1-30-2013

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Recommended Citation

Park, Sang Il and Kim, Mi Jeong (2013) "Does Brand Orientation Matter? An Empirical Study of Korean SMEs," *Asia Marketing Journal*: Vol. 14 : Iss. 4 , Article 7.
Available at: <https://doi.org/10.53728/2765-6500.1503>

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Does Brand Orientation Matter? An Empirical Study of Korean SMEs*

Sang IL Park**
Mi Jeong Kim***

Brand orientation is a relatively new paradigm in marketing which was first introduced in the 1990s. Since then, an accumulating body of research has addressed the strategic importance of brand orientation. Although there is a growing body of literature on brand orientation, there have been no empirical studies examining the mediation effect of brand orientation on market orientation-performance relationship to date. Moreover, most studies on brand orientation have been carried out in the context of large enterprises. Hence, the aim of this research is to extend the literature and address market orientation, brand orientation, and firm performance against the backdrop of Korean SMEs. The authors empirically investigate the impact of market/brand orientation on organizational performance and the mediating role of brand orientation. They utilize 178 usable responses to test the four research hypotheses. The hypothesized model predicts that there is a positive association among market orientation, brand orientation, and firm performance. It is also expected that brand orientation mediates the relationship between market orientation and organizational performance. The statistical results based on PLS analysis confirm our prediction among the constructs in the research model. The empirical evidence provides significant theoretical and managerial implications for brand orientation among SMEs. The first theoretical implication is that we provide empirical evidence regarding the important role of brand orientation in explaining the multi-trait perspectives of strategic orientation. The second theoretical implication is that the concept of brand orientation can be empirically validated in the context of SMEs. In terms of managerial implications, managers of SMEs should attempt to build a brand-oriented corporate culture or mindset that places brand values and brand norms as the top priority among their company's tasks. In addition, managers should recognize that brand orientation is critical for SMEs as well as large enterprises. In the last section, the authors address limitations of the study and provide directions for further research.

Key words: Brand Orientation, Market Orientation, Strategic Orientation, Performance, SMEs

* This research was supported by the Sookmyung Women's University Research Grants 2011

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I. Introduction

Marketing literature has stressed the strategic importance of effective brand management because organizations that direct their managerial actions in the development, acquisition, and leveraging of brands will generate superior firm performance (Hankinson 2002; Keller 2008; Noble, Sinha, and Kumar 2002; Park, Jaworski, and MacInnis 1986). Nonetheless, the brand orientation concept is a relatively new marketing research paradigm which was first introduced in the early 1990s (Gromark and Melin 2011). Since then, a vast body of literature has recognized the strategic importance of brand orientation (Baumgarth 2010; Ewing and Napoli 2005; Hankinson 2002). Past studies on brand orientation have been mostly conceptual papers (Simões and Dibb 2001; Urde 1999; Urde, Baumgarth, and Merrilees 2011) and cases studies (Krake 2005; Mowle and Merrilees 2005; Urde 1994; Wong and Merrilees 2005), and have lacked hard empirical evidence. More recently, there have been empirical studies providing evidence that brand orientation results in increased firm performance (e.g. Brådsen and Evans 2004; Gromark and Melin 2011; Napoli 2006; Wong and Merrilees 2008).

In pursuing a marketing strategy, firms can adopt multiple strategic orientations that may lead to synergy (Schindehutte, Morris, and Kocak 2008). Strategic orientation is defined as the

“guiding principles that influence a firm’s market and strategy-making activities” (Noble et al. 2002, p. 25). In general, past research addresses the relationship of market orientation with other strategic orientations such as technology orientation (Berthon, Hulbert, and Pitt 1999; Zhou, Yim, and Tse 2005), entrepreneurial orientation (Covin and Slevin 1989; Zhou et al. 2005), and cost orientation (Noble et al. 2002; Olson, Slater, and Hult 2005).

Although the marketing literature indicates that there have been many contributions to the field of brand management during the past two decades, there are several gaps that must be addressed. First, past studies on brand orientation have not examined the interplay of brand orientation and other strategic orientations, such as market orientation, with the exception of very few studies (e.g. Urde et al. 2011). This is important because a single strategic orientation alone may not always yield desirable outcomes for the organization (Hamel and Prahalad 1994; Voss and Voss 2000). Thus, we encapsulate both market orientation and brand orientation in our conceptual model, and examine their effect on firm performance. We argue that market orientation might foster brand orientation because market orientation is the organizational culture that strives to create superior customer value, which, in turn, enhances organizational performance (Deshpandé, Farley, and Webster 1993; Narver and Slater 1990). Second, most studies on branding have been

carried out in the context of large and multinational corporations (Aaker 1991; Srivastava and Shocker 1991). Research on brand management, as it pertains to small and medium-sized enterprises (SMEs), has received scant attention in the literature (Abimbola and Vallaster 2007; Inskip 2004; Wong and Merrilees 2005). It is surprising that so little research has been conducted on brand orientation, especially from the perspectives of SMEs, given their importance in the world economy.

