these three capabilities. Organizational capability represents the capacity of the organization itself to change and adapt to financial, strategic and technological transformations (Ulrich, 1987). Financial capability mostly created by the other resources and capabilities of a firm. Thus, in this paper we merely identify several classes of factors that will help determine a firm's organizational capabilities except financial capability. We organize these capabilities in eight sub-dimensions: global capability, upper management capability, product/service capability, marketing capability, technological capability, information systems capability, order fulfillment capability and external relationship capability.

Global Capability : An important dimension of the organizational capability is the global capability that refers to a firm's boundaries. When a company faces with the complexity of economic and technological change, responsible executives increasingly ask, "What are logical boundaries of our company?" By the globalization, the boundaries between locations, cultures and markets become more permeable. Market challenge extent all over the world, and to sustain competitive advantage become more difficult. When there are a number of traditional boundaries between companies, its suppliers and customers breaking down companies will operate with speed, flexibility, integration and innovation (Ashkenas, 1995). Therefore, companies should gain and sustain competitive advantage over the boundaries, at global market place. Global marketing, manufacturing, supply and service capabilities for producers has a growing importance as their customers' increasing requirements for global sourcing. Thus, globalization included as a capability.

Upper Management Capability : Strategic decision-making is a distinctive process among the firms. A firm's leaders gather their various businesses, functional and personal expertise to make the choices that shape the major strategic moves of the firm (Eisenhardt & Martin, 2000). Company leadership also plays a particularly strong role in business success with bridging differences in decision-making styles, reconciling control systems, and accommodating reverse payback criteria (Williams, 1992). The firm uses the capabilities developed by resource utilization to manage its environment and perform (Day, 1994). The development of capabilities to be flexible rests on the mandate of top management, helps firms manage environmental uncertainty, and tends to enhance firm performance (Evans, 1991). Business success also relied on the managers' recognition and modification of the organizational condition that is either positive (empowerment, esprit de corps, understanding and commitment) or negative (conflict, resistance and anxiety). Therefore, we selected upper management capability as one of the critical organizational capabilities.

Product/Service Capability: Product and service differentiation has been a key source of competitive advantage (Porter, 1990). The importance of product/service capability comes from the difficulty to manage cross-functional teams that have different resources and expertise. The next area of importance is the speed of product

introduction. Rapid development of new products and services is an integral component of innovation-based competition (Froehle *et al.*, 2000). Firms' ability to differentiate products (to boost the image of products by attributes other than prices such as superior quality, image or service) or services offers firms a strategic capability. Product/service capability is characterized as unique process that emerges from different functions, resources, skills and expertise of the firm and translates to competitive advantage. Therefore, product/service capability selected as one of the critical organizational capabilities.

Marketing Capability : In today's dynamic business environment where the basic principles of marketing are changing rapidly parallel to globalization, the most important thing is to measure market reaction. In this dynamic environment, the firms will have to sell high quality for lower prices than their competitors do. Otherwise, the firm could be thrown-out of market if their brand is not the leader or the next follower in that particular market (Kotler, 1997: 180-182). Because of this risk of being thrown-out of market, in many companies the firm abilities serving the marketing and sales within the value chain are unified. Due to that, all of the marketing efforts are integrated within a single functional department for many of the firms. (Celuch *et al.*, 2002).

Marketing capability is defined as integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands (Day, 1994). We selected marketing capability as one of the main sub construct of the organizational capabilities because of the importance of creating value for both customers and firm. This created value translates to competitive advantage in market place. Besides that, the growth of the market share and sales were accepted as indicators of growth and business performance. Therefore, marketing capability should have positive effects on growth and business performance.

Technological Capability : The increasing globalization tendency and thereupon in developing competition environment one of the most important factor for the firms certainly will be technology. Potential thoughts that form the strategy of technology in a firm can be achieved through the unification of basic capabilities of top managers with the operation strategies of the firm. A firm's collective ability to build new products more efficiently translates to a technological capability (Porter, 1981; 1985; Ulrich, 1987). Technological capability is some routines by which managers combine their varied skills, know-how and functional backgrounds to create revenue-producing products and services. Today there is an emerging market of technology. A firm's technological assets can be easily sell or buy in that market place. The ownership, protection and utilization of technological assets are clearly key differentiators among firms (Teece *et al.*, 1997). Besides that, product innovation also accepted one of the indicators of growth. Therefore, we selected technological capability that includes engineering and new product research and development skills as one of the main element of organizational capabilities that positively effects on growth and business performance.

