Received May 2005
Revised January 2006
Accepted June 2006

Market orientation versus innovative culture: two routes to superior brand performance

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Abstract

Purpose – The paper aims at providing insights into how market orientation and organisational culture together contribute to brand performance, shedding light on the nexus between innovative culture and market orientation, and examining the relative importance of innovative culture over market orientation in affecting brand performance.

Design/methodology/approach – In a cross-sectional survey, a variance-based structural equation modelling was used to test hypotheses on a convenience sample of 180 marketing executives in Australia.

Findings – Organisations with a strong innovative culture appear to recognise that building a successful brand depends not always on the interpretation of feedback received from current customers and competitors, but instead on organisations' ability to innovatively develop unique ways of delivering superior value to customers. The findings were consistent with this advice to both market orientation and innovative culture. In addition, the findings indicate that market orientation is a response partially derived from the organisation's innovative culture. Finally, it was also found that organisational culture was relatively more important than market orientation in affecting organisational performance.

Originality/value – The paper advances the understanding of performance-based market orientation research by investigating structural relationships among market orientation, organisational culture, and organisational performance at the micro level (e.g. brand performance).

Keywords Market orientation, Organizational culture, Innovation, Brand management, Australia

Paper type Research paper

Introduction

Scholars within the strategic management and marketing literature have given intensive attention to explaining the sources of performance variations among organisations (Stoelhorst and van Raaij, 2004). In the context of performance, within the marketing domain, market orientation plays a dominant role in the organisational performance-based research (e.g. Narver and Slater, 1990; Jaworski and Kohli, 1993; Pelham, 1997; Matsuno and Mentzer, 2000), however, questions still remain regarding how market orientation contributes to organisational performance and this issue has yet to be fully explored (Hunt and Lambe, 2000; Noble *et al.*, 2002). The principle reasons underlying the deficiency of a unified theory of the market orientation-performance relate to conflicting theoretical perspectives and differing levels of measurement. First, an extensive debate regarding the nature of market orientation (behaviour-based vs culture-based) still prevails in the literature (Narver and Slater, 1998; Deshpandé and Farley, 1998). Market orientation, from a behavioural perspective, is described as reflecting market-driven behaviours (e.g.

0309-0566
DOI 10.1108/03090560710752438

Jaworski and Kohli, 1993; Hunt and Morgan, 1995), whereas the cultural perspective of market orientation is described as an aspect of an organisation's culture, reflecting market-driving characteristics (e.g. Deshpandé and Webster, 1989; Narver and Slater, 1990). As such, there appears to be an argument that organisations with a strong culture, especially an innovative culture, may question whether market-driven behaviours are the only way to achieve market success. Such organisations rather than being market-driven tend to be proactive and market-driving in their quest for superior organisational performance. Surprisingly, this potential tension between market orientation and organisational culture has yet to be addressed in the marketing literature, although compelling evidence exists that market orientation improves organisational performance. Furthermore, the extant literature has yet to address the nexus between innovative culture and market orientation and the extent of the differential impacts of innovative culture and market orientation on organisational performance.

Second, despite significant attention being paid to the market orientation-performance link, there has been little scholarly research addressing performance at the micro level in organisations (i.e. brand performance). The importance of building a strong brand as a primary goal of many organisations has been recognised in the marketing literature for quite some time (e.g. Berry, 1988; Aaker, 1996; Perrier, 1997; Keller, 2001; Hoeffler and Keller, 2002). The central logic of this view is that an organisation that builds a strong and successful brand will create stronger earnings, and will be more stable in its marketplace performance. This proclamation has been supported by both marketing scholars and marketing executives (see Aaker, 1996; Morris, 1996; Kerin and Sethuraman, 1998).

Given the preceding arguments, it is worth noting that being able to characterise the relationship between market-orientation, innovative culture and brand performance will provide additional grounding to further enrich our understanding of performance-based market orientation and culture research and unlock the development and management of superior brands. Therefore, the purpose of this paper is to provide insights into how market orientation and innovative culture together contribute to brand performance, and shed light on the influence of innovative culture on market orientation, and examine the relative importance of innovative culture and market orientation in affecting brand performance.

Theoretical issues and hypotheses

Premised upon the marketing concept, market orientation has become a cornerstone of marketing theory, developing rapidly over recent years within two dominant streams regarding its nature. The first stream argues that market orientation is a set of behavioural activities (e.g. Jaworski and Kohli, 1993; Hunt and Morgan, 1995), and the second sees market orientation as an aspect of an organisation's culture (Deshpandé and Webster, 1989; Narver and Slater, 1990). The first stream of research is representative of the work by Jaworski and Kohli (1993), who explore the nature of market orientation as three sets of specific activities:

(1) Organisation-wide generation of market intelligence pertaining to current and future customer needs.

(2) Dissemination of the intelligence across departments.

(3) Organisation-wide responsiveness to it.