SMEs (companies with fewer than 300 employees) play an important role in providing jobs and generating economic value and exports in many countries worldwide (Lee 2010). SMEs account for more than 95% of firms and are responsible for 60%-70% of employment in Organization for Economic Co-operation and Development (OECD) countries (OECD 2000). In selected economies such as Korea, SMEs account for more than 75% of employment and 50% of gross national product (GNP), and generate more than 35% of exports. In short, SMEs are one of the major forces in Korea that fuel the seventh largest economy in the world in terms of export volume (Lee 2010). Despite the importance of SMEs in the Korean economy, there are no studies examining the role of brand orientation and its linkage to market orientation and organizational performance. In addition, no study to date has assessed the mediating role of brand orientation on the association between market orientation and or-

ganizational performance in the context of Korean SMEs.

Thus, the purpose of this study is to extend the literature and address market orientation, brand orientation, and firm performance in the context of Korean SMEs. We address the key research questions as follows: What is the effect of market orientation on brand orientation? What is the impact of brand orientation on performance? Does brand orientation matter? Does brand orientation mediate the relationship between market orientation and firm performance? Addressing these questions is important for SMEs because they are facing more challenging marketing problems than large corporations due to limited budgets, manpower, and owner/managers' powerful influence on decision making (Carson 1990; Grünhagen and Mishra 2008; McCartan-Quinn and Carson 2003). In the current global environment, effective brand management can be a differentiating factor in gaining the competitive edge that SMEs need to compete with large corporations head-to-head, which leads to higher brand equity and firm performance. However, previous studies have argued that SMEs put little emphasis on branding (Gabrielsson 2005; Inskip 2004). Under this situation, it might be conducive for SMEs to become more strategically brand-oriented.

In the next sections, we provide a theoretical background on market orientation and brand orientation and their linkages to firm performance, as well as related hypotheses. In the final

sections, the research hypotheses are empirically tested, and findings, conclusions, and future research agenda are presented.

II. Theoretical Background

2.1 Market Orientation

The concept of market orientation (MO) has received much attention in the marketing literature during the last 20 years (Kohli and Jaworski 1990; Narver and Slater 1990; Shapiro 1988). Two general perspectives on MO have emerged: (1) cultural stream and (2) behavioral stream. The cultural perspective refers to values and norms such as a particular mindset of a firm or unique organization culture (Homburg and Pflesser 2000; Narver and Slater 1990). It is defined as "the organization culture that most effectively and efficiently creates the necessary behavior for the creation of superior value for buyers and, thus, continuous superior performance for the business" (Narver and Slater 1990, p. 21).

On the other hand, the behavioral perspective, which is the dominant research stream of MO, is defined as "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it" (Kohli and Jaworski

1990, p. 6). In other words, the behavioral perspective of market orientation refers to instruments, tools, or behaviors for the gathering of information that relates to changing customer needs and competitor capabilities, and employing these data to create customer value and customer satisfaction (Kohli and Jaworski 1990; Shapiro 1988). Examples of the behavioral perspective of market orientation are market segmentation (e.g. Wedel and Kamakura 2002), customer relationship management (Reinartz, Krafft, and Hoyer 2004), customer satisfaction surveys and customer lifetime value (Rust, Lemon, and Zeithaml 2004; Venkatesan and Kumar 2004).

In order to cultivate a brand oriented mindset, we argue that the cultural stream of market orientation falls within the scope of our study. Hence, we adopt Narver and Slater's (1990) definition and operationalization of market orientation in this study.

2.2 Brand Orientation

Brand orientation is a relatively new marketing research paradigm which was first introduced in the mid-1990s (Louro and Cunha 2001). Since then, a vast body of literature has recognized the significance of the concept's strategic importance (Baumgarth 2010; Ewing and Napoli 2005; Hankinson 2002).

Brand orientation differs from market orientation since the former is associated with

top-level management's commitment to brand building. Moreover, it is a strong systematic approach to brand management that provides products or services to customers that are constant and consistent and differentiated from those of competitors (Hankinson 2002; Urde 1994, 1999). While market orientation is about satisfying customer needs and wants, brand orientation goes beyond customer satisfaction and takes into account competition (Wong and Merrilees 2007). Some companies emphasize not only customer satisfaction but also the strategic importance of brands (Urde 1999).

More specifically, brand orientation is defined as "an approach in which the processes of the organization revolve around the creation, devel-

opment, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving competitive advantages in the form of brands" (Urde 1999, p. 117). Brand orientation becomes the foundation upon which a firm's competitive advantage in the target market can be built (Wong and Merrilees 2008). Moreover, this mindset not only enables firms to attempt to satisfy customer needs and wants, but also illustrates a strategic significance to brands (Urde et al. 2011). Thus, brand orientation becomes a strategic choice in affecting SMEs' competitive advantage, resulting in increased future firm performance and survival for them in the long run (Wong and Merrilees 2005).

