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# Does market orientation pay off without brand orientation? A study of small business entrepreneurs

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## Does market orientation pay off without brand orientation?

### A study of small business entrepreneurs

#### Abstract

Market orientation and brand orientation are usually modeled as distinct antecedents of business performance, and the simultaneous performance effects of these orientations are empirically under-explored. Moreover, studies of market orientation and branding tend to focus on large corporations and the views of managers rather than the views of small business entrepreneurs. Addressing these research gaps, the current study explores market orientation and brand orientation by empirically testing their simultaneous effects on the business performance of small firms. Using primary data from 328 effective responses gathered from small business entrepreneurs, the study finds that market orientation improves the financial performance of a small firm only if it is implemented through brand orientation and eventually translated into brand performance. The results further indicate that older firms benefit more than younger firms from investing in branding, while younger firms benefit from paying attention to the actions of their rivals.

**Keywords:** Market orientation; brand orientation; brand performance; financial performance; firm age

### Summary statement of contribution

The study finds that market orientation does not directly improve the financial performance of a small firm unless implemented through brand orientation and translated into brand performance. Market orientation components significantly foster brand orientation. Consequently, the study shows that investments in branding significantly improve small business performance, especially in older firms. Young firms, instead, could enhance financial performance by paying greater attention to the actions of their rivals in the market.

## 1. Introduction

Research in marketing management has taken steps toward conceptualizing the relationship between brand orientation and market orientation (e.g. Reid, Luxton, & Mavondo, 2005; Urde, Baumgarth, & Merrilees, 2013). For example, the recent special issue on brand orientation in the *Journal of Marketing Management* evinces that this subject is topical, yet lacks concurrent examination (Baumgarth, Merrilees, & Urde, 2013). Specifically, as Baumgarth et al. (2013) note, there is a lack of empirical research studying how exactly the two orientations relate to each other.

Although researchers have generally regarded them as different or even conflicting strategic options in terms of their approach to both customer needs and brand development, the more recently evolved view suggests that firms should rather adopt a hybrid or synergistic approach (Urde et al., 2013). This view highlights brand orientation and market orientation as complementary to one another. Reid et al. (2005), for example, argue that market orientation creates the conditions for brand orientation as a means of translating the goals and objectives of market orientation into “a medium- to long-term actionable set of activities” (p. 16). Integrating multiple strategic orientations has also the potential to contribute to business performance more than investing in only one strategic orientation at a time (e.g. Boso, Story, & Cadogan, 2013; Grinstein, 2008; Kropp, Lindsay, & Shoham, 2006; Laukkanen, Nagy, Hirvonen, Reijonen, & Pasanen, 2013).

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3 A body of empirical research shows that firms benefit from developing a market orientation with  
4 regard to its effect on business performance (e.g. Narver & Slater, 1990; Slater & Narver, 1994).  
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6 Studies also report a positive relationship between brand orientation and business performance  
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8 (e.g. Baumgarth, 2010; Wong & Merrilees, 2008). However, this literature mainly addresses  
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10 market orientation and brand orientation separately. Empirical research aimed at testing and  
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12 validating the conceptual developments concerning the relationship between brand and market  
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14 orientations and how they simultaneously affect business performance is scarce or non-existent.  
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17 Among the few studies that empirically examine brand orientation and market orientation in a  
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19 single model are Laukkanen et al. (2013) and Reijonen, Párdányi, Tuominen, Laukkanen, and  
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21 Komppula (2014). However, in their studies, the relationship between the two orientations  
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23 remains unexplored. Furthermore, prior research develops brand and market orientation concepts  
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25 and measurement instruments mainly with large organizations in mind. However, especially in  
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27 the European context where the overwhelming majority of enterprises employ fewer than 50  
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29 persons and are thus small firms (Schmiemann, 2008), there is a need to test measures for brand  
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31 and market orientation among small firms.  
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41 The present study addresses the above concerns by empirically examining (1) how market  
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43 orientation and brand orientation relate to each other, and (2) how they together affect business  
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45 performance. Furthermore, (3) instead of focusing on large corporations, the perspective taken is  
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47 that of small firms, and especially that of the entrepreneurs whose views direct the operations of  
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49 the firms. These entrepreneurs, who are usually omnipresent in every function of their firms,  
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51 often personify the marketing and management of SMEs. Entrepreneurs are considered to be  
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53 generalists who have visions of where they want to lead their businesses and at the same time  
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3 take care of the operational details of the firm (Hogarth-Scott, Watson, & Wilson, 1996). Thus,  
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5 marketing practices in SMEs strongly reflect the decision-making as well as the inherent skills  
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7 and abilities of the entrepreneurs (O'Dwyer, Gilmore, & Carson, 2009) as their attitudes to,  
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9 experience of and expertise in marketing are essentially those of the firm itself (McCartan-Quinn  
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11 & Carson, 2003). It can be said that the behavior of the firm is the same as the one of the  
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13 entrepreneur (Poon, Ainuddin, & Junit, 2006). Consequently, it is important to examine the  
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15 views entrepreneurs have of strategic orientation, as this kind of orientation guides the methods  
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17 and operations of the firm and eventually affects its performance.  
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25 In order to gain more detailed insights into the interdependencies between the different concepts,  
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27 this study examines market orientation through its respective components: customer orientation,  
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29 competitor orientation, and interfunctional coordination (Narver & Slater, 1990). This approach  
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31 answers the call to explore market orientation components separately since, “global, rather than  
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33 component, measures of market orientation may provide deficient information about the actual  
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35 underlying drivers of a firm’s performance” (Sørensen, 2009, p. 754). To this end, the present  
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37 study develops and empirically tests a structural model of how the three market orientation  
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39 components affect brand orientation, and further, how these orientations affect two business  
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41 performance outcomes, namely brand performance and financial performance. Furthermore, this  
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43 research examines whether the age of the firm moderates these effects.  
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51 The rest of the paper unfolds as follows. First, based on a review of the existing literature,  
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53 section 2 discusses the key concepts and develops the research hypotheses. Section 3 describes  
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55 the questionnaire, the data and the methods. Section 4 reports the tests of measurement validity  
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3 and section 5 reports the results. Finally, section 6 provides discussion of the study and section 7  
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5 draws conclusions and suggests directions for future research.  
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## 10 **2. Theoretical framework and research hypotheses**

### 11 12 13 *2.1 Market orientation and financial performance*

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17 Market orientation has its roots in the marketing concept (Jaworski & Kohli, 1993), according to  
18  
19 which the ultimate goal of a firm is to satisfy the needs and wants of its customers better than its  
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21 competitors do (Slater & Narver, 1998). The literature proposes two ways of viewing market  
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23 orientation (Becker & Homburg, 1999; Homburg & Pflesser, 2000). The behavioral perspective  
24  
25 builds on Kohli and Jaworski's (1990) view that market-oriented firms generate market  
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27 information on the present and future needs of customers, disseminate it within the firm, and  
28  
29 finally respond to it by making and implementing plans. The cultural perspective reflects the idea  
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31 of Narver and Slater (1990) that market orientation is an organizational culture that consists of  
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33 three behavioral elements: customer orientation, competitor orientation, and interfunctional  
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35 coordination.  
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43 Customer and competitor orientation refer to the gathering and dissemination of market  
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45 intelligence, whereas interfunctional coordination relates to the coordinated creation of customer  
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47 value based on this intelligence. Although the cultural perspective also recognizes the  
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49 importance of generating and disseminating market intelligence in the coordinated creation of  
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51 value for customers (Narver & Slater, 1990), it additionally highlights the pivotal role of norms  
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53 and values in supporting this kind of market-oriented behavior (Becker & Homburg, 1999).  
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3 Entrepreneurs play important roles in developing market-oriented culture in their enterprises  
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5 (Alpkan, Yilmaz, & Kaya, 2007). For example, a customer-oriented atmosphere in a small firm  
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7 is usually a result of the management style of the entrepreneur (Barnes, 2001).  
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12 The primary goal of market orientation is to deliver superior customer value based on an  
13  
14 organization-wide understanding of customers and competitors (Kumar, Jones, Venkatesan, &  
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16 Leone, 2011). Through this creation of value, firms are able to achieve competitive advantage  
17  
18 and eventually superior business performance (Narver & Slater, 1990). As Gaur, Vasudevan, and  
19  
20 Gaur (2011) state, researchers have long recognized the importance of market orientation for  
21  
22 enhancing financial performance. Consequently, they have extensively studied the relationship  
23  
24 between market orientation and financial performance. Researchers are fairly unanimous that  
25  
26 market orientation leads to better performance. Market orientation seems to have a positive effect  
27  
28 on performance in both the short and the long term (Kumar et al., 2011) and in any given setting,  
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30 although the strength may be affected by a number of methodological and contextual factors  
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32 (Ellis, 2006). In this study, financial performance is measured in terms of change in turnover,  
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34 profitability, and market share.  
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44 Sørensen (2009) argues that researchers could gain more detailed insights into the performance  
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46 effects of market orientation if they moved beyond “global” measures of market orientation and  
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48 instead focused on its distinct components. Building on this suggestion, this research examines  
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50 the performance effects of three components of market orientation: customer orientation,  
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52 competitor orientation, and interfunctional coordination. This classification follows the seminal  
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54 work of Narver and Slater (1990):  
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6 **H1a:** *Customer orientation has a direct positive effect on financial performance*

