How and when does the brand orientation-market orientation nexus matter?

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Keywords Brand management, Brand orientation, Market orientation, Brand management capability, Competitive intensity, Moderated mediation

Paper type Research paper
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1. Introduction

A brand is now widely acknowledged as a crucial point of differentiation for industrial products (Viardot, 2017). Within the industrial branding literature, scholars highlight the importance of developing superior brand images (Davis et al., 2008; Zhang et al., 2016). Increasingly, in industrial and business markets, a strong and positive brand image can be used as a basis for differentiation and the creation of a competitive advantage (Viardot, 2017).

The ability to build a strong brand is associated with how brand-oriented firms are. Recent industrial branding research suggests brand orientation facilitates brand success because it orients firms towards paying constant attention to their brand building efforts and regarding brands as a critical resource (Hirvonen et al., 2016). According to Santos-Vijande et al. (2013, p. 149), brand orientation is “a mindset, a type of organizational culture that ensures the brand will have a dominant role in the firm’s strategy.” Brand orientation captures the extent firms strive not only to satisfy the needs and wants of customers, but also lend a strategic significance to brands (Urde et al., 2013). Brand orientation in this sense reflects a firm or business unit’s focus on the brand and its importance to the business in supporting strong customer relationships, regardless of the brand being at the corporate or product level, or being a service or manufactured product (Reid et al., 2005).

Research also suggests in realizing the performance benefits of brand orientation, the role of market orientation is equally important (Urde et al., 2013). According to Narver and Slater (1998, p. 235), “the core of market orientation is an organization’s total commitment to the continuous creation of superior value for customers.” It captures the extent firms have an underlying belief system around customer satisfaction with the corresponding behavioral manifestations directed at continuously collecting and distributing market intelligence concerning customers and competitors (Genc et al., 2019; Iyer et al., 2018). Within the
industrial branding literature, research suggests market orientation facilitates brand success because it enables firms to generate a greater understanding of customer needs and develop brands that are more externally relevant in the market (Santos-Vijande et al., 2013).

Accordingly, extant research highlights the joint importance of brand orientation and market orientation in building strong brands (e.g., M’Zungu et al., 2017). However, there are inconsistencies in the literature. Some studies support the performance benefits of combining brand orientation and market orientation (e.g., Reijonen et al., 2012; Anees-ur-Rehman et al., 2017), while others do not (e.g., Tajeddini and Ratten, 2017; Anees-ur-Rehman and Johnston, 2018). Such inconsistent findings appear to suggest while there are clear performance advantages of having both brand orientation and market orientation in combination, there is still little clarity on how their interaction actually facilitates brand success. This is particularly problematic in the industrial branding context where many marketing practitioners are said to have limited understanding of the mechanisms linking branding efforts to performance (Chang et al., 2018). In addressing this issue, we draw on the resource-based view (RBV) and adopt a systematic view to assess the brand performance effects of brand orientation and market orientation.

The RBV posits while critical, resources alone do not directly contribute to performance; instead, they enable firms to perform better at taking strategic actions (i.e., capabilities), which in turn enhance performance (Ketchen et al., 2007). Against this background, we suggest brand orientation and market orientation do not simply combine and contribute to brand performance. Instead, they link in a systematic fashion to create a brand building potential that must be translated and realized by the primary customer-linking mechanism of a firm – that is, the firm’s brand management capability. Brand management capability reflects the organizational systems and processes that enable a firm to develop, support and maintain strong brands (Morgan et al., 2009a). Recent research suggests brand
management capability is central in enabling firms to link with customers and provide value through the brand (Lee et al., 2017). By focusing on the intervening role of brand management capability, our study departs from previous research and unpacks brand orientation and market orientation as a hybrid strategic orientation. We examine how they systematically link to facilitate brand management capability development and subsequently, brand performance.

Further, previous research suggests the role of market orientation is more important when firms face aggressive competitors (Kirca et al., 2005). Accordingly, we adopt the theoretical lens of dynamic capabilities (DC) and examine how, in highly competitive markets, brand orientation, market orientation and brand management capability combine systematically to yield superior brand performance. By doing so, our study sheds light on not only how brand orientation and market orientation contribute to brand performance, but also when their combination systematically facilitates brand management capability enhancement and subsequent brand performance. The conceptual model underpinning our study is shown in Figure 1. In the next section, we provide a review of the relevant bodies of literature, along with the hypothesized relationships between focal constructs. Then, we discuss research methods and report study findings. To conclude, we present both theoretical and managerial implications, as well as limitations of the current study and recommendations for future research.