〈Table 1〉 Definitions of Market Orientation

Studies	Definitions
Deshpandé et al. (1993)	The set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise.
Hornburg and Pflesser (2000)	An organizational culture that encompasses (1) organization-wide shared basic values supporting market orientation, (2) organization-wide norms for market orientation, (3) perceptible artifacts of market orientation, and (4) the market-oriented behaviors.
Kohli and Jaworski (1993)	The organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it.
Kotler and Armstrong (2012)	Paying balanced attention to both customers and competitors in designing marketing strategies.
Narver and Slater (1990)	The organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business.
Shapiro (1988)	A set of processes touching on all aspects of the company. It's a great deal more than the cliché getting close to the customer.
Slater and Narver (2000)	The business culture that produces outstanding performance through its commitment to creating superior value for customers.

〈Table 2〉 Definitions of Brand Orientation

Studies	Definitions
Baumgarth (2009)	The extent to which organizations regard themselves as brands and an indication of how much (or how little) the organization accepts the theory and practice of branding.
Bridson and Evans (2004)	The degree to which the organization values brands and its practices are oriented towards building brand capabilities.
Ewing and Napoli (2005)	The organizational wide process of generating and sustaining a shared sense of brand meaning that provides superior value to stakeholders and superior performance to the organization.
Gromark and Melin (2011)	A deliberate approach to brand building where brand equity is created through interaction between internal and external stakeholders. This approach is characterized by brands being the hub around which the organization's processes revolve, an approach in which brand management is perceived as a core competence and where brand building is intimately associated with business development and financial performance.
Hankinson (2001)	A specific type of marketing orientation, which is distinguished by the high relevance accorded to branding by top management.
Merrilees (2005)	The extent to which the brand becomes a central and coordinating element or core of a marketing strategy.
Urde (1999)	An approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands.
Wong and Merrilees (2005)	A firm's success in developing the brand based on distinctive products/ services or any other marketing activities.
Wong and Merrilees (2008)	A mindset that ensures that the brand will be recognized, featured, and favored in the marketing strategy.

Table 1 and 2 provide a summary of major studies that have addressed the definition of market orientation and brand orientation.

2.3 Organizational Performance

The ultimate goal of a business is to generate superior firm performance (Samiee and Roth 1992). The analysis of the impact of different

strategic orientations on organizational performance has been one of the central themes in the marketing literature (Urde et al. 2011). Typical performance measures that have been utilized are customer satisfaction, customer loyalty, customer lifetime value, and corporate performance (Homburg and Pflesser 2000; Jaworski and Kohli 1993; Narver and Slater 1990).

2.4 Theoretical Model and Hypotheses

We develop a conceptual framework in Figure 1 based on the extant literature. The framework depicts the relationship among market orientation, brand orientation, and firm performance. The unique aspect of this study is that we incorporate both market-orientation and brand-orientation dimensions simultaneously and examine the mediating role of brand orientation in the association between market orientation and performance. Theoretical rationale for the market/brand orientation - performance relationship and the mediating effect of brand orientation on the market orientation - performance link is addressed in the following sections.

Although market orientation offers a firm with market sensing and customer linking capabilities in understanding and satisfying customers that result in superior firm performance (Day 1994), a single strategic orientation may not always generate desirable results for every

single organization (Voss and Voss 2000). Thus, it is necessary to consider multiple strategic orientations, such as market orientation and brand orientation, conceptualize the relationship among various orientations, and examine whether synergy leads to firm success or increased firm performance (Christensen and Bower 1996; Hamel and Prahalad 1994; Schindehutte et al. 2008).

2.5 Hypothesis Development

Market orientation refers to the mindset of an organization or company with the objective of satisfying individual customer needs and wants (Urde 1994, 1999; Urde et al. 2011). It is an uncomplicated, short-term, and fundamental business-level approach. On the other hand, brand orientation refers to an approach in which the organization strives to create, develop, and protect brand identity in a continual interaction with the target customers with the objective of achieving sustainable competitive

<Figure 1> The Conceptual Model of Market Orientation and Brand Orientation

advantage by utilizing brands (Urde 1999).

There is ample evidence in the literature supporting the argument that a firm's market orientation has a positive impact on business performance (Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005; Narver and Slater 1990). However, to the best of our knowledge, there is no single empirical study investigating the direct effect of market orientation on brand orientation.

In order to achieve sustainable competitive advantage, it is essential that a firm offers customers superior value (Porter 1991). According to the resource-based view of the firm, a strategy is a means of exploiting resources and acquiring new resources in order to achieve greater economic success (Mahoney and Pandian 1992). Branding is regarded as a relational, market-based asset which offers the firm competitive advantage (Srivastava, Fahey, and Christensen 2001). In pursuing competitive advantage, leading companies are brand-oriented, and not only do they emphasize customer value and satisfaction, but they also emphasize the strategic significance of brands (Urde 1999). Market orientation is at the lower level of sophistication because it considers only product or market. In order to be successful in the competitive environment, firms should adopt both market orientation and brand orientation simultaneously. Products that are wanted by customers must go hand in hand with the brand. Brand orientation is market orientation 'plus' (Urde 1994, 1999).