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8 **H1b:** *Competitor orientation has a direct positive effect on financial performance*

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10 **H1c:** *Interfunctional coordination has a direct positive effect on financial performance*

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15 *2.2 Market orientation and brand orientation*

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17 Brand orientation is an approach where the firm uses the brand as a strategic platform (Urde,  
18 1999). It indicates acceptance of the theory and practice of branding (Hankinson, 2001),  
19 providing firms with a framework for the creation, development and management of the brand  
20 (Merrilees, 2005). Wong and Merrilees (2008) argue that brand-oriented firms recognize,  
21 feature, and favor the brand in the marketing strategy. Researchers view the concept from two  
22 perspectives familiar from the market orientation literature: cultural and behavioral (Evans,  
23 Bridson, & Rentschler, 2012; Urde et al., 2013). The former view sees brand orientation  
24 reflected in organizational values and beliefs, while the latter focuses on implemented behaviors  
25 (Bridson & Evans, 2004). Research shows that branding in SMEs is virtually completely taken  
26 care of and controlled by the entrepreneur (e.g. Centeno, Hart, & Dinnie, 2013; Krake, 2005).  
27 Also, the level of brand orientation may vary among SMEs from minimal to a strongly integrated  
28 brand marketing strategy (Wong & Merrilees, 2005).  
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48 Brand orientation differs from market orientation especially in terms of the method and extent to  
49 which firms interact with and respond to the needs of their customers (Urde, 1999). Viewing  
50 brands as strategic resources challenges the market orientation paradigm of regarding customer  
51 needs as the driver of brand development. Placing customer needs first without further  
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3 consideration of how it affects the brand can be detrimental to long-term brand success.

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5 Therefore, instead of allowing the brand to become an unconditional response to customer needs  
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7 and wants, as would be the case in purely market orientation, brand-oriented firms use the brand  
8  
9 as a framework within which they strive to satisfy customer needs (Urde, 1999). Brand  
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11 orientation represents an inside-out approach where the organization's mission, vision, and  
12  
13 values guide brand development, setting boundaries to the extent to which firms allow customer  
14  
15 needs to affect branding decisions (Urde et al., 2013). It is also seen as a more dynamic and  
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17 holistic approach than market orientation, integrating both external and internal perspectives on  
18  
19 value creation (Gromark & Melin, 2013).  
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26 While market and brand orientation fundamentally represent distinct theoretical concepts, the  
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28 recently evolved view suggests that firms should adopt a hybrid or synergistic view that  
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30 combines the two (Urde et al., 2013). Along this line of reasoning, Urde (1999) proposes that  
31  
32 brand orientation can be seen as market orientation "plus" (p. 118), whereas Baumgarth (2010)  
33  
34 suggests it represents a specific type of market orientation distinguished by its emphasis on the  
35  
36 brand. Brand orientation thus seems to add to market orientation rather than represents a  
37  
38 complete opposite to it. While acknowledging the need to interact with their customers in order  
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40 to ascertain their needs and then satisfy them, brand-oriented firms consider such decisions with  
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42 the brand in mind (e.g. Gromark & Melin, 2011; Reid et al., 2005; Urde, 1999; Wong &  
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44 Merrilees, 2007).  
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52 Specifically, researchers argue that brand orientation must build on the foundation of market  
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54 orientation and that brand orientation is the next step in the pursuit of competitive advantage  
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3 (e.g. Urde 1999; Reid et al., 2005; Wong & Merrilees, 2007). Reid et al. (2005) suggest that  
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5 market orientation creates conditions for brand orientation, which in turn translates the goals and  
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7 objectives of market orientation into brand-driven strategies and activities. This view gains  
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9 preliminary support from Wallace, Buil, & de Chernatony (2013), who, based on qualitative  
10  
11 empirical research conducted in the banking sector, report that “consumer insight studies  
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13 informed the brand design process ... however, managers recognised that an inside-out approach  
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15 was also required, with brand identity supporting customer experience” (p. 1013). In a similar  
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17 vein, the general brand management literature emphasizes the analysis of external and internal  
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19 information on the background to brand decisions (e.g. Keller, 2003; Aaker and Joachimsthaler,  
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21 2000). The development of a unique brand identity, brand promise and branding programs needs  
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23 to stem from information concerning the firm’s markets and competitors, as well as its strengths  
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25 and weaknesses. Understanding how market orientation drives brand orientation can be further  
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27 facilitated by addressing in more general terms how the coordination of internal resources,  
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29 knowledge and skills, as well as co-operation between different brand-team members (Harris &  
30  
31 de Chernatony 2001), drive brand development inside an organization. This view receives  
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33 empirical support from research that shows that organizational resources, cross-functional  
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35 integration, and organizational culture drive brand orientation inside an organization (Huang &  
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37 Tsai, 2013). Consequently, this study hypothesizes that market orientation, through its  
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39 individual components, plays a significant role in brand development:  
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51 **H2a:** *Customer orientation has a positive effect on brand orientation*

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53 **H2b:** *Competitor orientation has a positive effect on brand orientation*

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55 **H2c:** *Interfunctional coordination has a positive effect on brand orientation*  
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### 2.3 Brand orientation and financial performance

Placing the brand at the center of company strategy helps firms to survive market volatility (Simões & Dibb, 2001) and generate business growth and profitability (Urde, 1994). The literature emphasizes the fact that the capability to build brands is as important a resource for an organization as brand equity (Gromark & Melin, 2011). When brand orientation is based on the foundations of market orientation, it should directly affect business performance. Both market orientation and brand orientation represent antecedents of the development of stronger brands and better business performance. Even though some researchers assume that brand orientation enhances organizational performance (Ewing & Napoli, 2005), empirical evidence of the effect of brand orientation on financial performance is still scarce. The few studies examining this relation include Gromark and Melin (2011), who found a positive relationship between brand orientation and profitability. Furthermore, Reijonen, Laukkanen, Komppula, & Tuominen (2012) found that growing SMEs are significantly more brand-oriented than declining or stable SMEs. Therefore, this study hypothesizes the following:

**H3:** *Brand orientation has a direct positive effect on financial performance*

### 2.4 Brand orientation and brand performance

According to Wong and Merrilees (2007), brand performance refers to the success of the brand in the markets. The marketing literature often discusses brand performance together with the concept of customer-based brand equity. According to Aaker (1991), customer-based brand equity is composed of brand name awareness, loyal customers, perceived quality, and brand