--- Figure 1 here ---

2. Theoretical background and hypotheses

2.1. Examining the roles of brand orientation, market orientation, and brand management capability via the RBV

Within the brand management literature, brand orientation and market orientation are commonly regarded as important drivers of brand performance. Brand-oriented firms are said
to have the cultural mindset of attributing the highest degree of strategic emphasis to the brands they manage (Anees-ur-Rehman et al., 2018). While the customer needs and wants are recognized, the integrity of the brand is paramount, such that satisfying the needs and wants of customers is undertaken within the limits of the core brand identity (Urde et al., 2013). Considering the greater emphasis on brands, the literature suggests firms adopting brand orientation consider brands as the basis of their business model, and the hub around which business operations and strategies revolve (Hirvonen et al., 2016), which is critical for improving brand performance (Anees-ur-Rehman et al., 2018; Chang et al., 2018).

Market orientation, on the other hand, reflects the extent firms identify with the satisfaction of customers and seek the sustained creation of value for their customers (Santos-Vijande et al., 2013; Urde et al., 2013). Some scholars argue market orientation creates the necessary behaviors for discovering and satisfying customers through continuous needs assessment (Narver and Slater, 1998; Narver et al., 1998). Given the greater emphasis on customers, the literature suggests market orientation manifests in behaviors aimed at developing superior value for customers through collecting and distributing market intelligence concerning customers and competitors in current and prospective markets (Narver and Slater, 1998; Iyer et al., 2018). Market-oriented businesses are said to be committed to understanding both the expressed and latent needs of their customers, and the capabilities and plans of their competitors through the processes of acquiring and evaluating market information in a systematic and anticipatory manner (Slater and Narver, 1998). Market orientation in this sense is said to facilitate performance because it enables firms to develop a greater understanding of expressed and latent customer needs and competitor capabilities (Slater and Narver, 1995; Lim et al., 2017). Accordingly, we follow the approach of prior research (e.g., Santos-Vijande et al., 2013) and conceptualize market orientation as a multidimensional concept underlying two sub-dimensions (reactive and proactive orientation) to reflect the essence of continuous
creation of superior value for customers. The reactive component is concerned with understanding immediate customer needs and existing knowledge structure and experience in the market, whereas the proactive component emphasizes discovering future customer needs and detecting new market opportunities (Iyer et al., 2019).

Notwithstanding their conflicting strategic emphases (i.e., brands vs. customers), previous research suggests brand orientation and market orientation are parallel and often correlated business philosophies (e.g., Reid et al., 2005). Urde et al. (2013) argue the two strategic orientations when combined allow firms to not only maintain the relevance of their brand to customers, but also develop a brand focus to gain differentiation. Similarly, Reijonen et al. (2012) show growing or growth-oriented firms espouse brand orientation and market orientation to a larger extent than stable or declining firms. M’zungu et al. (2017) also suggest brand orientation and market orientation combine to form a hybrid strategic orientation, with none of the SMEs examined showing an exclusive brand orientation or market orientation.

Yet, recent research also demonstrates some inconsistencies. For example, Anees-ur-Rehman and Johnston (2018) suggest that market orientation and brand orientation interact to predict brand equity; however, they fail to empirically support this view. Further, while Tajeddini and Ratten (2017) argue that the combination of market orientation and brand orientation influences market performance, their results show that the marketing performance effect of market orientation is insignificant under high and low levels of brand orientation. These inconsistent findings suggest a more granular approach is needed to unpack how brand orientation and market orientation actually combine to facilitate brand performance.

In examining performance variation across firms, strategy scholars have commonly adopted the theoretical lens of the RBV. According to the RBV, firms achieve superior performance through idiosyncratic combination of resources and capabilities (Li-Ying et al., 2016). Resources are tangible (e.g., raw materials) and intangible (e.g., organizational culture)
assets available to firms for the conception and implementation of strategies (Morgan, 2012). Capabilities are special types of resources and represent the processes by which firms combine and transform the assets into valuable marketplace offerings (Kozlenkova et al., 2014). Resources are said to provide only potential value – the subsequent development of capabilities employed by firms to capitalize on the resources are what lead to superior firm performance (Ngo and O’Cass, 2012).