Thus, market orientation becomes a strategic platform for brand orientation (Wong and Memilees 2007). In other words, market orientation becomes a necessary condition for brand orientation.

Based on the preceding discussion, we hypothesize the following:

H1: Market orientation relates positively to brand orientation.

Research into brand orientation is still in its infancy (Louro and Cunha 2001). The term was first introduced in the early 1990s (Gromark and Melin 2011). Since then, a variety of definitions have been suggested (Baumgarth 2009; Bridson and Evans 2004; Ewing and Napoli 2005; Hankinson 2002; Urde 1999). More recently, Gromark and Melin (2011) have built upon previous studies and defined brand orientation as "a deliberate approach to brand building where brand equity is created through interaction between internal and external stakeholders. This approach is characterized by brands being the hub around which the organization's processes revolve, an approach in which brand management is perceived as a core competence and where brand building is intimately associated with business development and financial performance" (p. 395).

One of the major reasons why firms should concentrate on brand orientation is that increased degree of brand orientation will lead to stronger brands, with higher brand equity and

ultimately higher firm performance (Keller 2008; Urde 1994; Wong and Merrilees 2005). Firms' adoption of a high level of brand orientation is contingent upon whether investments in brand orientation reap financial rewards (Gromark and Melin 2011). Brand orientation can boost firm performance in several ways. It fosters brand loyalty, which enables a firm to incur lower marketing costs and attract new customers (Calderon, Cervera, and Molla 1997). Brand loyalty can also generate positive word-of-mouth and less switching to competitors' brands (Dick and Basu 1994). Positive association between brand loyalty and performance has been confirmed in a previous empirical study (Chaudhuri and Holbrook 2001).

Despite the importance of brand orientation, there is a limited number of empirical studies validating the brand orientation-performance link (Hankinson 2002; Napoli 2006). Past studies on brand orientation have been mostly conceptual papers (Simões and Dibb 2001; Urde 1999; Urde et al. 2011) and case studies (Krake 2005; Mowle and Merrilees 2005; Urde 1994; Wong and Merrilees 2005).

Nonetheless, more recent studies in different contexts have provided empirical evidence revealing a positive relationship between brand orientation and firm performance (Brådsen and Evans 2004; Gromark and Melin 2011; Napoli 2006; Wong and Merrilees 2008). Thus, it is important to empirically investigate the brand-orientation - performance association, especially

in the context of SMEs, given the lack of resources.

Collectively, previous marketing literature suggests that brand orientation is likely to increase firm performance. Thus, we posit the following hypothesis:

H2: Brand orientation is positively related to firm performance.

Market orientation is a classic concept in the field of marketing (Urde et al. 2011). Market orientation has been addressed from two perspectives: (1) behavioral perspective and (2) cultural perspective. The behavioral stream refers to the organizational activities and behaviors that are associated with the generation and dissemination of and responsiveness to market intelligence (Jaworski and Kohli 1993; Kohli and Jaworski 1990). The cultural perspective views market orientation as organizational norms, values, and cultures that are focused on the continuous creation of superior customer value (Deshpandé et al. 1993; Narver and Slater 1990). The marketing literature posits that market orientation offers the firm market-sensing and customer-linking capabilities that are beneficial in creating superior customer value, which, in turn, leads to higher firm performance (Day 1994; Narver and Slater 1990). By creating superior customer value, the firm can attain sustainable competitive advantage, which results in superior organizational performance

(Porter 1991; Woodruff 1997).

In line with this logic, the market orientation - performance relationship has been one of the most frequently examined links in marketing literature (Kirca et al. 2005). Prior studies provide ample empirical evidence that market orientation has a positive impact on organizational performance (Baker and Sinkula 1999; Deshpandé et al. 1993; Harris and Ogbonna 2001; Jaworski and Kohli 1993; Narver and Slater 1990; Slater and Narver 1996). In their meta-analytic review, Kirca et al. (2005) conclude that market orientation has a positive effect on organizational performance based on the aggregation of empirical findings across the market orientation literature. Based on the preceding discussion, we postulate the following:

H3: Firm performance is affected positively by market orientation.

Most of the prior studies on market orientation have investigated the direct association between market orientation and organizational performance (e.g. Deshpandé et al. 1993; Jaworski and Kohli 1993; Matsuno and Mentzer 2000). Only a relative handful of studies have examined the mediating factors (i.e. customer loyalty, customer satisfaction, quality, innovativeness, and marketing planning capability) in the relationship between market orientation and performance (Han, Kim, and Srivastava 1998; Hurley and Hult 1998; Noble et al. 2002; Shin,

Lee, and Chaib 2011). To the best of our knowledge, the mediating effect of brand orientation on the relationship between market orientation and firm performance among SMEs has not been examined to date.