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3 associations that add to (or detract from) value in the product or service. Researchers have also  
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5 adapted measures of brand equity to assess brand performance (Chaudhuri & Holbrook, 2001;  
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7 Wong & Merrilees, 2007, 2008). Successful branding and brand management increase the  
8  
9 strength of the brand (Wood, 2000). Therefore, brand-oriented marketing should become a  
10  
11 central force in pursuing brand related performance, such as brand awareness, loyal customers, a  
12  
13 positive image and a good reputation (Wong & Merrilees, 2008). According to the results of  
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15 Wong and Merrilees (2008) and Hankinson (2012), brand orientation has a direct positive  
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17 influence on brand performance. Baumgarth (2010) reports similar results, showing a positive  
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19 effect of brand orientation on market performance (measured in terms of, e.g., customer  
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21 perceptions of quality and improvement of the company's image). Thus, the present study puts  
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23 forward the following hypothesis:  
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32 **H4:** *Brand orientation has a positive effect on brand performance*

### 33 34 35 36 *2.5 Brand performance and financial performance*

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38 The marketing literature identifies numerous positive effects of a strong brand. It helps to gain  
39  
40 larger margins, offers additional brand extension opportunities, and makes trade cooperation  
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42 easier (Keller, 2003; Park & Srinivasan, 1994). Baldauf, Cravens, & Binder (2003) show that  
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44 customer-based brand equity is an antecedent of financial performance. Furthermore, researchers  
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46 report a direct positive relationship between high levels of customer-based brand equity and  
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48 financial performance (Aaker & Jacobsen, 1994; Kim, Kim, & An, 2003) as well as stock market  
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50 value (Aaker & Jacobsen, 1994). Positive, customer-based brand equity is an asset that creates  
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52 value for a brand in the market and also has a positive effect on business performance.  
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3 Researchers report a positive relationship between brand performance and a firm's financial  
4 performance (Wong & Merrilees, 2008). Accordingly, this study suggests:  
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10 **H5:** *Brand performance has a positive effect on financial performance*  
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### 13 14 15 *2.6 Firm age* 16

17 Researchers suggest that established processes, routines and organizational norms are  
18 characteristic of the organizational context of older firms, while younger firms lack “established  
19 routines and processes that may provide guidance and discipline in strategic decision-making”  
20 (Anderson & Eshima, 2013, p. 413). While the characteristics of younger firms may help them to  
21 adopt such strategic orientations as entrepreneurial orientation more effectively than older firms,  
22 as suggested by the findings by Anderson and Eshima (2013), the case is likely to be reversed as  
23 to market orientation and brand orientation. Designing and implementing broad market  
24 information systems and effective branding strategies require both knowledge and skills that may  
25 not be available during the early stages of the business. This is especially the case among small  
26 firms, which often lack the resources to purchase such information from outside the organization.  
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34 Sinkula (1994), for example, argues that firms gain market knowledge and make sense of their  
35 markets through trial and error. That is, the supply of market information increases as firms grow  
36 older. Also, it has been argued that older firms are more skillful in filtering irrelevant  
37 information from relevant information (Sinkula, 1994) and, for example, turning it into  
38 innovation activities (Calantone, Cavusgil, & Zhao, 2002). This easier and more effective  
39 acquisition and use of market information in older firms implies that the market orientation-  
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3 performance relationship is likely to be stronger among older firms than among younger firms.  
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5 Furthermore, as brand-oriented firms need market information to support their branding  
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7 endeavors (Hirvonen et al., 2013), they will benefit from established organizational routines and  
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9 practices of older firms that ensure that this information is used, stored, and distributed inside the  
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11 firm in a systematic and effective manner.  
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17 With respect to brand orientation, Hirvonen et al. (2013) note that as “young firms may also lack  
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19 an explicit business strategy,” it is “difficult for them to coordinate their brands as strategic  
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21 resources as the overall direction of the business is still developing” (p. 628). Indeed, Keller  
22  
23 (2000), for instance, argues that consistency, among other things, is important for successful  
24  
25 branding. However, if the firm is still pondering its future direction, implementing brand  
26  
27 orientation may prove to be less successful than in firms that have been operating for a longer  
28  
29 time and, as such, have more firmly established their businesses. Furthermore, the findings of  
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31 Leek and Christodoulides (2012), although limited to the industrial marketing context, suggest  
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33 that customers perceive older firms as more trustworthy. In the case of younger firms, efforts to  
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35 enhance business performance via market orientation and brand orientation may suffer from a  
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37 lack of credibility in the eyes of customers (i.e. they suffer from the liability of newness). Thus,  
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39 the sixth hypothesis is as follows:  
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48 **H6:** *The relationships of market orientation, brand orientation, brand performance, and*  
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50 *financial performance differ between young and old firms*  
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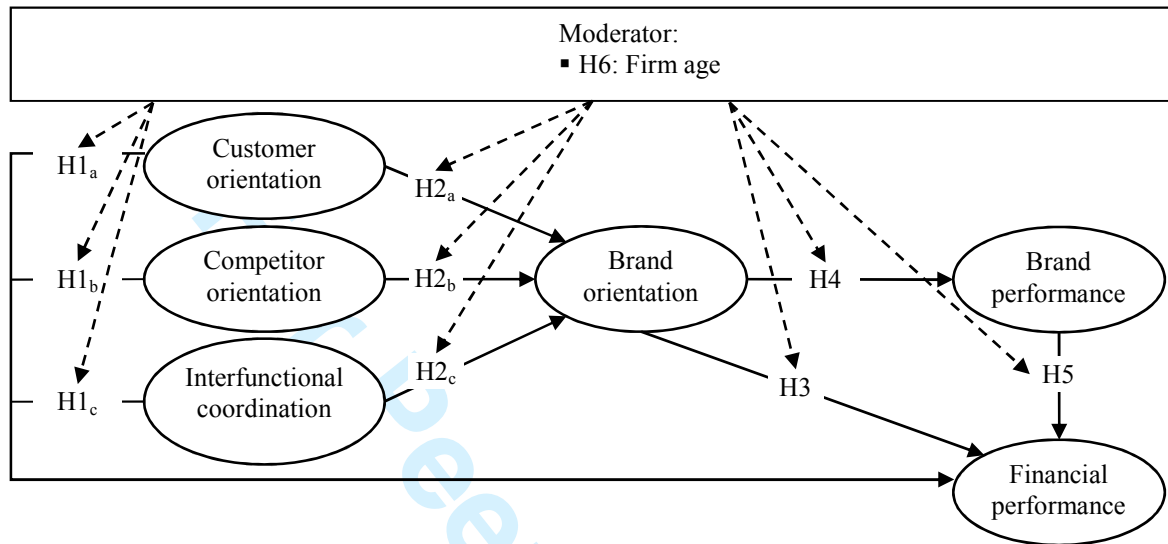


Figure 1. Theoretical model and research hypotheses

### 3. Sample and measures

#### 3.1 Questionnaire development

The present study adopted the seminal three-element categorization of Narver and Slater (1990) and examined market orientation through customer orientation (six items), competitor orientation (six items) and interfunctional coordination (five items), but it also took into consideration more recent works by Deng and Dart (1994) and Gray, Matear, Boshoff, & Matheson (1998). In addition, the authors slightly modified some of the original items designed for measuring large organizations in order for them to better fit the small-firm context.

Wong and Merrilees (2007) develop scales for measuring both brand orientation and brand performance and further adapt them in their later work (Wong & Merrilees, 2008). The brand orientation scale mainly focuses on the centrality of the brand in the marketing and business strategy, while the brand performance scale resembles the customer-based brand equity measures used in several earlier studies. The present study measures both brand orientation and brand performance with four-item scales based on Wong and Merrilees (2008). The questionnaire items for market orientation, brand orientation, and brand performance use a five-point, Likert-type scale.

The heterogeneity of organizational performance measures used in the literature condenses in a debate of whether researchers should use subjective or objective measures of performance.