Drawing on the view that organizational culture represents an important resource and input to a firm’s marketing efforts (Morgan, 2012), we argue firms seeking to maximize brand performance must manifest their brand orientation in specific customer-related activities. Specifically, the central focus of brand orientation lies with the satisfaction of customer within the core brand identity (Urde et al., 2013). Brand orientation in this sense reflects the extent firms use brands as the basis of interaction with customers. While beneficial in accentuating the philosophical brand focus of the firm, brand orientation does not provide the operational means through which such focus is translated into greater concreteness (Hirvonen and Laukkanen, 2014). Thus, we argue a firm’s philosophical brand focus should be supplemented by an operational focus on customers – in this case, through market orientation.

Previous research suggests brand orientation and market orientation are bound by their common focus on the customer, in that the brand is embedded in organizational activities that develop and support strong customer relationships (Reid et al., 2005). In enacting brand orientation and implementing the underlying brand focus, firms need market-sensing systems in place to provide insight into managing the relationship between the brand and the customer (Reid et al., 2005). Accordingly, the role of market orientation is critical because effective brand building requires not only the appreciation of the importance of branding (Hirvonen and Laukkanen, 2014), but also analysis of external information concerning its customers and markets (Urde et al., 2013).
Underpinned by the RBV, we suggest brand orientation alone does not guarantee brand success. Market orientation enables firms to provide greater value to their customers by allowing the firms to better appreciate the different benefits brands offer and how these brands form an intrinsic part of customer needs (Santos-Vijande et al., 2013). Market orientation in this sense represents the key through which a firm emphasizing brand building and success uses the brand as the basis of interaction and establishes a stronger link with customers. It allows the brand-oriented firm to develop a greater understanding of not only the expressed and latent needs of customers, but also its strengths and weaknesses relative to competition (Lisboa et al., 2011). This creates a knowledge platform that provides a source of ideas for brand change and improvement (Ngo and O’Cass, 2012). Therefore,

\[ H1: \quad \text{Brand orientation is positively related to market orientation.} \]

The literature suggests the development of strong brands rests on the firm’s ability to facilitate strong relationships with customers (Reid et al., 2005). Thus, in addition to market orientation, we suggest brand management capability is also critical for firms emphasizing brand building and success. Brand management capability captures the ability of a firm to develop, support and maintain strong brands (Morgan et al., 2009a), and is considered an important mechanism for maximizing brand performance (Lee et al., 2017).

To facilitate brand management capability development, the literature suggests market orientation plays a critical role. Iyer et al. (2018) argue market orientation and its corresponding behavioral manifestations are a resource that can be harnessed to develop capabilities. It is said that market orientation is an important knowledge-generating mechanism that provides firms with a significant know-what knowledge advantage (Morgan et al., 2009b). It facilitates and acts as a precursor to the development of critical know-how, customer-linking capabilities, including marketing capability (Murray et al., 2011) and innovation capability (Ngo and
O’Cass, 2012). Accordingly, some scholars argue while critical, market orientation alone is an insufficient condition for firms to achieve superior performance (Ketchen et al., 2007). Customers do not purchase a firm’s products because the firm possesses knowledge of their wants and needs; instead, they are drawn by and support firms that are able to transform that knowledge into attractive and valuable offerings (Ngo and O’Cass, 2012).

By the same token, customers support a brand not because the firm behind it has a strong branding mindset or actively collects and distributes market intelligence concerning customers and competitors, but how the firm delivers meaningful brand offerings, connects with customers and serves their needs within the confines of what the brand stands for (Lee et al., 2017). In this regard, the firm’s brand management capability is paramount because it enables firms to establish and maintain uniqueness of their brands among existing and prospective customers, and perceived differentiation from rivals (Morgan et al., 2009a). It also can facilitate perceived customer value by driving customer knowledge about a branded good or service, and creating expectations about its performance along dimensions important to the customer, such as positioning and image (Vorhies et al., 2011). Brand management capability can thus be seen as the key mechanism through which firms use the brand as the basis of interaction with customers. It enables firms to link with customers through the brand and facilitates customer relationships by conveying important messages about the brand’s positioning, personality, image and the like to target customers (Lee et al., 2017).