Similarly, Hunt and Morgan (1995) consider market orientation as an intangible resource that pertains to a behavioural process of gathering and analysing information on customers and competitors, and responding to it effectively and efficiently. This perspective helps to put the marketing concept into practice and provides management with a practical guide for doing business. Thus, market orientation, from the behavioural perspective is described as reflecting knowledge-producing behaviours (Baker and Sinkula, 1999). On the other hand, within the second stream, Deshpandé and Webster (1989) argue that market orientation, in the form of customer orientation, is considered as an aspect of organisational culture that is created and maintained to provide individual norms for behaviours within organisations.

The fundamental difference between market orientation and organisational culture, especially innovative culture, is that the first is market-driven, while the latter is market-driving. Market orientation reflects behavioural aspects of culture and is considered as knowledge-producing behaviours and an intangible resource leading to comparative advantage (Hunt and Morgan, 1995; Baker and Sinkula, 1999). On the contrary, innovative culture is more likely internally-focused and competitive-advantage seeking, since it encourages openness to new ideas and cultivates internally-based capabilities to adopt new ideas, processes, or products successfully (Hurley and Hult, 1998). Prahalad and Hamel (1990) develop the notion of "core competences" to explain the substantial success of innovation-oriented Japanese organisations against US competitors. Yet, the primary essence behind such success is cultivating an innovative culture that heavily emphasises the R&D function and the development of technology (Pearson, 1993; Gatignon and Xuereb, 1997). Indeed, such innovation-oriented organisations continuously develop leading edge positions based on their technology breakthroughs to not only satisfy current needs but also create new needs of users (consumers).

As such, it should be noted that market orientation and innovative culture are different in that, market orientation emphasises producing market-based assets that lead to comparative advantage, while innovative culture focuses on leveraging internal-based competences that lead to competitive advantage. In other words, market-oriented behaviours occur to reflect and are driven by the organisational culture that manifests itself in these activities. That is, market orientation is the implementation of market culture, which emphasises competitiveness and market superiority rather than innovation culture (adhocracy culture) that unites organisation members through entrepreneurship, flexibility, and risk (Deshpandé *et al.*, 1993). Gray and Hooley (2002), in an effort to combine both perspectives of market orientation, also define market orientation as the implementation of a corporate culture or philosophy which encourages behaviours aimed at gathering, disseminating and responding to information on external environments such as customers, competitors, market structure in ways that add value for shareholders, customers and other stakeholders. According to Hurley and Hult (1998), while Jaworski and Kohli (1993) mention organisational norms and values in the operationalisation of the marketing concept, they do not describe market orientation as an aspect of culture.

The theoretical framework developed for this study is presented in Figure 1 specifying the relationships among three constructs: market orientation, innovative culture, and brand performance. Market orientation and innovative culture are modelled and individually related to brand performance. In the following sections, the hypothetical relationships in the model are developed.

Market orientation and brand performance

Market-oriented organisations, who keep track of and respond to customer needs and preferences in order to better create value for them, are said to outperform others who are less market-oriented (Kohli and Jaworski, 1990; Narver and Slater, 1990). Indeed, Kohli and Jaworski (1990, p. 13) argue that "a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organisation, thereby leading to superior performance". The direct link between market orientation and organisational performance has been empirically explored in many studies and there appears a convergence among these empirical works that supports the positive link between market orientation and organisational performance (Narver and Slater, 1990; Ruerket, 1992; Jaworski and Kohli, 1993, Deshpandé *et al.*, 1993; Baker and Sinkula, 1999; Slater and Narver, 2000; Noble *et al.*, 2002). In other words, the benefit of market orientation appears to be that it provides an organisation with a potential basis to outperform competitors.

Whilst the majority of performance measures has been discussed at the macro level, that being the overall organisational performance, it is argued that a critical perspective is drawn from an organisation's product performance and in reality this is operationalised at the micro level of performance, that being brand performance. The neglect of brand performance in this area is a major weakness as it is argued by many that a brand is an organisation's primary asset (O'Cass and Lim, 2002). Organisation performance and brand performance are two separate, yet intertwined constructs. Indeed, brands can play a primary role in the organisation's success by creating competitive advantages with product performance and through non-product related means. Perceived differences among products through branding provide a number of benefits to an organisation such as generating consistent volume and revenue over years, resisting attack, getting higher fair share, and more importantly stronger cash flow and earnings (Berry, 1988; Yovovich, 1988). Compelling evidence exists that up to 70 percent of earnings can be attributed to the brand (Perrier, 1997). As such, it is argued that organisational performance and brand performance are closely entwined (Harris and de Chernatony, 2001). Importantly, the notion of brand performance resides in the marketplace strength of an organisation's brand as evidenced by its market share, sales growth, profitability and the like. Brand performance can also be seen in the brand achieving the organisation's established objectives for it in the marketplace. As such, brand performance is defined as the relative measurement of the brand's success in the marketplace.