Information System Capability : In the age of global competition, speed and verity on managerial decisions are very important. Information systems provide a company information and data to clarify managerial decisions and to facilitate command and control procedures. Information on an organization's people and processes is the fuel that energizes the competitiveness. Collected appropriately, information enables both the senior management and HR professionals to monitor, assess, and strengthen the sometimes-invisible people assets and management processes within a company (Ulrich, 1993). Otherwise, companies need to command and control especially complex organizational factors in a high-volume environment (Williams, 1992). Especially the growth to business-to-business electronic marketing makes information systems a critical skill area (Celuch *et al.*, 2002). Given the growing importance of information technology in data exchange and financial and operational reporting, we selected information system capability as one of the critical organizational capabilities required for tracking organizational competitiveness. Therefore, we selected information system capabilities as one of the critical organizational capabilities of current business trends.

Order Fulfillment Capability : In order to satisfy customer-driven market place, firms need the ability of to give customers what they want, when they want it, and how they want it. That requires real time fulfillment solutions. The success of order fulfillment solutions depends on the successful integration of four key elements of order fulfillment capability: order fulfillment planning, product execution, distribution management and cross application integration. Firms use multiple channels to reach important customers. Nevertheless, customer needs and expectations change rapidly day by day. Therefore, an operation was replaced with order fulfillment to focus on delivery lead-time and volume flexibility – two critical areas for customers requiring just-in-time inventory for sometimes-erratic production schedules (Celuch *et al.*, 2002). Beside that, it needs a strong information tie between customers and firms, to reach these rapid changeable customer expectations. Otherwise, all effort of firm shall be useless at the lack of this capability. Therefore, we selected order fulfillment capability as one of the key organizational capabilities.

External Relationship Capability : Traditionally, most organizations form “we-they” relationship with external constituents and do business through negotiation, hanging, pressure tactics, withholding of information, and playing off customers or suppliers against one another (Ashkenas, 1995). Building richer, deeper, and broader relationships can add social capital to the organization and the people in it. Social capital is the web of relationships among employees and groups (both inside and outside of the organization) that provide information, helps solve problems, expands customer bases, and does other things that add value and enhance strategic capability. Thus, external partnering, the ability to develop and maintain external partnerships as a meta-capability that affects the organization’s ability to develop new capabilities was included as one of the main organizational capabilities that effects on business performance.

Impacts of Organizational Capabilities on Growth and Business Performance

In the current global and competitive business environment, companies have to compete for the future markets more than today has and provide permanence by creating new profit chances. Growth is necessary while firms willing to acquire profit through serve their customers better than today and stand competitive in future. Firms have bundles of resources to overcome these challenges. Resources are inputs into the production process but organizational are not only the assembling teams of resources. Capabilities involve complex patterns of coordination between people and between people and other resources. A capability is the capacity for a team of resources to perform some task or activity. While resources are the source of a firm’s capabilities, capabilities are the main source of its competitive advantage (Grant, 1991). Growth and superior business performance are predictors to gain competitive advantage. Therefore, organizational capabilities of a firm must serve gain competitive advantage through growth and superior business performance. Thus, we established hypothesis to test the potential of organizational capabilities to perform growth and success in business performance.

H1: Organizational capabilities of an organization have positive and significant effects on growth.

H2: Organizational capabilities of an organization have positive and significant effects on business performance.

METHODOLOGY AND RESULTS

Sample and Data Collection

We paid particular attention to sampling and data collection process. The manufacturer and exporter firms of a medium to large size were chosen to conduct this research, because of manufacturer and exporter firms should likely to reflect to some degree all eight of the organizational capability dimensions included in this study. The annual “ISO 500” lists and “Kobiline (SME-Line)” portal provided a list of appropriate firms for data collection effort. Data collected from 456 owners and senior managers of 121 Turkish manufacturer and exporter firms of a medium to large size were used to test the proposed research model. Respondents were asked to rate their organization on eight dimensions of capabilities and determine business performance level of their organization when it compared with the average of industry.

Measures

We measured eight dimensions of organizational capabilities with a scale of 30 items, which is adapted from some recent studies (Andersen & Kheam, 1998; Yamin *et al.*, 1999; Lee, 2001; Celuch *et al.*, 2002; Kaleka, 2002; Rosenzweig *et al.*, 2003) as it seen on the Table 1. Seven point Likert-type scales were used to measuring organizational capability dimensions as independent variables. Respondents were asked to evaluate levels of their businesses organizational capabilities on a range from 1=strongly disagree to 7=strongly agree, with a middle anchor point of 4=neither agree nor disagree.