Although market orientation and brand orientation are antecedents of firm performance (Jaworski and Kohli 1993; Narver and Slater 1990; Wong and Merrilees 2005), brand orientation can mediate the relationship between market orientation and performance. Market orientation refers to the organizational culture that cultivates behaviors in order to create continuous superior customer value for buyers and enhanced performance for the business (Narver and Slater 1990). Brand orientation is defined as the corporate culture or mindset of a company that regards brand as a strategic resource, core competence, and central element of a marketing strategy, which, in turn, leads to higher firm performance (Wong and Merrilees 2008; Urde 1999, 2011).

Some of the previous studies maintain that there may not be a direct and significant relationship between market orientation and organizational performance. However, market orientation - organizational performance association becomes significant when intervening variables such as innovation, uncertainty, and turbulence are encapsulated (Greenley 1995; Harris 2001; Hurley and Hult 1998). In this regard, an organization that places the highest priority on brand and regards it as a strategic resource

and starting point in formulating a marketing strategy is very likely to create customer value and increase economic performance. In other words, the indirect effect of market orientation on performance via brand orientation is likely to be stronger than the direct effect of market orientation on firm performance. Therefore, brand orientation seems to play a pivotal role in strengthening the market orientation-organizational performance link. This discussion leads to the following hypothesis:

H4: Brand orientation will mediate the association between market orientation and organizational performance.

III. Method

3.1 Sample and Data Collection

The sample frame used in this study is a listing of Korean SMEs compiled by the Korea Federation of Small and Medium Business. Industries were selected based on the Korean Standard Industry Classification. We collected data from CEOs and managers by distributing an online survey to 1,500 Korean SMEs. Follow-up telephone calls were made to increase the response rate. In total, 199 firms returned the survey questionnaires. However, we had to remove 21 cases which were either incomplete or

had missing values. As a result, we utilized 178 cases in the statistical analysis, representing an effective response rate of 11.9%. To assess non-response bias, we conducted a t-test to compare early and late respondents (Armstrong and Overton 1977). No significant differences between the two groups were detected, implying that the impact of non-response is minimal in this study.

Table 3 provides information about the sample composition. The type of business represented in the sample includes business-to-business (84.8%) and business-to-consumer (15.2%). The fields of activity of manufacturing firms in the sample are categorized into twelve industries: machinery/other machinery and equipment (23.6%), chemicals/rubber/plastic (15.2%), steel and metals/non-ferrous metals (12.9%), electrical and electronics products (12.9%), foods and direct consumer goods (11.2%), fabrics/textiles/wearing apparel/clothing/miscellaneous goods (7.9%), electronic video and audio equipment/telecommunication and broadcasting apparatuses (7.3%), computers and peripheral equipment (3.4%), medical instruments/precision and optical instruments/watches and clocks (2.2%), wood and of products of wood/papers (1.7%), motor vehicles, trailers and semitrailers (1.1%), and printing and reproduction of recorded media (.6%).

3.2 Measures

Multiple-item scales were used to measure

<Table 3> Sample Profile

		Frequency	Percent (%)
Type of business	Business-to-Consumer (B2C)	27	15.2
	Business-to-Business (B2B)	151	84.8
Field of activity	Foods and Direct Consumer Goods	20	11.2
	Fabrics/Textiles/Wearing Apparel/Clothing/Miscellaneous Goods	14	7.9
	Wood and of Products of Wood/Papers	3	1.7
	Printing and Reproduction of Recorded Media	1	.6
	Chemicals/Rubber/Plastic	27	15.2
	Steel and Metals/Non-ferrous Metals	23	12.9
	Machinery/Other Machinery and Equipment	42	23.6
	Electrical and Electronics Products	23	12.9
	Electronic Video and Audio Equipment/Telecommunication and Broadcasting Apparatuses	13	7.3
	Computers and Peripheral Equipment	6	3.4
	Medical Instruments/Precision and Optical Instruments/Watches and Clocks	4	2.2
	Motor Vehicles, Trailers and Semitrailers	2	1.1
	Total	178	100.0

each construct in this study. Validated scales from previous literature were employed after a slight modification. In this study, all items except organizational performance were measured on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree).

With regard to market orientation, we used six items to assess customer orientation, competitor orientation, and cross-functional integration based on Narver and Slater (1990). Five items were employed to measure brand orientation, as adopted from Baumgarth (2010). We measured organizational performance using six items adopted from previous studies (Jaworski and Kohli 1993; O'Sullivan and Abela 2007; Shoham

1999; Slater and Narver 1996). The items for organizational performance were measured on a seven-point Likert scale (1 =strongly disagree, 7 = strongly agree).