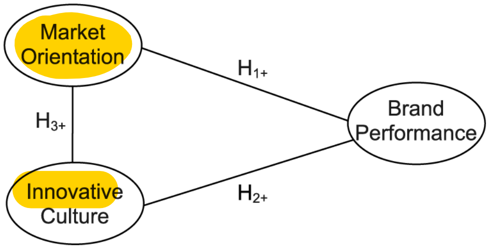

Figure 1.
The conceptual model with hypothesised relationships

It is argued here that organisations, who pursue market orientation are more likely to possess strong brands. The central logic underlying this argument is that the intelligence created about the brand via the customers-mindset is one of the most valuable assets that organisations can possess from the investment in previous marketing programs (Keller, 1993). Importantly, this market intelligence system is the hallmark of market orientation. Taking this aspect of market orientation into the brand domain is clear and justified, because as Kohli and Jaworski (1990) identify via their interviews, managers see that market orientation provides a unifying focus, better coordination and reviewing of products. However, the notion of products is quite generic and what organisations own and mangers manage are brands. As such, it is the enactment of specific behaviours that emanate from and are characteristic of market orientation that impact the ability to deliver superior value to consumer through the organisations' brand offering. Taking this view and extending previous research, we expect a positive link between market orientation and brand performance. Thus:

H1. Market orientation has a significant effect on brand performance.

Innovative culture and brand performance

It has been argued that organisational culture has a strong influence on organisation effectiveness (Deshpandé *et al.*, 1993; Hurley and Hult, 1998). The concept of organisational culture has been defined in many ways (see Uttal, 1983; Kilmann *et al.*, 1985; Deal, 1986; Hofstede, 1998; Trice and Beyer, 1993). However, there appears to be a consensus in the organisational culture literature that offers the underlying dimension of organisational cultures: why things happen the way they do. Reflecting this notion of culture, Deshpandé and Webster (1989, p. 4) define organisational culture as "the pattern of shared values and beliefs that help individuals understand organisational functioning and thus provide them with norms for behaviour in the organisation". Based on two key dimensions (internal-external and organic-mechanistic), organisational culture has been categorised into four different types: clan, adhocracy, market, and hierarchy. The adhocracy type of culture is external positioning and it encourages organic processes. That is organisations with a dominant adhocracy culture not only appear to foster entrepreneurship, creativity, risk taking, and the adaptability of employees, but also facilitate flexibility and spontaneity. As such, adhocracy/innovative culture strengthens the organisation's capacity for innovation, which enables the organisation to be market-driving (Carrillat *et al.*, 2004). As such, there exists the potential for an innovative culture that creates opportunities via driving the market with innovative offerings to drive brand performance at a higher level than those who seek only to respond to the market.

Given the proposition that market orientation leads to higher brand performance, organisations with strong innovative culture may question whether market-oriented behaviours are the only way to achieve brand success. Such organisations rather being market driven tend to be proactive in development of brand success. For example, Baker and Sinkula (1999, p. 415) argue "that breakthroughs do not always come from reacting to the market as it is". In the same vein, Gatignon and Xuereb (1997) contend that proactiveness and R&D orientation are key characteristics of innovation-oriented organisations in order to acquire and utilise sophisticated technologies in the development for their new products (brands).

Therefore, organisations with strong innovative cultures may be cognisant that building a successful brand may not always depend on the interpretation of feedback received from current customers and competitors, but instead upon organisations' ability to innovatively develop unique ways of delivering superior value to customers. Doyle (1989) indicates that a successful brand reflects "getting there first" innovations in many ways including developments of new technology, new positioning concepts, new distribution channels, and new market segments. Along this line of reasoning, the work of Calantone *et al.* (2002) provides support for the effect of innovativeness on performance. Increasingly, researchers have linked innovativeness with performance and much research indicates that to be successful, organisations need to be innovative (Deshpandé *et al.*, 1993) in that innovative culture contributes to performance. As such, it is argued that an innovative culture is a significant positive factor that contributes to enhanced brand performance. Thus:

H2. Innovative culture has a significant effect on brand performance.

Innovative culture and market orientation

Along with the effects of market orientation and innovative culture on brand performance, the issue of the relationship between innovative culture and market orientation warrants attention. An analysis of the two constructs indicates that market orientation and innovative culture are different yet interrelated concepts. As indicated above, Deshpandé and Webster (1989) argue that market orientation is considered as an organisational culture that is created and maintained to provide individual norms for behaviour within organisations and Narver and Slater (1990, p. 21) argue that market orientation is "the organisation culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business". However, the view taken here is the market orientation is the set of behaviours that are driven by an appropriate culture and that market orientation is not culture.