TABLE 1 Resources of Scales

Global Capability	Celuch <i>et al.</i> (2002)
Upper Management Capability	Celuch <i>et al.</i> (2002)
Product/ Service Capability	Celuch <i>et al.</i> (2002), Andersen & Kheam (1998)
Marketing Capability	Celuch <i>et al.</i> (2002), Andersen & Kheam (1998)
Technological Capability	Kaleka (2002), Andersen & Kheam (1998)
Information Systems Capability	Kaleka (2002), Celuch <i>et al.</i> (2002)
Order Fulfillment Capability	Yamin <i>et al.</i> (1999), Kaleka (2002), Celuch <i>et al.</i> (2002), Rosenzweig <i>et al.</i> (2003)
External Relationship Capability	Lee (2001), Kaleka (2002)
Growth	Baker & Sinkula (1999), Antoncic & Hisrich (2001), S.A.Zahra <i>et al.</i> (2002), Rozenzweig <i>et al.</i> (2003), Vickery <i>et al.</i> (1993, 1997), Yamin <i>et al.</i> (1999), Baker & Sinkula (1999), King & Zeithaml (2001), Morgan & Strong (2003)
Overall business performance	

Business performance scale consists of seven items that included company’s growth and overall business performance factors. Seven point Likert-type scales were also used to measuring growth and business performance as dependent variables. Sales growth, market growth and new product innovation can be shown on firms as indicators of growth. Therefore, respondents were asked to evaluate their company’s growth included sales and market growth, new product innovation and overall business performance over the last three years on a range from 1=much worse than average of industry to 7=much better than average of industry scale, with a middle anchor point of 4=equal to average of industry scale. This scale is strongly similar to some former studies’ business performance scale (Vickery *et al.*, 1993; 1997; Baker & Sinkula, 1999; Yamin *et al.*, 1999; Antoncic & Hisrich,

2001; King & Zeithaml, 2001; Zahra *et al.*, 2002; Rosenzweig, *et al.*, 2003; Morgan & Strong, 2003). The resources of growth and overall business performance scales can be shown on Table 1.

Factor Analysis

The scales were submitted to principle component analysis with varimax rotation and eight-factor solution was obtained as expected. We used the Cronbach's Alpha to estimate reliability for scales. After omitting items with low factor loading, 29 items left. These items and factor loadings (cumulative % 78,167) are presented in Table 2.

TABLE 2 Factor Loadings of Research Dimensions

	Components							
	1	2	3	4	5	6	7	8
Org. Cap.01	,835							
Org. Cap.02	,856							
Org. Cap.03	,791							
Org. Cap.04	,718							
Org. Cap.05		,746						
Org. Cap.06		,717						
Org. Cap.07		,654						
Org. Cap.08			,707					
Org. Cap.09			,781					
Org. Cap.10			,636					
Org. Cap.12				,738				
Org. Cap.13				,673				
Org. Cap.14				,625				
Org. Cap.15				,526				
Org. Cap.16					,753			
Org. Cap.17					,693			
Org. Cap.18					,610			
Org. Cap.19					,542			
Org. Cap.20						,655		
Org. Cap.21						,796		
Org. Cap.22						,626		
Org. Cap.23						,693		
Org. Cap.24							,591	
Org. Cap.25							,812	
Org. Cap.26							,766	
Org. Cap.27								,651
Org. Cap.29								,792
Org. Cap.30								,751

We analyzed the sample by correlation analysis and we calculated means and standard deviations for each variable and created a correlation matrix of all variables used in hypothesis testing. The means standard deviations and the reliabilities ($\alpha > 0.70$) of all scales are within the expected ranges as can be seen in the Table 3. All of the dimensions of the research model are positively and significantly ($p < 0.001$) correlated with each other and business performance dimensions. The dimensions of the organizational capabilities as independent variables of our research model profiled below briefly.

TABLE 3 Mean, Standard Deviation and Cronbach's Alpha Values

	Mean	S.D.	α
Global Capabilities	4,9417	1,38220	.9125
Upper Management Capabilities	5,2142	1,34451	.9002
Product/Service Capabilities	5,9020	,93807	.8294
Marketing Capabilities	5,2070	1,16287	.8817
Technological Capabilities	5,4466	1,10854	.8657
Information Systems Capabilities	5,5763	1,07924	.8810
Order Fulfillment Capabilities	5,5904	1,10959	.8765
External Relationship Capabilities	5,5178	1,09512	.8790
Growth	5,1285	1,18649	.7869
Overall Business Performance	5,1939	1,13388	.8236

Factor 1, *Global capabilities*, consisted of four items relating to the evaluation of their company's global marketing, manufacturing, supply, and service skills.