The present study included firm size as a control variable. Firm size is commonly recognized in literature as influencing firm performance in terms of marketing and strategy. In this study, firm size was operationalized as the firm's average sales over the past three years, as well as the number of employees. Previous research has suggested that numbers of employees and sales are all equally appropriate indicators of a firm's size (O'Sullivan and Abela 2007). We employed the type of business as a

proxy variable to capture firm's characteristic among SMEs (Verhoef and Leeflang 2009) as well as firm size. Firms were categorized as (a) those that target consumer markets, either solely or along with business customers (B2C, coded '0') or (b) those serving solely business markets (B2B, coded '1'). The statistical analysis results reveal that the effect of industry type is not significant.

3.3 Data Analysis

Smart PLS 2.0 was used to test the proposed research model. We chose PLS analysis because it is suitable for theory-building research that emphasizes the predictive power of a model. Structural equation modeling with PLS has been increasingly applied in marketing and other business disciplines, with more than 100 published studies featuring PLS in the top 20 marketing journals (Hair, Ringle, and Sarstedt 2011). The minimum sample size of PLS analysis should be equal to or larger than the following: (1) ten times the largest number of formative indicators used to measure one construct or (2) ten times the largest number of structural paths directed at a particular latent construct in the structural model (Hair et al. 2011). The model has no formative indicator. The dependent latent variable that has the largest number of independent latent variables is organizational performance, which has two independent latent variables. Applying the re-

gression heuristic rule, the required minimum sample size is 20. A recent study challenged the "ten times" rule and suggested that Cohen's power analysis for regression is a better way to determine the sample size of a PLS study (Cohen 1988). Cohen (1988) suggests that the sample size required for a multiple regression with two predicting variables and with a power of .80 (at $\alpha = .05$) to detect a medium effect size is 107 (Chea and Luo 2008; Cohen 1988). Thus, the sample size of 178 in the present study is sufficient for structural equation modeling with PLS according to both Cohen's power and the "ten times" rule. Note that Cohen also argued that most studies in behavioral science aim at detecting the medium effect size (Chea and Luo 2008; Cohen 1988), as is also the case for the present study.

IV. Analysis and Results

Following Anderson and Gerbing (1988), we adopted a two-phase analysis approach to the model testing: the measurement and structural models. We used the bootstrapping re-sampling technique to estimate the significance of the paths with the structural model. The path significances were estimated using the bootstrapping re-sampling technique with 500 sub-samples.

4.1 Measurement Model

Internal consistency is assessed using Cronbach's alpha and composite reliability (CR) which was recommended by Fornell and Larcker (1981). Composite reliability is preferred for PLS analysis since it uses the observed loadings to reflect more accurately the relative importance of each of the underlying measures (Hair et al. 2011). Also, it is calculated independently of

the number of items employed for a construct, resulting in a more robust assessment of internal consistency. Cronbach's alpha values are presented for comparison. A value of .70 or larger for both Cronbach's alpha and composite reliability indicates adequate internal consistency. All the constructs in this study meet that criterion.

Construct validity of the measurement scales is assessed using confirmatory factor analysis (CFA). Convergent validity shows the degree

<Table 4> Reliability and Confirmatory Factor Analysis

Construct/Measure Items	Standardized Loading
Market Orientation (Cronbach's Alpha = .861)	
Our business objectives are driven primarily by customer satisfaction.	.734
We measure customer satisfaction systematically and frequently.	.813
We give close attention to after-sales service.	.662
We freely communicate information about our successful and unsuccessful customer experiences across all business functions.	.803
All of our business functions are integrated in serving the needs of our target markets.	.804
Our salespeople regularly share information within our business concerning competitor's strategies.	.783
Brand Orientation (Cronbach's Alpha = .809)	
In our company, brand decisions are and decided at the top management level.	.710
Our brand is differentiated toward the brands of our competitors.	.518
We take care that our brand positioning remains essentially the same over a long time period.	.823
We take care that our branding is constant over a long term period.	.877
We also invest in our brand in times of scarce financial resources.	.781
Organizational Performance (Cronbach's Alpha = .961)	
Compared with major competitors, our sales growth rate over the past year increased.	.913
Compared with major competitors, our market share growth over the past year increased.	.879
Compared with major competitors, our return on investment over the past year increased.	.904
Compared with major competitors, our profitability over the past year increased.	.908
Compared with major competitors, our overall performance over the past year increased.	.941
Our satisfaction level with the overall performance over the past year is high.	.949

Notes: All standardized loadings are statistically significant ($p < 0.01$).

to which items of the instrument are truly related and can be assessed using three criteria suggested: (1) a common rule of thumb for assessing construct validity is that individual items should have a factor loading of at least .5 (Anderson and Gerbing 1988) and (2) the average variance extracted (AVE) for each construct should exceed .5 (Fornell and Larcker 1981). Based on these criteria, all CFA loadings were significant, as shown in Table 4. Furthermore, the smallest AVE value among all three constructs in the CFA model was .565 for brand orientation, which was greater than the cut-off level of .50. Therefore, all three conditions for convergent validity are met.