It has been argued that organisational culture and market orientation are frequently interrelated (e.g. Leisen *et al.*, 2002), yet there appears to be two competing views on the nexus between organisational culture and market orientation. The first view emphasises that market orientation is a source of new ideas and motivation to respond to the environment, thus it facilitates innovative culture (e.g. Hurley and Hult, 1998; Hult *et al.*, 2004). Whereas, the second view, emphasises that market-oriented behaviours are a response derived from the organisational culture itself (Payne, 1988; Webster, 1994a, b; Leisen *et al.*, 2002). This study echoes the second view and further argues that possessing a particular type of organisational culture (e.g. innovative/adhocracy culture) enables the organisation to be market-oriented. The central logic here is that since organisational culture consists of shared values and beliefs that help individuals understand "why things happen the way they do" (Deshpandé *et al.*, 1993, p. 24) and as such impacts or determines organisational behaviours. It is considered appropriate and possible that such behaviours as driven by organisational culture, particularly innovative culture, which may manifest in market oriented behaviours.

An innovative culture is more likely to be adaptive and external-positioning, since it entails an emphasis on innovation and cultivates internally-based capabilities to adopt new ideas, processes or products and brands. As such, an organisation possessing an innovative culture not only encourages market-driving behaviours that shape the market structure (e.g. Jaworski *et al.*, 2000), but also facilitate market-oriented behaviours that generate, disseminate and respond to market intelligence in the marketplace. An innovative culture pushes an organisation to be external-positioning, competitive-seeking, and more interested in managing market intelligence including new business ideas, technological breakthroughs, and taking aggressive competitive moves and the like.

As such, this argument does not discount that innovativeness also drives a myriad of behaviours that provide potential sources of ideas. It is in this context that innovativeness may manifest in behaviours that seek to generate new ideas and be proactive via information seeking, analysis and dissemination of the information and responsiveness to it. On this point, one may conclude that an organisation with an innovative culture will also pursue market orientation. This point, while somewhat different to the views of Hurley and Hult (1998) and Conrad (1999), who state that organisations with an innovative culture should use a market orientation differently, still supports the nexus between innovative culture and market orientation. Particularly, so as an innovative culture is argued to encourage and reward market orientation behaviours (Deshpandé and Farley, 1998).

As such, organisations, whose underlying culture is an innovation orientation, will still pursue market orientation behaviours. This is so because a culture of innovation does not discount the sources being driven or found in the marketplace. Importantly, an innovative culture is a means for being proactive and seeking changes in an organisation and its brands. Whether such change is a response to internal or external conditions or is a pre-emptive action undertaken to account for the environment or influence it, such responses and actions cannot be determined without an understanding of the environment driven by an orientation of looking toward the marketplace (environment), and as such, necessitates being market orientation. Having considered the preceding arguments, it is argued that a strong market intelligence system is facilitated by having an innovative culture. Thus:

H3. Innovative culture has a significant effect on market orientation.

Innovative culture-brand performance and market orientation-brand performance

As a final point of interest, while the arguments above indicate a strong effect for both innovative culture and market orientation on brand performance we need to add a point of clarification here. It is argued that innovative culture will have a significantly stronger effect on brand performance than market orientation. While this does not lessen the effect of market orientation on brand performance, it does fundamentally argue that an innovative culture is the stronger driver of brand performance over market orientation. While others such as Hurley and Hult (1998) and Conrad (1999) argue for the differential relationships between market-orientation, organisational culture and performance, few have argued for the greater effect on performance of organisational culture over market orientation. Market-oriented behaviours are market-driven, while innovative/adhocracy culture facilitates market-driving activities that enable organisations to shape the market structure (e.g. elimination of players, adding players, or changing the functions performed by players in the marketplace) and behaviours of the market players (Jaworski *et al.*, 2000; Carrillat *et al.*, 2004). As such, they offer more value to customers and achieve higher business performance than organisations adopting market-driven behaviours. Deshpandé *et al.* (1997) also conclude that market orientation is less important than other organisational factors such as organisational innovation, climate and organisational culture in affecting performance.

The argument here is that innovation-driven organisations will reap greater performance outcomes even when they also possess aspects of market orientation at the same time. By encouraging the engagement in new product innovations, innovative culture has a substantial impact on the market value and profitability of organisations (e.g. Blundell *et al.*, 1999), because it makes brands radically stronger. However, market-oriented behaviours focus on market-based intelligence created about the brand via the customers-mindset, and are often more incremental in their changes, thus providing smaller contributions to the value of the brand to customers. Brands with innovative new products always have a greater financial value than those with updates of existing products (Chaney *et al.*, 1991). Thus, innovation culture is the radical contributor of brand performance, while market orientation has an incremental contribution to brand success. This argument as such indicates that the possession of an innovative culture does not discount the possession of a market orientation. It does however, argue that innovative culture contributes more to brand performance than market orientation. Thus:

H4. The effect of innovative culture on brand performance will be significantly stronger than the effect of market orientation on brand performance.