Factor 2, *Upper management capabilities*, included three items relating to the evaluation of their company's leadership, vision, and strategic planning skills.

Factor 3, *Product/service capabilities*, included three items relating to the evaluation of their company's product quality, service, and delivery skills.

Factor 4, *Marketing capabilities*, consisted of four items relating to the evaluation of their company's sales force, promotion, and account selection skills.

Factor 5, *Technological capabilities*, consisted of four items relating to the evaluation of their company's engineering and new product research and development skills.

Factor 6, *Information systems capabilities*, included four items relating to the evaluation of their company's electronic data interchange and financial and operational reporting.

Factor 7, *Order fulfillment capabilities*, included three items relating to the evaluation of their company's flexibility for volume and mix changes and delivery lead-time.

Factor 8, *External relationship capabilities*, included three items relating to the evaluation of their company's ability to develop and maintain external partnerships as a meta-capability that affects the organization's ability to develop new capabilities.

Correlations and Associations between Variables of the Study

We have conducted correlation analysis to expose the relations among organizational capabilities' dimensions and business performance. As can be seen from the correlation Table 4, all dimension are correlated each other and each dimension of the organizational capabilities are statistically positively correlated with business performance ($p < .01$).

TABLE 4 Correlation Coefficients

	1	2	3	4	5	6	7	8	9	10
1 Global Capabilities	1									
2 Upper Management Capabilities	,603*	1								
3 Product/Service Capabilities	,498*	,628*	1							
4 Marketing Capabilities	,598*	,737*	,660*	1						
5 Technological Capabilities	,558*	,661*	,676*	,700*	1					
6 Information Systems Capabilities	,541*	,630*	,610*	,701*	,710*	1				
7 Order Fulfillment Capabilities	,485*	,622*	,616*	,680*	,672*	,630*	1			
8 External Relationship Capabilities	,511*	,657*	,560*	,686*	,582*	,650*	,640*	1		
9 Growth	,512*	,448*	,473*	,524*	,546*	,471*	,408*	,408*	1	
10 Overall Business Performance	,534*	,476*	,492*	,531*	,551*	,487*	,415*	,429*	,966*	1

* $p < 0.01$ (2-tailed)

Correlation analysis results have demonstrated the independent relations of the all variables in this study are significantly and positively correlated each other because of the "r" coefficient of one to one correlation of two variables is equal to the "β" coefficient of the simple regression. However, the effects of organizational capabilities on business performance were our research questions. Thus, we have also conducted multiple regression analysis to investigate our hypothesis.

TABLE 5 Impacts of Organizational Capabilities on Growth and Business Performance

Dimensions	Growth				Business Performance			
	Standardized β	t	P	Result	Standardized β	t	P	Result
Global	,252*	5,098	,000	Supported	,269*	5,510	,000	Supported
Upper Management	-,062	-1,009	,314	Not supported	-,020	-,333	,739	Not supported
Product/Service	,105	1,894	,059	Not supported	,123***	2,247	,025	Supported
Marketing	,184**	2,699	,007	Supported	,148***	2,203	,028	Supported
Technological	,267*	4,201	,000	Supported	,239*	3,818	,000	Supported
Information Systems	,033	,540	,590	Not supported	,045	,750	,454	Not supported
Order Fulfillment	-,065	-1,135	,257	Not supported	-,078	-1,369	,172	Not supported
External Relationship	,000	,006	,995	Not supported	,016	,283	,778	Not supported
F=34,750 R ² =0,382 p=0,000					F=37,592 R ² =0,401 p=0,000			

* $p < 0,001$ ** $p < 0,01$ *** $p < 0,05$

The results of regression analysis of H1 and H2 are shown in Table 5 summarized the effects of organizational capabilities on growth and business performance. We accepted H1_a, H1_d and H1_e hypothesis depend on the results of regression analysis. As it seen on table research model is statistically significant ($F=34,750$, $p < 0,001$). Expressed total variance was found $R^2 = 0,382$. Therefore, independent dimensions of the research model could explain the changes on business performance merely on % 38,2 level. We accepted H2_a, H2_c, H2_d and H2_e hypothesis depend on the results of regression analysis. As it seen on table research model is statistically significant ($F=37,592$, $p < 0,001$). Expressed total variance was found $R^2 = 0,401$. Therefore, independent dimensions of the research model could explain the changes on business performance merely on % 40,1 level.