Building on the view that market orientation as a market-focused resource influences market-based strategy selection and implementation (Iyer et al., 2018), we argue brand management capability facilitates firms’ use of market information in brand building. In emphasizing brand building and success, firms collect and distribute market intelligence concerning their customers and competitors to identify and pursue emerging opportunities within the broader brand identity framework (Urde et al., 2013). Engaging in such market-
based learning activities provides firms with a knowledge foundation to identify the most relevant and promising market trends that can be incorporated into the development of specific, customer-linking branding actions. Market orientation in this sense acts as an important organizing mechanism that facilitates brand management capability development, allowing firms to serve the needs of customers through the brand. Therefore,

\[ H2: \quad \text{Market orientation is positively related to brand management capability.} \]

Brand performance reflects the strategic achievements of a brand and the success it has in the marketplace using indicators such as market share, sales growth and profitability (O’Cass and Ngo, 2007). The literature suggests a brand performs well in the market because customers have positive thoughts and feelings, and favorable associations of the brand (Zhang et al., 2016). A firm’s brand management capability in this sense is essential in achieving these outcomes because it is said to reflect the ability to communicate important aspects of the brand to target customers (Orr et al., 2011).

Brand management capability allows firms to create a differentiated position for their brands and enhances their marketplace performance (Morgan et al., 2009a). Further, it facilitates customer satisfaction (Orr et al., 2011), and contributes to growth in revenue, market share and sales (Morgan et al., 2009a). Since the RBV suggests the actions (i.e., capabilities) developed and employed by firms are what contribute to performance (Ketchen et al., 2007), we expect the customer-linking branding actions undertaken through brand management capability to contribute to improving the competitiveness of a brand in the marketplace. Therefore,

\[ H3: \quad \text{Brand management capability is positively related to brand performance.} \]
Taking the above arguments and placing them within the underpinning of RBV, we expect that brand orientation contribute to brand performance via the intervening mechanisms of market orientation and brand management capability. Specifically, because brand orientation emphasizes protecting and developing brand success, it provides firms with the cultural impetus to engage in learning about their customers and competitors through market orientation, which in turn provides the knowledge foundation upon which specific customer-linking branding actions are developed through brand management capability to enhance brand performance. Therefore, integrating H1 to H3,

\[ H4: \text{Brand orientation has an indirect effect on brand performance via market orientation and brand management capability.} \]

2.2. Examining the moderating role of competitive intensity via the DC theory

The DC theory posits firms should develop processes for resource reconfiguration and capability enhancement in order to evolve and fit with changing market demands, because failing to do so creates organizational rigidities that suppress performance gains (Morgan, 2012). In adapting to environmental variations, firms assemble and integrate required resources to form organizational capabilities to meet changing market demands, and deliver offerings that are of value and relevance to target markets (Spyropoulou et al., 2017). The contribution of a firm’s resources and capabilities is thus context-specific and requires a fit with environmental contingencies (Sirmon et al., 2007).

Against this background, we argue that greater competitive intensity might force firms to enact their brand orientation via market orientation. Competitive intensity concerns the market competition faced by a firm, captured by the number of competitors, and intensity and frequency of using marketing techniques such as pricing activities to gain market share (Jaworski and Kohli, 1993). Some scholars argue that in less competitive markets, a firm may
perform well, independent of whether it is market-oriented, because customers have fewer alternatives and may be less able to easily switch firms, thus are more likely to continue purchasing from the firm (Spyropoulou et al., 2017).

Conversely, in highly competitive markets, the role of market orientation is critical because customers have a wide array of options to satisfy their needs and wants (Murray et al., 2011), and can easily switch from one supplier firm to another (Spyropoulou et al., 2017). In these contexts, firms have to continuously try to anticipate and respond to rivals’ actions in order to satisfy customer demands better than the competition (Murray et al., 2011). Firms must simultaneously focus on understanding their target markets and consider competitors’ strategies in order to build up meaningful relationships with customers. Market responsiveness is thus likely to become more important when a firm is faced with aggressive competitors (Kirca et al., 2005).