González-Benito and González-Benito (2005) compare subjective and objective measures in the relationship between market orientation and organizational performance and recommend using

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3 subjective instead of objective measures. In addition, Wall et al. (2004) argue that subjective and  
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5 objective performance measures lead to results that are essentially identical. Thus, this study  
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7 applied a five-point scale in which the respondents were asked to state if their firm's  
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9 performance, in terms of (1) turnover, (2) market share, and (3) profitability, had shown a  
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11 substantial decline, a slight decline, remained stable, shown slight growth, or shown substantial  
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13 growth during the past three years.  
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20 As for the moderator—firm age—the authors asked the informants to indicate the year the firm  
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22 was founded, and calculated from this the age of the organization (Calantone et al., 2002; Lukas,  
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24 Hult, & Ferrell, 1996). The authors tested the moderating effect of firm age with a two-group  
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26 comparison that split the sample based on the mean of organization age (e.g. Calantone et al.,  
27  
28 2002). The mean age in the sample was 12.74 years, so the study defined those organizations  
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30 below 13 years as *young* firms (N = 191; 58.2%), and those operating for 13 years or more as *old*  
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32 (N = 137; 41.8%).  
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### 39 *3.2 Data collection and sample*

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41 Using a company address database, the authors sent out an online survey to 4,502 SMEs  
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43 covering the whole range of industries in Finland. A total of 595 responses were received (a  
44  
45 response rate of 13.2 percent), of which entrepreneurs gave 328. The respondents self-reported  
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47 their position in the firm. In this study, the term “entrepreneur” refers to an individual who is the  
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49 owner or one of the owners of the firm, in contrast to professional managers. These responses  
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51 provided the effective sample for this study.  
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3 The authors tested the non-response bias by comparing early and late respondents' responses  
4 (Armstrong & Overton, 1977). Early respondents represented the first quartile of the respondents  
5 in response order and late respondents the fourth quarter. The results showed that early and late  
6 respondents differed from each other ( $p < 0.05$ ) only in respect to variable 5 in customer  
7 orientation ( $t = 2.385, p = 0.018$ ). Thus, non-response bias is a negligible problem in this study.  
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#### 18 **4. Measurement validity**

##### 19 *4.1 Confirmatory factor analysis (CFA)*

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22 The measures of market orientation were originally designed for large organizations and, further,  
23 empirical validation of the three market orientation components with brand orientation, brand  
24 performance, and financial performance in a single model is non-existent in the earlier literature.  
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26 In order to validate the measurement instrument and to define the relations between observed and  
27 unobserved variables, the authors established a measurement model with six latent constructs  
28 inferred from 28 observed variables suggested by the theory using the Amos 21 program. Due to  
29 low ( $<0.70$ ) factor loadings, the authors removed one item from customer orientation and one  
30 from competitor orientation (Hair, Black, Babin, & Anderson, 2010). In addition, one item from  
31 interfunctional coordination was removed due to high cross-loading. The re-specified  
32 measurement model provides a good fit, as  $\chi^2 = 583.43$  ( $df = 260$ ;  $\chi^2/df = 2.24$ ;  $p < 0.001$ ),  
33  
34 CFI = 0.95, RMSEA = 0.06. Moreover, the standardized regression estimates (loadings) all  
35 exceed 0.70 ( $p < 0.001$ ) and Cronbach alpha values ranging from 0.871 to 0.965 indicate  
36 excellent internal consistency (Table 1).  
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- Insert Table 1 here -

Table 1. Measure items and reliability statistics

<i>Measure items of the constructs</i>	<i>Factor loadings</i>	
	<i>Unstandardized</i>	<i>Standardized</i>
Customer orientation ( $\alpha = 0.881$ )		
1. We have a strong commitment to our customers	1.000 <sup>a</sup>	0.724
2. We are always looking for new ways to create customer value in our products and services	1.275	0.816
3. We encourage customer feedback because it helps us to do a better job	1.257	0.804
4. Our business objectives are driven by customer satisfaction	1.130	0.817
5. After-sales service is an important part of our business strategy	1.223	0.721
Competitor orientation ( $\alpha = 0.919$ )		
1. We regularly monitor our competitors' marketing efforts	1.000 <sup>a</sup>	0.866
2. We frequently collect data about our competitors to help support our marketing	0.975	0.868
3. Our people are instructed to monitor and report on competitor activity	1.000	0.836
4. We respond rapidly to competitors' actions	0.947	0.823
5. Our top managers often discuss competitors' actions	0.987	0.785
Inter-functional coordination ( $\alpha = 0.880$ )		
1. Market information is shared inside our organization	1.000 <sup>a</sup>	0.817
2. Persons in charge of different business operations are involved in preparing business plans/strategies	1.034	0.792
3. We do a good job integrating the activities inside our organization	0.880	0.764
4. We regularly have inter-organizational meetings to discuss market trends and developments	1.127	0.849
Brand orientation ( $\alpha = 0.965$ )		
1. Branding is essential to our strategy	1.000 <sup>a</sup>	0.927
2. Branding flows through all our marketing activities	1.039	0.942
3. Branding is essential in running this company	1.047	0.957
4. The brand is an important asset for us	1.013	0.913
Brand performance ( $\alpha = 0.887$ )		
1. We have reached the desired image in the market	1.000 <sup>a</sup>	0.824
2. Our firm has a good reputation	1.091	0.913
3. Our firm has built a strong customer brand loyalty	0.964	0.790
4. Our brand has a strong brand awareness in the market	0.988	0.750
Financial performance ( $\alpha = 0.871$ )		
1. Turnover	1.000 <sup>a</sup>	0.874
2. Market share	0.856	0.831
3. Profitability	0.880	0.795

Note:

Factor loadings are significantly different from zero at the 0.001 level (two-tailed)

<sup>a</sup> Marker

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3 Further, the authors analyzed discriminant validity in order to measure the extent to which  
4 constructs in the model are truly distinct from each other (Hair et al., 2010). Following Fornell  
5 and Larcker (1981), the authors compared the average variance extracted (AVE) from each  
6 construct with squared correlations between the constructs. The results support discriminant  
7 validity, as the AVE values of all the constructs are greater than squared CFA correlations with  
8 any other construct in the model. In addition, composite reliability values vary from 0.872 to  
9 0.965 and all the AVE values exceed 0.60, supporting convergent validity (Table 2). Overall, the  
10 results show good fit between constructs and underlying items, as composite reliability values  
11 are above 0.80, and AVE values for all latent constructs are greater than the threshold level of  
12 0.50 (Fornell & Larcker, 1981).  
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- Insert Table 2 here -

Table 2. AVE values and squared correlations of the measurement model

<i>Construct</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1. Customer orientation	<b>0.605</b>					
2. Competitor orientation	0.305	<b>0.699</b>				
3. Inter-functional coordination	0.420	0.527	<b>0.650</b>			
4. Brand orientation	0.408	0.321	0.366	<b>0.874</b>		
5. Brand performance	0.308	0.147	0.187	0.240	<b>0.675</b>	
6. Financial performance	0.040	0.033	0.036	0.061	0.128	<b>0.695</b>
<i>Composite reliability</i>	<i>0.884</i>	<i>0.921</i>	<i>0.881</i>	<i>0.965</i>	<i>0.892</i>	<i>0.872</i>

Note:

AVE values are on the diagonal and squared correlations are below the diagonal

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3 Finally, the authors examine the potential for common method bias with Harman's single-factor  
4 test using the CFA approach. The final measurement model with its proposed multiple factor  
5 solution is compared to an alternative one-factor model where all the measure items were  
6 specified to load on one common factor. The results show that the one-factor model does not fit  
7 the data ( $\chi^2 = 3257.11$  (df = 275,  $p < 0.001$ ),  $\chi^2/df = 11.84$ , CFI = 0.541, RMSEA = 0.182) and  
8 that the decrease in model fit as compared to the multiple factor model is significant, with  
9  $\Delta\chi^2 = 2673.68$ ,  $\Delta df = 15$ ,  $p < 0.001$ . Consequently, the reported analyses are not likely to suffer  
10 from common method bias.  
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#### 24 *4.2 Multigroup invariance analysis*