Research design

Sample and data collection

The study was based on a survey of organisations in Australia. Questionnaire protocol was used as the primary means for data collection. Based on the prior research of Coviello *et al.* (2002) and Cross *et al.* (2001), a quota based convenience sample of organisations was selected from a database containing small, medium and large size organisations. Specifically, the convenience sample consisted of 1,500 organisations from a cross section of industries and was obtained by a professional database company. The company generated the sample of target organisations and key informants within them. The key criteria for organisation selection was that the organisation possessed an identified marketed brand and they were classified as either small, medium or large organisations based on the number of employees. Following the work of Coviello *et al.* (2002) and Cross *et al.* (2001), we sought to obtain approximately equal percentages of organisations in the three size categories (i.e. around 25 to 35 percent in the categories). The initial contact was made with the CEO of each organisation requesting the organisation's participation in the study. The CEOs were requested to provide the name of senior marketing executives to serve as the key informant. Then, a questionnaire, a cover letter, and a stamped pre-addressed return envelope, was sent to each nominated informant.

In this study senior marketing executives were used as the key informants because of their specific knowledge about the phenomena being studied (Heide and Weiss, 1995). Moreover, being considered as decision makers, executives are in appropriate positions to respond and adapt to market changes and foster the culture of the organisation. Supporting this reasoning, a majority of similar research about market orientation have used marketing executives as key informants (e.g. Jaworski and Kohli, 1993; Pelham, 1997; Noble *et al.*, 2002).

Measurement of constructs

The market orientation scale consisted of ten items capturing the three identified components of this construct (e.g. intelligence generation, intelligence dissemination, and responsiveness to the intelligence) as a set of behaviours. The scale items were adopted from the 32-item scale of market orientation originally developed by Jaworski and Kohli (1993). Jaworski and Kohli's work has been widely used in the behavioural stream of market orientation research as they provide a useful distinction and interpretation of the marketing concept and market orientation from the behavioural perspective (Matsuno *et al.*, 2000). The scale was modified to increase its applicability to branding, by orienting the respondent to think about the behaviours relative to a specified brand. We also sought to focus on a shortened set of items tapping the focal manifest behaviours to ensure a more parsimonious measurement of market orientation. A seven-point scale anchored by "strongly disagree" and "strongly agree" was used in the current study.

Innovative culture was measured via a 12-item scale. This scale was based on the earlier work of Deshpandé *et al.* (1993) focusing on key aspects of innovativeness from a cultural perspective, including encouraging creativity, being receptive to new ideas, decentralising decision-making and encouraging open communication. The items developed tapped into the notion of the adhocracy culture dimensions as discussed by Deshpandé *et al.* (1993). These items were also measured via a seven-point scale with scale poles ranging from "strongly disagree" to "strongly agree".

Brand performance refers to the relative measurement of a brand's success in the marketplace. For example, it has been argued that, market share is a measure of brand performance, as brand success is created with high market share (Keller and Lehmann, 2003). Indeed, successful brands such as Coca-Cola, IBM, and Sony are seen as brand leaders that achieve high market share in their segments (Doyle, 1989). As such, market share has been widely used in the marketing research as a reliable indicator of brand success (see Smith and Park, 1992; Roth, 1995; Chaudhuri and Holbrook, 2001; Weerawardena *et al.*, 2006). Similarly, sales volume is also a measure of brand performance as it reflects the level of direct earnings from customers (Lassar, 1998). This measure is also widely used in the marketing literature (see Bronnenberg and Sismeiro, 2002; Julian and O'Cass, 2002; Weerawardena *et al.*, 2006). Indeed when one focuses on a specific brand and examines its market share, sales volume and sales growth then we are perhaps focusing on a level more attuned to marketing as opposed to organisational performance.

Given the above discussion, issues related to the objective and perceptual assessment of performance can be found in the literature. Such measurement issues have been raised as pivotal considerations in performance-based market orientation research (Noble *et al.*, 2002). A closer look at the performance research reveals the dominance of perceptual over objective measures in the literature. The first reason underlying this phenomenon is that objective measures are often not available due to a reluctance to provide this information (Pelham and Wilson, 1996). Second, a strong correlation between perceptual and objective measures of performance has been found and supported by many studies (Dess and Robinson, 1984; Pearce *et al.*, 1987). Finally, the perceptual approach allows greater comparability across industries, with varying standards of acceptable performance (Pelham and Wilson, 1996). As such, perceptual measures of brand performance were used in this study.

Having considered the above discussion, brand market share and brand sales volume were used as indictors of market performance of a brand. Brand market share and brand sales volume refer to the relative market share and sales volume of a brand compared to other brands, respectively. As such brand performance was measured by asking respondents to rate the market share and sales volume of their identified brand rated on a seven-point scale from very poor to very good. The managers' perception of overall brand performance of their brand was also rated on the same scale.