Accordingly, when operating in highly competitive markets, we expect firms emphasizing the strategic importance and success of their brands to engage more heavily in collecting and distributing market intelligence. Engaging in such market-based learning activities enables the brand-oriented firms to maintain the relevance of their brands to customers (Urde et al., 2013). It facilitates brand growth and development strategies by identifying emerging market trends and opportunities that align and are most relevant to the firm’s desired brand positioning and existing brand associations (Morgan et al., 2009a). The market-learning behaviors encouraged by market orientation also allow brand-oriented firms to better position their brands relative to competition and command a greater customer share by not only identifying prospective new customers and generating insights concerning their latent needs, but also having more in-depth knowledge of competitor brands and rival offerings (Morgan et al., 2009a). Thus, when faced with increased competition, firms prioritizing the strategic importance and success of their brands are more likely to gather information about
their competitors and customers because it facilitates the identification of the ways in which the relevance and competitiveness of their brands could be enhanced. Therefore,

**H5:** *Competitive intensity moderates the relationship between brand orientation and market orientation, such that the relationship is stronger when competitive intensity is high than when it is low.*

In aligning with environmental contingencies and delivering sustained competitive advantage, scholars highlight the importance of a firm’s capacity to (1) *sense* opportunities and threats, (2) *seize* opportunities, and (3) maintain competitiveness through *transforming* and reconfiguring the firm’s tangible and intangible assets (Teece, 2007; Wu, 2010). Market orientation in this sense reflects the underlying tenets of *sensing* and *seizing* because firms with strong market orientation should have the market-sensing ability to identify and capture the emerging trends and opportunities in the market that have significant brand building potential. Brand management capability, on the other hand, conceptually leans towards the micro-foundation of *transforming* because it entails a firm’s resources and capabilities (i.e., the unique combination of brand orientation and market orientation) being transformed into new brand management competences. When coupled with a firm’s underlying brand orientation, the market intelligence generated through market orientation should facilitate the renewal of the firm’s systems and processes for developing and growing strong brands. Accordingly, we suggest market orientation and brand management capability capture a firm’s higher-order dynamic branding capabilities given they reflect the firm’s ability to engage in market-based learning and use the resulting insight to reconfigure the firm’s resource base and enhance its capabilities in response to changing market demands (Morgan, 2012; Li-Ying et al., 2016).

We expect that since firms adopting brand orientation emphasize the strategic importance and success of their brands, they are more likely to engage in market-based learning
activities because it facilitates the enhancement of their brand management competences, particularly when faced with aggressive competitors and establishing a differentiated brand position is of critical importance. Specifically, when operating in highly competitive environments, a firm adopting brand orientation is likely to generate a greater understanding of customer needs and competitor capabilities. Doing so allows the brand-focused firm to develop the required branding actions to align more closely with customers and their preferences, and serve their needs through the brand better than competition. Through market orientation, the brand-focused firm is able to generate a more comprehensive understanding of marketplace events, facilitating the anticipation of competitive reactions (Morgan et al., 2009a), and changes in customer needs and requirements (Iyer et al., 2018). Accordingly, the brand-focused firm is equipped with the knowledge foundation to improve their brand management competence and develop superior brand management capability, enacting the appropriate and relevant actions to link with customers through the brand better than competition. When deployed, the firm’s brand management capability enhances the relevance of the brand in the minds of customers and positions the brand more competitively in the market. Thus, the confluence of market orientation and brand management capability represents the key customer-linking mechanism through which firms emphasizing brand building and success establish a stronger and more meaningful brand connection with customers, particularly in the face of intense competition. Therefore,

\[ H6: \text{ Competitive intensity moderates the indirect effect of brand orientation on brand management capability through market orientation, such that the indirect effect is stronger when competitive intensity is high than when it is low.} \]

3. **Research design**

3.1. **Sample and data collection**
In testing the hypotheses, we gathered survey data from a sample of Taiwanese business firms in the manufacturing sector. We focused on these firms because previous research suggests most Taiwanese manufacturers operate as original equipment or design manufacturers for international corporations and branding helps with maintaining good relationships and long-term contracts with subcontracting corporations (Huang and Tsai, 2013; Yang and Tsou, 2017). We commissioned a national research company for the data collection. We required the research company to approach firms based on several criteria. First, given our focus on brands, we followed previous research (Homburg et al., 2010; Mehrabi et al., 2019) and targeted strategic business units (SBUs) built around brands within firms (if no specialization into different brand units existed, we targeted the entire firm). Second, following previous research (Zhang et al., 2016; Mehrabi et al., 2019), we targeted brand units with autonomy in making independent branding or marketing decisions. Finally, we excluded brand units with less than three years of operational age as they are said to lack development stability (Zhang et al., 2016).