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26 To ensure that the measure instruments validated above are equivalent across different values of  
27 the multigroup moderator (young vs. old firms), the authors conducted a set of measurement  
28 invariance tests. Although a variety of techniques exist, there is general agreement that the  
29 multigroup confirmatory factor analysis model represents the most applicable approach for  
30 testing measurement invariance (Steenkamp & Baumgartner, 1998). First, the authors tested  
31 configural invariance, ensuring that the same basic factor structure exists in all the moderator  
32 groups (Hair et al., 2010). This model provides the value against which all the subsequently  
33 specified models are compared (Byrne, 2004). Second, the authors tested metric invariance by  
34 constraining all the factor loadings and, third, factor variance invariance by constraining all  
35 factor variances equal across the two groups.  
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53 The authors created a model in which the tests for the validity of factorial structure were  
54 conducted across young and old firms. The invariance analysis supported configural invariance,  
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3 as goodness-of-fit statistics from the two-group unconstrained model showed an excellent fit,  
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5 with a Chi-square value of 879.52 ( $df = 520$ ;  $p < 0.001$ ) and fit indices CFI = 0.945 and  
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7 RMSEA = 0.046. In addition, all factor loadings for all measure items were highly significant at  
8  
9 the  $p < 0.001$  level, and all factor loadings except one (0.679) exceeded 0.70. Both full metric  
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11 invariance and full factor variance invariance are supported, as the models were not significantly  
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13 poorer than the fit of the configural invariance model, with  $\Delta\chi^2_{(19)} = 19.67$ ,  $p > 0.10$  and  
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15  $\Delta\chi^2_{(25)} = 26.88$ ,  $p > 0.10$  respectively (Table 3).  
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- Insert Table 3 here -

Table 3: Measurement invariance tests for young and old firms

<i>Model tested</i>	<i>Model fit measures</i>					<i>Model differences</i>		
	$\chi^2$	<i>df</i>	$\chi^2/df$	<i>CFI</i>	<i>RMSEA</i>	$\Delta\chi^2$	$\Delta df$	<i>Sig.</i>
1 Configural invariance	879.52	520	1.691	0.945	0.046			
2 Full metric invariance	899.19	539	1.668	0.945	0.045	19.67	19	ns.
3 Full factor variance invariance	906.40	545	1.663	0.945	0.045	26.88	25	ns.

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## 5. Results

The results of path analysis in the overall model show that the direct effects of market orientation components (customer orientation, competitor orientation, and interfunctional coordination) on financial performance are non-significant, with  $\beta = -0.05$  ( $t = -0.69$ ),  $0.03$  ( $t = 0.46$ ), and  $0.00$  ( $t = 0.05$ ) respectively, rejecting hypotheses H1a, H1b and H1c. However, the effects on brand orientation are highly significant ( $p < 0.001$ ), with  $\beta = 0.45$  ( $t = 7.96$ ),  $0.27$  ( $t = 5.36$ ), and  $0.26$  ( $t = 4.94$ ) respectively, supporting H2a, H2b and H2c. The results suggest that, among the market orientation components, customer orientation has the greatest effect on brand orientation.

However, the direct path coefficient from brand orientation to financial performance is again non-significant ( $\beta = 0.09$ ,  $t = 1.10$ ), rejecting H3. On the other hand, the effect of brand orientation on brand performance is highly significant ( $\beta = 0.45$ ,  $t = 7.81$ ,  $p < 0.001$ ), supporting H4. Finally, the results support H5 in that brand performance has a significant positive effect on financial performance ( $\beta = 0.31$ ,  $t = 4.55$ ,  $p < 0.001$ ). Thus, the results of the overall model suggest that neither the three market orientation components nor brand orientation have a direct effect on financial performance among small firms; instead, brand performance mediates the effects (Figure 2). This is what Baron and Kenny (1986) call “full mediation” and Zhao, Lynch and Chen (2010) term “indirect-only mediation.”

Full mediation was tested with a Chi-square difference test where the authors compared the fully mediated model against the partially mediated model. In the fully mediated model, the authors removed the direct links from the market orientation components to financial performance and

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3 from brand orientation to financial performance. The results show that the models do not differ  
4 significantly from each other ( $\Delta\chi^2 = 2.28$ ,  $\Delta df. = 4$ ,  $p = 0.684$ ), thus confirming full mediation.  
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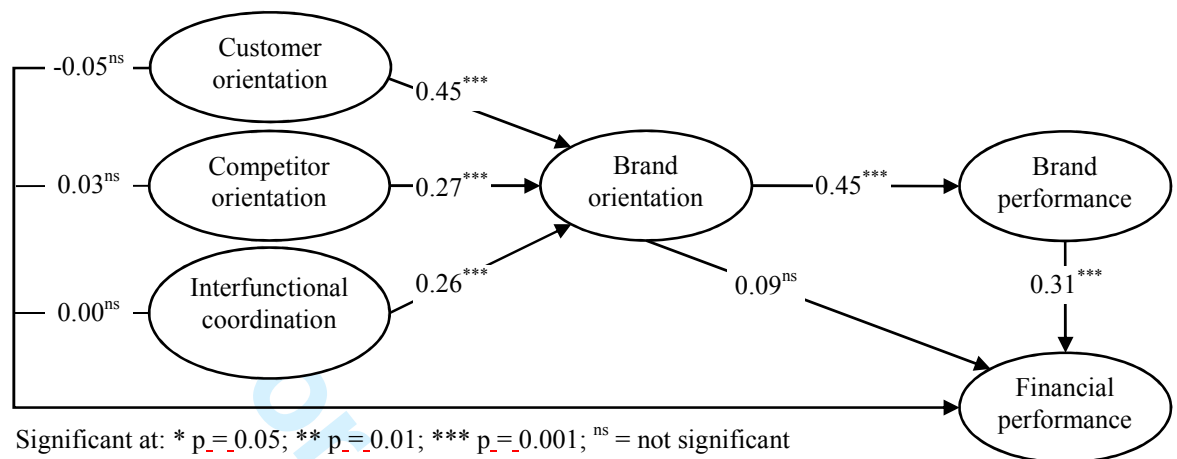


Figure 2. Results of the structural model

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3 In addition to the direct effects discussed above, the authors calculated the indirect effects,  
4 meaning the effects of independent variables on dependent variables via a mediator (Baron &  
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In addition to the direct effects discussed above, the authors calculated the indirect effects, meaning the effects of independent variables on dependent variables via a mediator (Baron & Kenny, 1986). Due to the full mediation proved above, the authors trimmed the model by removing the statistically non-significant direct effects. The results show that the market orientation components have a significant indirect contribution to brand performance via brand orientation (with customer orientation having the strongest effect) and finally to financial performance via brand orientation and brand performance. Moreover, brand performance mediates the significant indirect effect of brand orientation on financial performance. In our trimmed model, the indirect effects equal the total effects. The results indicate that brand orientation appears to have a stronger total effect on financial performance than the market orientation components (Table 4).