Results

In total, 180 usable questionnaires were returned, accounting for approximately 12 percent of those surveyed. The organisations were from a cross section of industries including manufacturing, services, and retail. The data were initially inspected using measures of central tendency and dispersion. These descriptive statistics are presented in Table I. The organisations surveyed came from a variety of sectors. Specifically, the services and industrial manufacturing sectors accounted for highest number of respondents with 34 per cent and 32 per cent of the total sample, respectively. The retailing sector accounted for 8 per cent, followed by IT (6 per cent), food and beverage (5 per cent), and mining (3 per cent). The electrical and power measurement accounted for the smallest group with 2 per cent, while 10 per cent non-classified. With respect to sales, 12 per cent had less than 1 million dollars in sales, 10 per cent had between 1 and 2 million dollars in sales, 13.5 per cent had between 2 and 4.9 million dollars in sale, and 64.5 per cent has less than 5 million dollars in sales. Based on the number of employees, 34 per cent were classified as small, 35 per cent medium, and 31 per cent were large organisations.

The data were then analysed using principal components analysis and all items loaded appropriately onto their respective factors as shown in Table II. Overall, the factor analysis of market orientation produced three factors: intelligence generation (IG), intelligence dissemination (ID), and responsiveness (RESP) explaining 59 per cent of the variance, with factor loadings ranging between 0.50 to 0.88 and reliability of 0.80. Innovative culture had 1 factor explaining 52 per cent of the variance with loadings ranging between 0.62 to 0.83 and reliability 0.91. The brand performance analysis produced a single factor explaining 72 per cent of the variance and a reliability of 0.80.

Variables	Mean	Standard deviation
Market orientation	5.302	0.885
IG	5.188	1.230
ID	5.514	1.091
RESP	5.229	1.131
Innovative culture	5.173	1.063
Brand performance	4.906	1.208
Perception of overall brand performance	5.240	1.402
Market share	4.820	1.357
Sales growth	4.660	1.518

Table I. Descriptive statistics

Table II.
Preliminary analysis

Variables	Loadings	Reliabilities (α)
Market orientation (ten items)		0.80
IG (three items)	0.78	
IG V1: Polling end users to assess the quality of brand	0.50	
IG V2: Gathering information on the effect of changes in business environment	0.75	
IG V3: Collecting information concerning general social and economic trends	0.84	
ID (three items)	0.79	
ID V4: Discussing the implications of information about customers' needs	0.50	
ID V5: Circulating documents that provide information on customers	0.81	
ID V6: Having meeting to update knowledge and share information	0.80	
RESP (four items)	0.74	
RESP V7: Responding quickly to customer needs in relation to brand	0.86	
RESP V8: Being responsive to environment changes in relation to brand	0.88	
RESP V9: Responding well to competitor campaigns	0.75	
RESP V10: Responding well to detect changes in social trends	0.63	
Innovative culture (12 items)		0.91
IC V1: Encouraging creativity and innovation	0.72	
IC V2: Being receptive to new ways of doing things	0.75	
IC V3: Being an organisation people can identify with	0.62	
IC V4: Stressing team work among all departments	0.81	
IC V5: Giving high responsibilities to managers	0.70	
IC V6: Explaining reasons for decisions to subordinates	0.81	
IC V7: Allowing individuals to adopt their own approach to the job	0.66	
IC V8: Improving communication between departments	0.79	
IC V9: Delegating decision making to lowest possible level	0.69	
IC V10: Taking a long-term view even at expense of short-term performance	0.68	
IC V11: Communicating how each person's work contributes to the firm's "big picture"	0.83	
IC V12: Valuing effectiveness more than adherence to rules and procedures	0.59	
Brand performance (three items)		0.80
BP V1: Perception of overall brand performance	0.88	
BP V2: Market share	0.74	
BP V3: Sales growth	0.66	

The preliminary analysis indicated that the psychometric properties of the measures were acceptable to examine the hypotheses (*H1* to *H4*).

Prior to hypothesis testing, to ensure that the data were robust, analyses for both convergent and discriminant validity were undertaken. Discriminant validity can be verified if the correlation between two composite constructs is not higher than their reliability estimates (Gaski and Nevin, 1985; O'Cass, 2002; Patterson and Smith, 2003). Construct correlations were, therefore, compared to their respective reliabilities and the results indicated that the correlation between culture and market orientation was 0.46 and the respective reliabilities were 0.91 and 0.80.

Convergent validity refers to the principle that the items of a construct be at least moderately correlated. That is, that a measure correlates with other indicators of the construct (Mitchell, 1983). Fornell and Larcker's (1981) criteria for convergent validity is that the average variance explained (AVE) in items by their respective construct is greater than the variance unexplained (AVE > 0.50). To assess the constructs for convergent validity, the squared multiple correlations from the exploratory factor analysis (EFA) were used to calculate the AVE. Results of analysis for convergent validity confirmed that all constructs met the Fornell and Larcker (1981) criteria of >0.50. The AVE of market orientation is the mean-squared loading of indicators IG, ID, and RESP that was 0.71. This result is acceptable because the threshold to guarantee more valid variance explained than error in a construct's measurement is at least 50 percent (Fornell and Larcker, 1981). As such the high correlations between market orientation and its indicators illustrate high reliability.