Considering the threat of common method bias associated with single informant designs (Atuahene-Gima, 2005), we employed a multiple informant approach to collect data from two hierarchical levels. For each brand unit, respondents at senior- and middle-level management were targeted given their knowledge of and familiarity with the brand (Tajeddini and Ratten, 2017). To ensure consistency in the dyadic responses, a brand database was developed, specifying the contact information of the key managerial persons linked to each brand. This procedure facilitated the identification of and direct contact with (1) the most senior managerial person in charge of overseeing the daily operations of the brand, and (2) the managerial person under the supervision of or reporting immediately to the most senior managerial person of the same brand. The brand units were screened based on our previously outlined criteria before on-site interviews with informants were scheduled and administered by trained interviewers. On-
site data collection was adopted as it facilitates access to respondents, assessment of their suitability and understanding of issues, and improves response rates (Sok and O’Cass, 2015).

In addition to using multiple informants, we further minimized the threat of common method bias by assuring the informants there were no right or wrong answers, and their responses would remain anonymous and confidential to reduce socially desirable responses (Podsakoff et al., 2003). Further, since our model involves interaction effects, it is less likely to suffer from potential bias as previous research suggests common method bias reduces the probability of finding significant interaction effects (Sok et al., 2015).

A total of 274 complete surveys were received, constituting 137 complete and matched brand-specific cases. Among the cases, 102 (74.5%) were operating in the textiles sector, 23 (16.8%) in the computer and electronics sector, and the remaining 12 (8.8%) in the automotive sector. In terms of brand unit size, the median was 200, with 71 cases (51.8%) having 200 or less full-time employees. Regarding brand unit age, the median was 25, with 67 cases (48.9%) having been in operation for more than 25 years. Following Vorhies et al. (2011), we examined non-response bias by comparing early and late respondents on organizational characteristics. The results showed no significant differences in terms of brand unit age and size.

3.2. Measures

Following the recommendation of previous research (e.g., Atuahene-Gima, 2005), we sourced measures for the key variables separately. This procedure is recommended as an efficient method for avoiding common method bias as it separates the informants providing information on the measures for the main predictor and criterion variables (Sok and O’Cass, 2015). Accordingly, the first informant (i.e., senior manager) responded to items pertaining to competitive intensity, brand management capability and brand orientation. Six items from Jaworski and Kohli (1993) measured competitive intensity. To measure brand management
capability, six items based on the work of Ewing and Napoli (2005), and Morgan et al. (2009a) were used. In line with our conceptualization, these items were adapted to reflect firms’ externally-focused brand building actions (instead of internal brand management practices) within the industrial marketing context, where brand awareness is said to be less relevant (Zhang et al., 2016). Five items based on the work of Baumgarth and Schmidt (2010), and Wong and Merrilees (2008) were used to measure brand orientation. Consistent with our conceptualization, these items were adapted to reflect firms’ overall brand-focused cultural mindset instead of specific internal and external brand building behaviors (Urde et al., 2013).

The second informant (i.e., middle manager) responded to items pertaining to market orientation and brand performance. Following Santos-Vijande et al. (2013), we measured market orientation using items drawn from Narver et al. (2004) to capture the proactive (eight items tapping firms’ attempt to understand and satisfy latent customer needs) and reactive (seven items focusing on expressed customer needs) dimensions of market orientation. These items reflect firms’ commitment to the continuous creation of superior value for customers through collecting and distributing market intelligence concerning customers and competitors in current and prospective markets. Five items based on the work of O’Cass and Ngo (2007) were used to measure brand performance. All items were measured using seven-point scales, where 1=strongly disagree and 7=strongly agree, with the exception of brand performance where 1=very poor and 7=very good. We report all study items in Appendix A.

We included several control variables in the study. Brand unit size and age were respectively measured as the logarithm of the total number of employees and number of years since formation or incorporation. Consistent with prior research (Vorhies et al., 2011; Zhang et al., 2016), we controlled for the brand’s previous year performance and the extent the brand units had autonomy in making brand-related decisions. Following Atuahene-Gima (2005), we also included two items to measure respondents’ confidence and knowledge in answering the
survey questions to control for the quality of completed surveys. Any respondent answering the items, operationalized on a seven-point scale (1=not at all confident/knowledgeable and 7=very confident/knowledgeable), with a score of less than four were removed. This procedure led to the omission of 103 cases as a result of either one or both of the informants failing to meet the criteria. It is worth noting that none of these omitted cases were from the final sample of 137 cases. We pre-tested the survey and assessed the face and content validity of the items by interviewing a panel of marketing managers, who were not subsequently included in the final survey, and academics. They were asked to complete the draft survey and rate the items in terms of their logic, relevance and comprehension. No major concerns were reported. Before testing the hypotheses, we performed a psychometric analysis on the constructs using AMOS 25.