- Insert Table 4 here -

Table 4. Standardized indirect effects of the structural model

<i>Indirect effects</i>	<i>Coefficient</i> <sup>a</sup>
Customer orientation → Brand orientation → Brand performance	0.21 <sup>***</sup>
Competitor orientation → Brand orientation → Brand performance	0.12 <sup>***</sup>
Interfunctional coordination → Brand orientation → Brand performance	0.12 <sup>**</sup>
Customer orientation → Brand orientation → Brand performance → Financial performance	0.07 <sup>***</sup>
Competitor orientation → Brand orientation → Brand performance → Financial performance	0.04 <sup>***</sup>
Interfunctional coordination → Brand orientation → Brand performance → Financial performance	0.04 <sup>**</sup>
Brand orientation → Brand performance → Financial performance	0.16 <sup>***</sup>

<sup>a</sup> Significant at: \* p = 0.05; \*\* p = 0.01; \*\*\* p = 0.001; <sup>ns</sup> = not significant

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3 Following the recommendations of Woodside (2013), the authors also examined the predictive  
4 validity of the above model (Figure 2) using the holdout sample technique. The authors first  
5 divided the original sample into two random sub-samples ( $n_1 = 164$ ,  $n_2 = 164$ ). Given the fact  
6 that full mediation was found, a step-by-step approach was utilized that: (1) specified the three  
7 market orientation components as predicting brand orientation; (2) specified brand orientation as  
8 predicting brand performance; and (3) specified brand performance as predicting firm  
9 performance. In each step, ordinary least squares regression models were created for each sub-  
10 sample. The authors cross-validated the models by using the regression model produced in one  
11 sample to predict the dependent variable in the other sample, then examining the extent to which  
12 the predicted scores correlated with the actual (observed) scores. Table 5 summarizes the results.  
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14 Overall, the predictive validity gains support from the results as all the corrections are reasonably  
15 strong and significant.  
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Table 5. Predictive validity of the model

<i>Regression model from</i>	<i>Data from</i>	<i>Dependent variable</i>	<i>Correlation between predicted and observed values<sup>a</sup></i>
<i>Sample 1</i>	<i>Sample 2</i>	<i>Step 1</i> Brand orientation	0.711***
		<i>Step 2</i> Brand performance	0.495***
		<i>Step 3</i> Financial performance	0.347***
<i>Sample 2</i>	<i>Sample 1</i>	<i>Step 1</i> Brand orientation	0.616***
		<i>Step 2</i> Brand performance	0.501***
		<i>Step 3</i> Financial performance	0.282***

Note:

Independent variables used in the regression equations in steps 1–3:

*Step 1*: Customer orientation, competitor orientation, interfunctional coordination

*Step 2*: Brand orientation

*Step 3*: Brand performance

<sup>a</sup> \*\*\* p < 0.001

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3 As the invariance analysis showed that the measurement model is equivalent across the groups of  
4 the multigroup moderator, the paths in the structural model were tested between young and old  
5 firms. In order to test the statistical differences of the path estimates between these two groups,  
6 the authors first compared an unconstrained structural model to a fully constrained model. The  
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8 Chi-square difference test showed that the models are different at the model level, indicating  
9 differences in the path estimates between young and old firms, thus supporting H6.  
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11  
12 In order to test which individual path estimates differ between the young and old firms, the  
13 authors constrained each of the paths one by one and then compared the resulting models to the  
14 unconstrained model, as Hair et al. (2010) suggest. The results show that the previously  
15 identified insignificant paths of customer orientation and interfunctional cooperation on financial  
16 performance hold also among the subsamples. However, young and old firms differ ( $p < 0.05$ ) in  
17 the effect of competitor orientation on financial performance, with the effect being positive  
18 among young firms and negative among old firms. The analysis further suggests that the effects  
19 of the three market orientation components on brand orientation do not have a statistically  
20 significant difference between young and old firms; rather, these firms differ in the effect of  
21 branding on performance. The findings suggest that young and old firms differ ( $p < 0.01$ ) in the  
22 direct effect brand orientation has on financial performance, with the effect being statistically  
23 significant among old firms but non-significant among young firms. Furthermore, it seems that  
24 the effect of brand orientation on brand performance is significantly greater among old firms  
25 ( $p < 0.05$ ).  
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Table 6. Results of the multigroup analysis: standardized loadings and statistical differences

<i>Paths</i>	<i>Young firms<sup>a</sup></i>	<i>Old firms<sup>a</sup></i>	$\chi^2$	$\Delta \chi^2$	<i>Sig.</i>
	$\chi^2_{(551)} = 1267.54$				
Customer orientation → Financial performance	-0.02 <sup>ns</sup>	-0.17 <sup>ns</sup>	1268.18	0.64	ns
Competitor orientation → Financial performance	0.17 <sup>*</sup>	-0.19 <sup>*</sup>	1272.56	5.02	p<0.05
Interfunctional coordination → Financial performance	0.04 <sup>ns</sup>	0.04 <sup>ns</sup>	1267.54	0.00	ns
Customer orientation → Brand orientation	0.42 <sup>***</sup>	0.51 <sup>***</sup>	1267.99	0.45	ns
Competitor orientation → Brand orientation	0.22 <sup>***</sup>	0.33 <sup>***</sup>	1268.15	0.61	ns
Interfunctional coordination → Brand orientation	0.36 <sup>***</sup>	0.11 <sup>ns</sup>	1269.37	1.83	ns
Brand orientation → Financial performance	-0.10 <sup>ns</sup>	0.31 <sup>*</sup>	1274.18	6.64	p<0.01
Brand orientation → Brand performance	0.39 <sup>***</sup>	0.61 <sup>***</sup>	1271.83	4.29	p<0.05
Brand performance → Financial performance	0.35 <sup>***</sup>	0.35 <sup>**</sup>	1267.57	0.03	ns

<sup>a</sup> Significant at: \* p = 0.05; \*\* p = 0.01; \*\*\* p = 0.001; ns = not significant

## 6. Discussion

The purpose of this study was to empirically examine the relationship between market orientation and brand orientation, and how these orientations simultaneously affect the business performance of small firms. The latter question is of particular relevance for small firms, as they often operate under tight resource constraints. We measure the business performance of small firms with two performance outcomes: brand performance (brand image, reputation, brand loyalty and brand awareness) and financial performance (turnover, market share and profitability).

The findings raise three essential implications for researchers and managers alike. First, there is an extensive body of literature focusing on market orientation, and more recently the number of brand orientation studies has increased. However, the literature has mainly addressed the relationship between the two orientations conceptually (e.g. Reid et al., 2005; Urde et al., 2013).

This study is one of the first empirical contributions to this literature. In this vein, this study responds to recent calls for research into how firms should deal with multiple strategic orientations (e.g. Boso et al., 2013; Cadogan, 2012; Laukkanen et al., 2013) and brings the discussion to the level of a small business entrepreneur. Our study finds that, unlike previous research indicating a direct effect of market orientation and brand orientation on a firm's financial performance, these effects are indirect in nature with regard to small firms. Thus, much of the impact of market orientation on a small firm's financial profit and growth goes through branding efforts. This result is in line with the core notion of branding, according to which distinctive brand identity increases the strength and market power of the brand, which ultimately