Discriminant validity was assessed using Fornell and Larcker's (1981) criterion that the square

root of AVE for each construct should exceed the correlations between that and all other constructs. Table 5 presents the descriptive statistics and correlation matrix for the variable set. As the data in Table 5 shows, the highest squared correlation between any pair of constructs in the CFA model was .238, between market orientation and brand orientation. This figure was lower than the lowest AVE among all constructs, which was .565 for brand orientation. These results suggest that the discriminant validity of all constructs is acceptable.

4.2 Structural Model

In H1, H2, and H3, we predicted that there would be positive relationships among market

<Table 5> Summary Statistics and Correlation Matrix

	Mean	S.D.	CR	AVE	1	2	3	4	5	6.
1. Market Orientation	3.603	.812	.895	.590	1.00					
2. Brand Orientation	2.912	.698	.863	.565	.488***	1.00				
3. Organizational Performance	4.475	1.163	.968	.839	.353**	.321**	1.00			
4. Type of business ^a	.850	.360	N.A.	N.A.	.154	.024	.018	1.00		
5. Number of Employees	87.19	162.73	N.A.	N.A.	.133	.081	.024	.081	1.00	
6. Average Sales ^b	471.12	1273.19	N.A.	N.A.	.080	.084	.037	.064	.640***	1.00

Notes: N.A.= not applicable because the construct is measured through a single indicator, and therefore composite reliability (CR) and average variance extracted (AVE) cannot be computed.

^a Type of business is a dummy variable coded as B2C=0, B2B=1

^b Unit:100 million won

** $p < .01$ *** $p < .001$

orientation, brand orientation, and organizational performance. We tested these hypotheses using PLS analysis. Since PLS analysis does not generate an overall goodness-of-fit index, model validity is assessed primarily by examining the structural paths and R^2 values (Chwelos, Benbasat and Dexter 2001). We verified the t-value for the standardized path coefficients and calculated the p-value based on a two-tailed test with significance levels of .1, .05, and .01.

The results of PLS analysis for the proposed model are presented in Figure 2. It is found that market orientation significantly and positively influences brand orientation ($\beta = .494$, $p < .01$). The results support H1. As expected in H2, brand orientation is positively and significantly related to organizational performance ($\beta = .198$,

$p < .05$). It is also found that market orientation significantly and positively influences organizational performance ($\beta = .264$, $p < .01$). These results support H3. The coefficients of the three control variables (type of business (dummy variable), average sales for the past three years and number of employees) are not significant. Therefore, type of business and firm size do not have impact on the results.

H4 proposed that the market orientation-organizational performance relationship is mediated by brand orientation. Mediating effect is tested following the approach outlined by Baron and Kenny (1986). The statistical significance of the mediating effect is tested by mediating effect size (f^2) and the Sobel test. A reduced model is tested with a direct path between

<Figure 2> Results of Proposed Model (Full Model) Assessment

Note: Dotted lines represent non-significant relationships, and solid lines represent significant relationships.

** $p < .05$, *** $p < .01$, ns = non significance.

<Figure 3> Results of Rival Model (Reduced Model) Assessment

Note: Dotted lines represent non-significant relationships, and solid lines represent significant relationships.
 *** $p < .01$, ns=non significance.

market orientation and organizational performance (eliminating brand orientation). This is then compared to the model when brand orientation is added. In the reduced model, market orientation to organizational performance is significant. When the mediating variable is added to the proposed model, the link between market orientation and performance remains significant. Moreover, the variance explained in the performance variable is higher ($R^2=.161$) compared to the reduced model ($R^2=.138$). To test the statistical significance of mediating effect, the mediating effect size can be determined by comparing R^2 of the reduced model with R^2 of the full model (Chin 1998). The calculation for effect size (f^2) is as follows: We also used the following criteria for interpreting

effect size: (1) for small effect size, $.02 < f^2 \leq .15$; (2) for medium effect size, $.15 < f^2 \leq .35$; and (3) for large effect size, $f^2 > .35$ (Cohen 1988). As shown in Table 6, the mediation has a small effect size ($f^2=.029$). Thus, brand orientation has a mediating effect on the relationship between market orientation and organizational performance. Furthermore, the results of the Sobel test¹⁾ led us to conclude that the effect of market orientation on organizational performance is significantly mediated by brand orientation ($z=2.194$, $p < .05$). It appears that brand orientation partially mediates the relationship between market orientation on organizational performance. Therefore, H4 is supported.

1) We used 'Free Sobel Test Calculator for the Significance of Mediation'

(<http://www.danielsoper.com/statcalc3/calc.aspx?id=31>) to calculate the Sobel test statistic (z)

〈Table 6〉 Results of Significance of Mediating Effect

	R ²	ΔR ²	Effect Size(f ²) ^a	Sobel test(z) ^b
Proposed model (Full model)	.161	.024	.027 (small effect)	2.194 (p < .05)
Rival model (Reduced model)	.138			

^a The effect size $f^2 = [R^2(\text{full model}) - R^2(\text{reduced model})] / (1 - R^2(\text{full model}))$.