4. Results

4.1. Measure reliability and validity

Consistent with prior research (Narver and Slater, 1998; Santos-Vijande et al., 2013), we conceptualized market orientation in this study as a multidimensional construct with two underlying dimensions (reactive and proactive orientation). We followed Santos-Vijande et al. (2013) and performed a series of confirmatory factor analysis (CFA) to verify the multidimensional nature of market orientation. At the first-order dimension level, the analysis confirms the convergent validity of the dimensions. All individual indicators exceed the required benchmark of .50 and load onto their intended dimensions at a significant level (Hulland, 1999) (see Appendix A). The average variance extracted (AVE) estimates for each dimension (.53 for reactive, .58 for proactive) are also greater than the acceptable limit of .50 (Bagozzi and Yi, 1988). Further, the results provide evidence of discriminant validity between the dimensions because their squared correlation estimate (.002) is lower than their respective
AVE estimates (Fornell and Larcker, 1981). At the second-order construct level, the analysis confirms the existence of a concept underlying two sub-dimensions. The fit indices are satisfactory ($\chi^2$/df = 1.53, TLI = .94, CFI = .95, RMSEA = .06) and the loadings of the two dimensions (.62 for reactive, .81 for proactive) exceed the .50 benchmark and are significant ($p < .01$). Taken together, these results confirm the multidimensional nature of the market orientation construct.

Having validated the market orientation construct, we proceeded to assess the psychometric properties of all multi-item scales. The results indicate an acceptable fit ($\chi^2$/df = 1.06, TLI = .98, CFI = .98, RMSEA = .02) and show that the loadings of all individual indicators exceed the benchmark of .50 and load well onto the constructs they were intended to measure at a highly significant level ($p < .01$) (see Appendix A). The AVE estimates for each construct are also above the cut-off value of .50 (see Table 1), providing evidence of overall convergent validity. Similarly, as shown in Table 1, the correlation value between any two corresponding constructs (ranging from .18 to .65) is below their respective square root of AVE estimates (ranging from .71 to .77). These results provide evidence of overall discriminant validity.

--- Table 1 here ---

4.2. Hypotheses testing

We followed prior research (e.g., Lim et al., 2017) and adopted multivariate regression analysis to test the hypotheses. The findings are reported in Table 2. As shown in Model 2, the results indicate that brand orientation relates positively to market orientation (H1) ($\beta = .53$, $p < .001$), which in turn relates positively to brand management capability (H2), as shown in Model 6 ($\beta = .51$, $p < .001$). The results also show that brand management capability relates
positively to brand performance (H3), as shown in Model 8 (β = .31, p < .001). Collectively, these results provide support for H1 to H3.

--- Table 2 here ---

We predicted in H4 that brand orientation affects brand performance indirectly through market orientation and brand management capability. We followed the approach recommended by Zhao et al. (2010) to test this hypothesis, and performed the bootstrapping test using the SPSS macro application recommended by Hayes (2017). Specifically, Zhao et al. (2010) suggest that for a mediation test, the relationship between an independent variable and a dependent variable does not need to be statistically significant; instead, the only requirement is that the indirect effect be significant, computed using the more powerful and rigorous bootstrap test that addresses concerns related to sampling distribution normality. The results of the bootstrap test indicate that the indirect effect of brand orientation on brand performance through market orientation and brand management capability is statistically significant (β = .05, 95% confidence intervals = .03 to .11), confirming H4.

We predicted that competitive intensity moderate the relationship between brand orientation and market orientation (H5), and the indirect effect of brand orientation on brand management capability via market orientation (H6). In testing these hypotheses, we followed the approach recommended by Aiken and West (1991), and mean-centered all variables before creating the interaction terms. The variance inflation factor (VIF) values across the regression models were less than the benchmark of 10 (ranging from 1.00 to 1.61) (Hair et al. 2010), suggesting multicollinearity was not of significant concern.

As shown in Model 4 of Table 2, the results indicate the interaction effect of brand orientation and competitive intensity on market orientation is statistically significant (β = .17, p < .05). Simple slope tests were performed to probe the effect of brand orientation on market
orientation at one standard deviation below and above the mean of competitive intensity. As shown in Figure 2, the results indicate the relationship between brand orientation and market orientation is significant and positive when competitive intensity is high (β = .22, p < .001), but not when it is low (β = .04, p > .10). Taken together, these results provide support for H5.