To test the hypotheses, which focus on explaining multiple dependence relationships, partial least squares (PLS), a variance-based structural equation modelling (SEM), was considered particularly suitable as a method of analysis and model evaluation for this study (Fornell and Bookstein, 1982; O'Cass, 2001). PLS graph (Chin, 1998) was used to analyse the data to test the hypotheses. A number of indices such as r^2, average variance accounted for (AVA); average variance explained (AVE), regression loadings were used for the predictive relevance of the model (hypotheses).

Table III summarises the inner model results corresponding to *H1*, *H2*, and *H3*. The AVA for the endogenous variables is simply the mean r^2 of the model (AVA $= 0.15$) and it was greater than the recommended 0.10 (Falk and Miller, 1992). Other indices presented in Table III such as paths weights and the bootstrap critical ratios respectively exceed the cut off points (paths variance >0.015 and critical ratios greater than 1.96; $p < 0.05$). These indicate that market-orientation has a significant and positive ($\text{beta}_1 = 0.18$) impact upon overall brand performance, thus, *H1* is supported. Similarly, the influence of innovative culture on overall brand performance is positive ($\text{beta}_2 = 0.28$), thus supporting *H2*. As expected, innovative culture also has a significant positive effect ($\text{beta}_3 = 0.46$) on market orientation, thus supporting *H3*.

The significance of the difference in effect of innovative culture and market orientation on brand performance was the focus of *H4*. A test of the differences between the strengths of relationships within the inner model paths was carried out to test *H4*. This analysis was undertaken using a procedure advocated by Chin (2002), and documented by Keil *et al.* (2000). This approach treats the estimates of the re-sampling in a parametric sense, through t-tests. A parametric assumption is made and the standard errors are taken for the structural paths provided by the PLS software in the re-sampling output. The t-test was then manually calculated to determine the differences in paths between groups. Results from the t-tests indicate that all paths were significant with culture to brand performance being significantly

Predicted variables	Predictor variables	Hypothesis	Path	Variance due to path	R^2	Critical ratio
Brand performance	Market orientation	*H1*	0.18	0.05*		2.55*
	Innovative culture	*H2*	0.28	0.09*		2.71*
Market orientation	Innovative culture	*H3*	0.46	0.21*	0.21*	7.00*
AVA					0.15*	

Note: *Indicates meets or exceeds minimum acceptable levels

Table III. Partial least squares results for the conceptual model stronger than market orientation to brand performance. Thus, the analysis indicates a significant difference between the strengths of relationships of paths as shown below in Table IV, thus supporting *H4*.

Discussion

The marketing literature has focused on the notion that a proper implementation of market orientation leads to superior performance. Yet to date, a limitation of current theory in this domain is the lack of research into the relationship among market orientation, innovative culture, and brand performance all together. The central argument of this research is that organisations with a strong innovative culture might be aware that building a successful brand may not always depend on the interpretation of feedback received from current customers and competitors, but instead upon organisations' ability to innovatively develop unique ways of delivering superior value to customers and empowering employees to do this. This proposition has been corroborated by our empirical findings in which market orientation and innovative culture have positive impacts on brand performance.

These findings extend our understanding of performance-based market orientation research. First, the positive impact of market orientation on brand performance replicates previous research that found a positive relationship between market orientation and performance at macro level (Jaworski and Kohli, 1993; Matsuno *et al.*, 2002). Second, this study also contributes empirical verification that an innovative culture is a critical antecedent of brand performance. This finding is consistent with that of by many studies, which found the association between organisational culture and organisational performance (e.g. Deshpandé *et al.*, 1993; Deshpandé and Farley, 1999; Leisen *et al.*, 2002; Deshpandé and Farley, 2004). As such, our findings provide empirical validation of Denison's (1990) claim that organisation effectiveness is a function of values and beliefs (culture) as well as policies and procedures (behaviours).

The findings also provide significant support for the positive link between innovative culture and market orientation. Innovative-culture organisations are those that not only foster an improvement of brand performance but also facilitate market-oriented behaviours. This finding is an important extension of recent views of the nexus between organisational culture and market orientation (e.g. Payne, 1988; Webster, 1994a, b; Leisen *et al.*, 2002). These perspectives generally conceive that market-oriented behaviour is a response derived from the organisational culture itself.

A significant difference between the strengths of effects of innovative culture and market orientation on brand performance was found. Specifically, the findings suggest that innovative culture has a significantly stronger effect on brand performance than market orientation. This finding provides empirical support to Deshpandé *et al.* (1997), who also conclude that market orientation is less important than other organisational

Hypotheses and paths	Path coefficient innovative culture-brand performance	Standard error	Path coefficient market orientation-brand performance	Standard error	*t*-value
H4	0.28	0.10	0.18	0.07	10.23

Note: Result: significantly stronger for innovative culture-brand performance

Table IV.
Test of path differences

factors such as organisational innovation, climate, and organisational culture in affecting organisational performance.