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3 may be transformed into improved financial gains (Wood, 2000). Therefore, in the search for  
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5 marketing-related value creation and competitive advantage, understanding customer preferences  
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7 may not be enough, unless this information is turned into a distinctive brand. Indeed, the results  
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9 show that the total effect of brand orientation on financial performance is actually even stronger  
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11 than the total effect of the three market orientation components. The recent literature lends  
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13 support to this finding, as Reijonen et al. (2012) empirically prove that brand orientation  
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15 differentiates declining, stable and growing firms more than the market orientation components.  
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17 Our study concludes that, for a small business entrepreneur pursuing greater financial  
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19 performance, expending effort on improving brand performance is essential in enhancing  
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21 business success, and that market orientation and brand orientation are significant sequential  
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23 contributors on the road to greater brand performance.  
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32 Second, instead of relying on a single aggregate measure of market orientation, the study  
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34 investigated individual market orientation components separately. Sørensen (2009), for example,  
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36 concludes that it is meaningful to decompose market orientation into its components, as treating  
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38 market orientation as a global construct may result in incomplete information about what drives  
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40 business performance. The results show that the three components of market orientation  
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42 (customer orientation, competitor orientation, and interfunctional coordination) are strong  
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44 positive determinants of brand orientation, suggesting that market-oriented firms also  
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46 acknowledge the importance of creating a strong brand. This result is also in line with the  
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48 conceptual literature about the relationship between market orientation and brand orientation  
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50 (e.g. Urde, 1999; Reid et al., 2005). Of the three components, customer orientation has the  
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3 strongest effect on brand orientation. Therefore, the implication is that customer-related  
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5 knowledge is essential in brand development because it shows the sources of customer value.  
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10 Third, the results further reveal that the age of the firm moderates some of the effects of market  
11 orientation and brand orientation on the business performance of small firms. While the overall  
12 data did not show statistically significant effects of any of the three market orientation  
13 components on financial performance, the results of the moderation analysis reveal that  
14 competitor orientation has a direct positive effect on financial performance in young firms, but  
15 the effect is negative for their older counterparts. This could be explained by the fact that new  
16 firms face tough competition when they enter a market. In order to be able to establish their  
17 position in the market, young firms have to monitor their competition and identify their strengths  
18 over their rivals. Also, earlier research has found that new venture performance is positively  
19 related to the utilization of market information (Song, Wang, & Parry, 2010). When already  
20 established, putting too much effort into scanning and reacting to what others are doing may  
21 divert attention away from matters that could bring better results financially, like branding. Thus,  
22 we argue that recently founded small firms benefit from benchmarking their competitors, while  
23 more mature firms should put their effort into developing their brand. Indeed, the results show  
24 that brand orientation has a significantly greater effect on business performance among older  
25 firms than younger firms. The effect of brand orientation on brand performance is significantly  
26 greater among older firms and brand orientation in old firms has a positive direct effect on  
27 financial performance, whereas in young firms no such effect exists. Thus, old firms are able to  
28 not only better improve their brand performance in the market, but also directly affect financial  
29 performance by developing brand orientation. In general, brand building is a strategic long-term  
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3 process and an investment that pays off after years of operation. Therefore, older firms may  
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5 already have long-term experience concerning the good policy of brand building as well as its  
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7 positive effects on financial performance. Indeed, the earlier literature shows that a structured  
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9 strategic planning process in general leads to a better financial performance among small, mature  
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11 firms (Bracker & Pearson, 1986).  
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17 Overall, this study points out the importance of brands as value creators in the context of small  
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19 firms. By adapting a brand-oriented view of marketing and business development, small firms  
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21 may achieve better brand performance, which in turn has a positive effect on business growth  
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23 and profitability. Therefore, the entrepreneur's attitude towards brand building may, arguably,  
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25 play a crucial role in deciding which strategic options to concentrate on in firm development. We  
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27 encourage entrepreneurs to develop a positive attitude towards brand building. We  
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### 34 **7. Conclusions and directions for future research**

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36 The results of this study provide future studies with valuable insight into the relation between  
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38 market orientation and brand orientation and, furthermore, their effects on business performance  
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40 among small firms. In particular, both market orientation and brand orientation are important  
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42 contributors to the success of small firms, but rather than having direct effects on financial  
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44 performance, the effects are indirect via brand performance. Moreover, the relationship between  
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46 market orientation and brand orientation is sequential, in that high levels of market orientation  
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48 contribute to higher levels of brand orientation, which in turn contributes to better brand  
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50 performance. In order to broaden our understanding of the roles of market orientation and brand  
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52 orientation on small business performance, we compared the effects between younger and older  
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3 firms. The results showed that it is financially worthwhile for younger firms to be competitor-  
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5 oriented, while older firms benefit more from investing in branding. Overall, we conclude that in  
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7 small firms, market orientation does not pay off to a great extent without brand orientation and  
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9 brand performance. Thus our results clearly demonstrate that investments in branding foster  
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11 performance in small firms.  
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17 Our study contributes to the growing literature on simultaneous exploration of multiple strategic  
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19 orientations by arguing that an exploration of a single orientation at a time is not relevant, but  
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21 rather an examination of multiple strategic orientations is needed to better understand small  
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23 business success factors. We concentrated on two essential cornerstones of marketing literature:  
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25 market orientation and branding. Firms that innovate, develop customer relationships, or pursue  
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27 business opportunities associated with high risk all demonstrate a certain orientation. One  
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29 important step in future research would be to incorporate more strategic orientations into our  
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31 model, such as innovation orientation or entrepreneurial orientation. This would increase the  
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33 understanding of the role different strategic orientations play in the performance of small firms.  
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41 The results of our study imply that entrepreneurs should become more market-oriented and  
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43 brand-oriented in order to enhance their business performance. However, the development of  
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45 such orientations is not straightforward; it takes time and results in costs. Limitations in  
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47 monetary and time resources, but also in marketing knowledge and expertise, are among the  
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49 reasons for differences between marketing in large and small firms (Gilmore, Carson, & Grant,  
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51 2001; Reijonen & Laukkanen, 2010). Possibly neither the entrepreneur nor any of the employees  
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53 of the firm have the requisite know-how or capabilities in marketing, which forces the  
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3 entrepreneur to step outside their comfort zone and either look for training in marketing or  
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5 recruit new employees with the needed skills. Here, learning orientation comes into the picture as  
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7 a potential avenue for future research. In addition, the age of the firm may play a role in learning  
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9 and effective transformation and deployment of knowledge in the organization (Naldi &  
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11 Davidsson, 2014). As small firms often struggle with tight resource constraints in terms of both  
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13 time and finance, Boso et al. (2013) argue that research needs to consider the trade-offs  
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15 entrepreneurs need to make when deciding which strategic orientations to focus on. Some earlier  
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17 studies (e.g. Gaur et al., 2011) support this view.  
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25 As the literature suggests that SMEs are not a homogenous group (e.g. Reijonen, 2010), future  
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27 research could explore the effects of different moderators besides business age. Researchers  
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29 could focus on, for example, internal characteristics and practices that may affect the  
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31 relationships between market orientation, brand orientation, and business performance. One such  
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33 practice is internal branding, given that recent research has found that the development of brand  
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35 orientation requires internal branding practices in order to enhance the delivery of brand values  
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37 inside the organization (Wallace et al., 2013). It would also be interesting to compare the model  
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39 presented in this study between entrepreneur-led firms and larger firms with professional  
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41 managers. Besides the characteristics of the firm, future research could also take into account the  
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43 effects of the external environment, such as different market structures or economic conditions.  
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47 The most recent studies of strategic orientation have taken steps toward this direction by, for  
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49 example, comparing the effects of firms' strategic orientations on business performance in  
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51 emerging and developed markets (e.g. Laukkanen et al., 2013; Reijonen et al., 2015).  
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3 Finally, from a measurement perspective, we followed the recommendations of González-Benito  
4 and González-Benito (2005) and used subjective organizational performance measures in our  
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6 model. However, even though they advocate using subjective measures in studying the  
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8 relationship between market orientation and organizational performance, González-Benito and  
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10 González-Benito (2005) note that subjective measures obtained from a single respondent might  
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12 involve biases due to the response style of the respondent or an interest in communicating a  
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14 favorable company image. Therefore, future research should test how different strategic  
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16 orientations affect different company performance metrics.  
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24 Moreover, some scholars (e.g. Sørensen, 2009) have argued for the development of market  
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26 orientation measures. With multi-industry data, this study empirically validated the three market  
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28 orientation constructs, originally designed for large corporations, for research into small firms.  
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30 These measures should be further tested and applied in market orientation studies among SMEs.  
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32 Future research could also investigate the conceptual foundations of brand orientation, and  
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34 whether this construct is indeed single- or multidimensional. We find that the calls for breaking  
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36 market orientation down into its constituent components could likewise be applied to brand  
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38 orientation. Although there already are a few papers conceptualizing brand orientation as a  
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40 multidimensional construct (e.g. Baumgarth, 2010; Hankinson, 2001), they have been conducted  
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42 in very specific contexts, such as industrial markets and the charity sector. While one way to  
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44 extend our findings and the understanding of the relationship between market orientation and  
45  
46 brand orientation would be to build on these contributions (i.e. measure both market orientation  
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48 and brand orientation through multiple components), we think it is equally, if not even more,  
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3 important that researchers would first examine the potential of brand orientation being a multi-  
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5 dimensional construct, but without bounding it to any particular context.  
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10 Yet another direction for future research includes attempts to further examine the relationship  
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12 between the three market orientation components and brand orientation. It would be particularly  
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14 interesting to study whether, in some cases, brand orientation in fact serves as an antecedent of  
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16 market orientation. Such research could first take on a conceptual perspective, discussing the  
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18 potential and logic of such reversed causality. So far, however, researchers have been nearly  
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20 unanimous that market orientation drives brand orientation (e.g. Reid et al., 2005; Wong &  
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22 Merrilees, 2007), although Urde et al. (2013) have recently suggested a more dynamic view,  
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24 according to which market-oriented firms may adopt a brand orientation, but also that brand-  
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26 oriented firms may make a transition to a market-oriented approach. The results of this study  
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28 nevertheless lend strong support to the majority of literature viewing market orientation as an  
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30 antecedent of brand orientation.  
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Prof. Dr. Mark Tadajewski  
Editor: Journal of Marketing Management

## **Does market orientation pay off without brand orientation? A study of small business entrepreneurs**

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### AUTHOR REVISION NOTES

Dear editor, we would like to thank you and the reviewers for the excellent and constructive comments. We revised the manuscript based on the comments and believe it became even better providing even greater contribution to the *Journal of Marketing Management*. We hope that the manuscript is now worth publishing. Below we have discussed in detail the corrections made to the paper based on the comments addressed by the reviewers.