DISCUSSION AND CONCLUSION

Organizational capabilities include vast of organizational and strategic capabilities are such as mainly product/service and marketing capabilities whose strategic values lie in their ability to manipulate resources into value creating strategies. In the light of previous studies, companies that developed their organizational capabilities sustain

competitive advantage for today and the future. Previous empirical findings demonstrated that organizational capabilities have positive effects on firm performance (Vickery et al., 1993; Ward et al., 1994; Kaleka, 2002; Zott, 2003). According to this expression, in this study, firstly we have defined the eight dimensions of organizational capabilities, then we developed hypotheses with a research model to test these associations. Finally, using the data collected from a sample of 456 owners and senior managers of 121 Turkish firms, we examined the potential effects of organizational capabilities on business performance via multiple regression analysis.

The results of regression analysis have shown that some of the organizational capabilities have significant effects on firm performance and others not. Such as global capabilities ($\beta=0,269$, $p<0,001$), product/service capabilities ($\beta=0,123$, $p<0,05$), marketing capabilities ($\beta=0,148$, $p<0,05$) and technological capabilities ($\beta=0,239$, $p<0,05$). Also the result of regression analysis shows us global capabilities ($\beta=0,252$, $p<0,001$), marketing capabilities ($\beta=0,184$, $p<0,01$) and technological capabilities ($\beta=0,267$, $p<0,001$) have significant effects on growth. However, the correlation analysis results among these variables included in our analysis demonstrated that all variables correlate with each other and with business performance. All of the one-to-one relations between organizational capability dimensions and dependent variables included growth and business performance have significant and positive correlations with each other. These one-to-one relations demonstrate the insignificantly resulted hypothesis of the proposed model. The results of the correlation and regression analysis explicitly show that some of the organizational capabilities have mediating effect (Baron & Kenny, 1986) among the other organizational capabilities and growth and business performance. Our findings can be interpreted as follows:

In the current business environment, it is not surprising that the factor of global capabilities which include global marketing strategies, global production level, and global service level variables between variables belonged to company have effects on growth and firm performance are supported by results of researches. In the light of these results, the companies that have willingness to grow should be concentrated on their growth strategies with alternative strategies that provide to penetrate and sustain market share on international markets by exceeding internal market borders via economies of scale.

When variables that performed the factor of product/service capability are examined, they will be seen as variables directed to acquiring customer confidence by operating product/service activities considering always customer expectations and using this as a competitive advantage. The result that since many years customer focused and selection and development of customer-focused strategies which have been debated the business literature are very vital decisions is manifested for companies wanted to acquire better business performance.

Today, in the global and highly intensive competitive business environment, market place getting complicated day by day, therefore, firms have growing need to their marketing and sales forces strength. Besides the rapidly changing business environment, changing of the principles of marketing is also one of the main problems to evaluate market signals and predict future market expectations with systematic market analysis. Therefore, marketing and sales forces of a firm should evaluate their market frequently and should gather and forward valuable information about new markets to upper management team. Because of these essential changes and necessities, the firms that want to reach competitive advantage through growth and superior business performance must concentrate on marketing and sales capabilities.

Another main point we couldn't disregard in this complicated business environment is the impact of technological change. Potential thoughts about a firm's technological strategies should only performed by the combination of core capabilities of a firm with adequate corporate strategies by upper management team. All engineering activities for production need to have technological know-how, qualified production technology and new product research and development skills. These activities gave a firm competitive advantage by product development and new product innovation processes. Thus, technological capability is one of the main capabilities of a firm, to reach sufficient financial results. Besides that, the amount and the success of the new products are also predictors of growth potential.

According to the results of the analysis of the impacts of organizational capabilities on growth and business performance, it has found that global capabilities, product and service capabilities, marketing and sales capabilities and technological capabilities of a firm have positive and significant effects on business performance directly. And, global capabilities, marketing and sales capabilities and technological capabilities of a firm have positive and significant effects on growth potential directly. These effects reveal that the necessity of developing global, product and service (except as a predictor of growth potential), market and sales, and technological capabilities, when a firm needs to have willingness to grow and needs to have positive financial results in the global and competitive business environment. Further research implications may include these four positively effective capabilities while comparing different sizes and industries or manipulating by competitive strategies. In addition, this research may perform again in a cross-cultural case. Those kinds of researches have a mission to show a way to get positive financial performance and competitive advantage.

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