The findings have implications for both researchers and practitioners. Although the precept that market orientation leads to organisational performance has been widely recognised, the assertion remains unclear at the brand level. The exploratory nature of this study provides support for the conversion of market-oriented behaviours into brand success. However, the findings also lead to a challenging conundrum in that can organisations simultaneously pursue market-oriented business philosophy and cultivate innovative culture to develop stronger brands. The findings here appear to indicate the possibility for innovative culture to co-exist with market orientation and simultaneously contribute to strong brands.

Conclusion, limitations, and future research

This empirical study advances past theories about market orientation and organisational performance by investigating structural relationships among market orientation, organisational culture, and organisations' brand performance. From both theoretical and empirical standpoints, we attempted to address two gaps in the performance-based market orientation research: conflicting theoretical perspectives on the nature of market orientation and employing performance at the micro level such as brand performance. This study addressed these gaps by empirically determining:

- The effect of market orientation and innovative culture on brand performance.
- The nexus between innovative culture and market orientation.
- The relative importance of innovative culture over market orientation in affecting brand performance.

Remarkably, these fundamental issues have not been addressed in any empirical study to date.

The theoretical premise was that organisations with strong innovative cultures might recognise that building a successful brand may not always depend on the interpretation of feedback received from current customers and competitors, but instead upon organisations' ability to innovatively develop unique ways of delivering superior value to customers. The findings of this study were consistent with this advice to both market orientation and innovative culture. By themselves, market orientation and innovative culture enable organisations to achieve higher brand performance. In addition, our findings provide an important extension of recent views of the nexus between organisational culture and market orientation (e.g. Payne, 1988; Webster, 1994a, b; Leisen *et al.*, 2002) by concluding that market orientation is a response partially derived from the organisation's innovative culture. Finally, the study also adds new insights into the relative importance of organisational culture over market orientation in affecting organisational performance. While the role of managers in prompting a market orientation is important, it appears that cultivating an innovative culture enables an organisation to outperform and this type of culture also plays a very important role in determining the level market orientation of an organisation.

Organisations with strong innovative cultures may question that market-oriented behaviours are the only way to get brand success. Such organisations rather being market driven tend to be proactive in development of brand success. This noteworthy contribution sheds light on the impact of innovative culture and market orientation on brand performance that has been underemphasised in previous research. The nexus between organisational behaviours, culture and brand development and management to achieve superior performance is one avenue that has the potential to unlock the development of superior brands. It is hoped that this study can provide some impetus to this challenge.

Notwithstanding the compelling findings, several limitations should be considered. One potential limitation is using single and senior-level informant in the study. Future research should strive for multiple and perhaps even non-management informants. This would increase the reliability and minimise any bias in the data due to the same respondent rating all measures on the same survey instrument. In addition, using cross-sectional data does not enable us to interpret the time sequence of the relationships among market orientation, innovative culture, and brand performance. As such, it is suggested that longitudinal research would provide additional insights into probable causations. Another important consideration in the context of limitations is the use of perceptual measures of brand performance. A cognitive bias can exist in which single critical informants may overstate their brand's performance (Pelham and Wilson, 1996; Noble *et al.*, 2002).

As far as future research is concerned, several additional research areas can be suggested. Particularly, promising is the investigation of the relative combinations of various organisational cultural types on brand success. This configurational approach would provide additional insights into the relative value of alternative organisational cultures by generating a bigger picture of the potential impact of organisational culture on brand performance.

In addition, a contingency approach should be pursued to enrich our understanding of factors that moderate the relationship between market orientation and brand performance. Research on the relationship between market orientation and performance at the macro level (e.g. organisational level) have indicated an assertion that organisations pursuing market orientation achieve different levels of organisational performance in different environmental conditions. As such, further research needs to incorporate these potential moderators to understand whether the strength of market orientation and brand performance varies in different environmental contexts and organisational settings.

In conclusion, it is hoped that the dual perspective pursued here adds value to the marketing strategy debate in the context of market orientation as behaviours versus aspects of culture related to innovativeness. Market orientation, from a behavioural perspective as presented in this research reflects market-driven behaviours, whereas the cultural perspective of innovative culture reflects market-driving characteristics. Importantly, these facets of organisations are not mutually exclusive, but rather complementary in the generation of superior brand performance. In reality, the empirical evidence supports this contention, and confirms that organisations, with an underlying culture of innovation, still pursue market-oriented behaviours and in effect the source of brand value can be found from information sought from the marketplace. Importantly, an innovative culture is a means for being proactive and seeking changes in an organisation and its brands. Whether such change is a response to internal or external conditions or is a pre-emptive action undertaken to account for the environment or influence it, such responses and actions cannot be determined without an understanding of the environment driven by an orientation of looking toward the marketplace (environment), and as such necessitates being market-oriented. As such, innovative culture and market orientation co-exist and deliver greater brand value.

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