^b Sobel test statistic: $z = ab / \sqrt{(b^2 SE_a^2) + (a^2 SE_b^2)}$, where a is the coefficient for the relationship between market orientation and brand orientation, b is the coefficient for the relationship between brand orientation and organizational performance, SE_a is the standard error of the relationship between market orientation and brand orientation, and SE_b is the standard error of the relationship between brand orientation and organizational performance.

V. Discussion and Implications

Building upon studies on market orientation and brand orientation, the present study proposes a new conceptual model of brand orientation. This study offers a more comprehensive view by which to understand the interplay between market orientation and brand orientation and their effects on organizational performance. It empirically investigated the impact of market orientation and brand orientation on organizational performance. We also examined the mediating role of brand orientation in the relationship between market orientation and organizational performance for the first time, to the best of our knowledge.

In the following section, we discuss the results in relation to theoretical and managerial implications. The discussion revolves around the research questions addressed in the study.

5.1 Theoretical Implications

Collectively, the four research hypotheses and their relation to the conceptual considerations were fully supported. The causal model with brand orientation as the mediator between market orientation and organizational performance exhibited a strong overall fit. More specifically, we found that market orientation has an indirect effect on performance via brand orientation. This suggests the important role of brand orientation as the vehicle for facilitating market orientation.

The first theoretical implication is that we provide empirical evidence regarding the important role of brand orientation in explaining the multi-trait perspectives of strategic orientation. Previous studies have not provided much hard evidence on this as it relates to brand orientation. More specifically, we also empirically validated the mediating role of brand orientation in the market orientation-organizational performance relationship for the first time. Thus, we contribute to the marketing literature where it lacks

empirical studies investigating not only the direct effect of brand orientation on performance but also the indirect effect (i.e. mediating role) of brand orientation.

The second theoretical implication is that the concept of brand orientation can be empirically validated in the context of SMEs. Studies on branding with respect to SMEs have not received much attention and have been mostly carried out against the backdrop of large corporations in the literature (Spence and Essoussi 2010). This is problematic, considering the importance of SMEs' economic value creation in Korea. We thereby contribute to the marketing literature by providing empirical evidence of the brand orientation of SMEs and laying a foundation for future research on SME branding.

5.2 Managerial Implications

Previous studies have shown that SMEs have not put much emphasis on branding (Gabrielsson 2005; Inskip 2004). For the first time, our empirical results confirm that brand orientation is critical for market success among SMEs, influencing performance directly and indirectly. Therefore, this study provides insights for SMEs' top management levels that brand orientation is important in generating superior organizational performance.

The first managerial implication is that managers of SMEs should endeavor to build a brand-oriented corporate culture or mindset that

places brand values and brand norms as the top priority among their company's tasks. In order to do so, it might be imperative for managers to propagate brand values such as brand differentiation and sustainability of brand positioning to brand managers and employees. In addition, they should formulate clear brand positioning and integrate various communication methods. Lastly, managers should conduct market research and monitor whether brand orientation leads to enhanced brand effectiveness and performance.

The second managerial implication is that SME managers should acknowledge the fact that brand orientation is critical for SMEs as well as larger corporations. To date, Korean SMEs have attributed their lack of competitiveness to the unfairness of government policies and legislations with respect to SMEs. However, it is high time that these firms cultivate a corporate culture that recognizes and favors the brand in the marketing strategy and focuses on the creation, development, and protection of brand identity, which, in turn, will lead to sustainable competitive advantage and enhanced firm performance.

In summary, our study demonstrates that brand orientation plays an important role in the context of strategic orientation and warrants the special attention of managers, particularly those in SMEs.

5.3 Limitations and Directions for Future Research

Although this study provides a theoretical framework and empirical support for the relationship among market orientation, brand orientation, and organizational performance, it is not without limitations. First, since this research utilizes cross-sectional data, conclusions based on the results are tentative. The market/brand orientation - organizational performance association can be investigated by a longitudinal design, hence gaining a deeper understanding of the dynamics of this relationship. Second, although market orientation and brand orientation were incorporated into the research framework, not all potentially relevant variables were examined. The effect of other strategic orientations, such as technology orientation, cost orientation, and entrepreneurial orientation, on brand orientation and organizational performance should be explored in future studies. The third limitation is related to the selection of firms. Since this study examined the effect of SMEs' brand orientation, it might be fruitful for future studies to assess large organizations' brand orientation. By doing this, we can explore the differences and similarities between SMEs and large enterprises as they relate to brand orientation. Lastly, we utilized managers' retrospective perceptions to measure organizational performance. Although subjective (perceived) performance measures have been found to be

reliable and valid (Bonoma and Clark 1988), the findings can be strengthened by incorporating objective financial data in further research.

⟨Received September 20, 2012⟩

⟨1st Revised November 18, 2012⟩

⟨2nd Revised December 10, 2012⟩

⟨Accepted December 12, 2012⟩

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