### Responses to reviewer 1

1. *“In the part on market and brand orientation (p. 8 ff.), you could consider some of the papers, which were published in the mentioned Special Issue (Journal of Marketing Management)”*

We acknowledge this comment and thus, in addition to the two articles (Gromark & Melin, 2013; Baumgarth et al., 2013) of the special issue already cited in the first version of our manuscript, we now refer also to the paper by Wallace et al. (2013). We wish to note that this was an important additional reference for our paper.

2. *“Secondly, the theoretical foundation of the hypotheses on the direction or relationship between market and brand orientation (H2) is weak.”*

We now provide more support for H2 and explain in more detail why market orientation serves as an antecedent of brand orientation. However, while the extant literature strongly builds on a view that market orientation provides a basis on which brand orientation is built, we note in the end of the paper that future research examining the MO-BO relationship could also discuss the circumstances under which BO may in fact drive MO (please see the response to comment #3).

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5 3. *“A test of rival hypothesis could improve the paper.”*  
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7 We agree that examining whether the hypothesized direction between market orientation and  
8 brand orientation could be reversed would make an interesting case. However, while we find  
9 this suggestion very relevant, we believe that testing a rival hypothesis in the current paper  
10 could potentially confuse the core idea of the paper: to empirically test what earlier, mainly  
11 conceptual, literature has suggested concerning the relationship between MO and BO. Our  
12 paper is among the first to empirically address the relationship between market orientation  
13 and brand orientation and as such we believe that trying to include too many things into the  
14 conceptual model may not be feasible. We have, however, taken this idea into consideration  
15 and explain in the revised version (in the section “Conclusions and directions for future  
16 research”) that future research could deepen the understanding of the relationship between  
17 MO and BO by considering the circumstances under which the assumed causal direction  
18 could be reversed.  
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- 23 4. *“The argumentation for the subjective measurement of performance on page 14 is not very*  
24 *convincing (Why is a subjective measurement better than an objective measurement?*  
25 *Perhaps, a consideration of the importance of the different company performance metrics*  
26 *could improve the model. For example, for young companies could be the goal market share*  
27 *more important than profitability).”*  
28

29 Thank you for this relevant comment. In this study we followed the recommendations of  
30 González-Benito and González-Benito (2005) who compare the use of subjective and  
31 objective measures in studying the relationship between market orientation and  
32 organizational performance. They do note that there might be potential biases but conclude,  
33 “subjective performance seems to be a more reliable measure of performance”. We accept  
34 the critical discussion between objective and subjective measures and thus recommend  
35 future research to test how different strategic orientations affect on different company  
36 performance metrics. Please find the modifications in text under “Sample and measures” and  
37 “directions for future research”.  
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- 42 5. *“The concept of entrepreneurs on page 15 is unclear (Do you mean owner vs.*  
43 *management?)”*  
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45 Thank you for this comment to clarify the definition of an entrepreneur. Yes, we mean  
46 owner vs. professional management. Under “Data collection and sample” in the revised  
47 manuscript, we explain what we mean by an entrepreneur in contrast to professional  
48 manager.  
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52 6. *“The table 1 is not necessary”*  
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54 Table 1 is removed from the revised manuscript and the information is included in the text.  
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3 7. *“I don’t understand the path brand orientation on firm performance in Table 7. What is firm*  
4 *performance in contrast to financial performance?”*  
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6 Thank you for noting this mistake. This was an unfortunate writing error. It is now corrected  
7 to “Financial performance”.  
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11 8. *“Finally, you pinpoint the relevance of a detailed and dimension-based measurement of*  
12 *market orientation (e.g., p. 29). But, why do you use this argument only for market*  
13 *orientation and not for brand orientation?”*  
14

15 This is a relevant point and we agree with the reviewer that dimension-based measurement  
16 of brand orientation could potentially add value to the testing of the MO-BO relationship.  
17 However, while the dimensions of market orientation are relatively well-established and  
18 accepted in the literature, the situation in regards to brand orientation is somewhat different.  
19 Unfortunately our research data does not allow us to test this approach, given the fact that  
20 the scale used for measuring brand orientation builds on the view of brand orientation as a  
21 single-dimensional construct. We do, however, acknowledge that there are a few research  
22 articles, where brand orientation has been conceptualized as a multi-dimensional construct  
23 (e.g. Baumgarth, 2010). However, these conceptualizations have been developed in very  
24 specific contexts, such as industrial markets. On the other hand, the measurement scale by  
25 Wong and Merrilees (2008) used in this study has been developed and validated in the  
26 context of SMEs, and also using samples of firms from various industries.  
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29 We nevertheless find the reviewer’s suggestion valuable and believe that it offers interesting  
30 avenues for further research. Consequently, we stress this matter in our revised manuscript  
31 (please see the section devoted to future research), putting forward a suggestion that multi-  
32 dimensional measures of brand orientation could be used in future research concentrating on  
33 the MO-BO relationship.  
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## Responses to reviewer 2

1. *“Why should market orientation be the antecedent of brand orientation? Especially, why do customer orientation, competitor orientation and inter-functional coordination cause brand orientation? Referring to related literature is suggested, ex. Huang & Tsai (2013).”*

We now provide more support for H2 and explain in more detail why market orientation serves as an antecedent of brand orientation. However, while the extant literature strongly builds on a view that market orientation provides a basis on which brand orientation is built, we note in the end of the paper that future research examining the MO-BO relationship could also discuss the circumstances under which BO may in fact drive MO (please see the response to comment #3). In our revised version of the manuscript we refer, for example, to Huang & Tsai (2013) in the above discussion, as suggested by the reviewer.

2. *“Firm age may moderate the relationships among market orientation, brand orientation and performance indeed, but this study does not propose solid reasoning to explain why the impacts of market orientation and brand orientation on brand performance and financial performance is differential between young firms and old firms. It is suggested to strengthen the reasoning of H6.”*

We agree with the reviewer that the reasoning for H6 could have been elaborated further in the first version of the manuscript. Therefore, following this comment, we have improved the argumentation in the paper in order to further explain why firm age is likely to moderate the relationships between market orientation, brand orientation, brand performance and financial performance. For example, we now take into account the characteristics of young and old firms and explain why such factors as organizational routines are likely to influence how effectively a firm can translate its market/brand orientation into business performance.

3. *“Financial performance is measured by subjective scale in this study. Does this study demonstrate the criterion-related validity of the subjective scale?”*

We assessed Criterion related validity by examining predictive validity. In this we follow the recommendations by Woodside (2013). The test of predictive validity is reported in the Results section.

### Responses to reviewer 3

1. “Congratulation to a well written and interesting article. I find your results and following analysis regarding firm age as a valuable contribution to the BO/MO literature.”

We thank the reviewer for this positive comment. We fully agree that indeed analysing the influence of firm age provides a valuable contribution to the brand orientation vs. market orientation literature.

2. “I noticed some minor language issues in the text. Perhaps you could have an extra round of proof reading.”

A native English-speaking language consultant proofread the revised version of the manuscript and we corrected all typos accordingly.

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