--- Figure 2 here ---

Following Hayes (2017), we tested H6 by examining the indirect effect of brand orientation on brand management capability via market orientation at high versus low levels of the moderator, competitive intensity. The results show that the indirect effect is statistically significant when competitive intensity is high (β = .12, 95% confidence intervals = .02 to .23), but not when it is low (β = .02, 95% confidence intervals = -.07 to .18), confirming H6.

### 4.3. Additional analysis

To validate the theoretical rigor of our research model, we performed additional analyses to corroborate our findings. We repeated our analytical procedures as reported previously and adopted the bootstrap test. First, we estimated a different model to account for the alternative argument that market orientation might be a better predictor of brand performance through brand orientation and brand management capability (Urde et al., 2013). Our findings show that the indirect effect is not statistically significant (β = .023, 95% confidence intervals = -.007 to .066). We further estimated a series of alternative models and examined whether market orientation and brand management capability each had serial mediation effects on brand performance. As shown in Table 3, none of the alternative models yielded a significant indirect effect, lending credence to our empirical findings.

--- Table 3 here ---

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Second, while not formally hypothesized, we estimated a moderated serial mediation model where brand orientation is expected to influence brand performance through market orientation and brand management capability when competitive intensity is high than when it is low. The findings indicate that the indirect effect of brand orientation on brand performance through market orientation and brand management capability is statistically significant when competitive intensity is high ($\beta = .032$, 95% confidence intervals = .0003 to .079), but not when it is low ($\beta = .007$, 95% confidence intervals = -.019 to .044). Collectively, these results lend further support to the findings presented above.

5. **Discussion and implications**

While previous research provides evidence supporting the joint importance of brand orientation and market orientation in facilitating brand success (e.g., Reijonen *et al.*, 2012), there is currently limited understanding of how, and when, their combination actually contributes to brand performance. Our study addresses this issue by unpacking the interactive performance effects of brand orientation and market orientation, and examining the specific roles they assume, along with brand management capability, in the brand building process. We also examined the specific environmental condition under which market orientation is critical in translating a firm’s underlying brand focus (i.e., brand orientation) into superior customer-linking branding actions (i.e., brand management capability). Accordingly, our study offers important implications for brand management theory and practice.

By adopting the theoretical lenses of RBV and DC, our study contributes to the current literature by not only identifying what drives brand performance, but also how and when these strategic factors contribute to brand performance. Specifically, our study extends prior research (e.g., Anees-ur-Rehman and Johnston, 2018) and shows through the RBV that brand orientation and market orientation link in a systematic fashion to provide a brand building
potential that is realized by brand management capability to yield superior brand performance. As a higher-order organizational philosophy, brand orientation is critical in instigating the brand building process. It acts as the cultural force that promotes collection and distribution of market intelligence concerning customers and competitors, which in turn provides the knowledge foundation that facilitates the development of specific customer-linking branding actions. In this regard, the RBV facilitates our understanding of the specific roles brand orientation, market orientation, and brand management capability assume in yielding superior brand performance.

Through the lens of DC theory, our study sheds light on when and how the nexus between brand orientation and market orientation contributes to brand performance. Previous research suggests the joint effects of brand orientation and market orientation are universally critical for brand success (e.g., Anees-ur-Rehman and Johnston, 2018). However, our findings show the relationship between brand orientation and market orientation is contingent upon competitive intensity, such that the effects of brand orientation on market orientation and brand management capability via market orientation are significant and positive when competitive intensity is high but not when it is low. These findings suggest when firms are required to continually respond to competitive threats in the market, the role of market orientation becomes more important. It operationalizes a firm’s underlying brand orientation by encouraging collection and distribution of market intelligence concerning customers and competitors in current and prospective markets to enable the brand-focused firm to continuously enhance its brand management capability.

Accordingly, our adoption of the DC theory highlights the important role of market orientation and brand management capability as a firm’s higher-order dynamic branding capabilities in sustaining competitive advantage (Li-Ying et al., 2016). Previous research suggests brand management capability is critical in realizing the performance benefits of a
firm’s underlying brand orientation (e.g., Lee et al., 2017). However, our study suggests while important, brand management capability alone is insufficient for maintaining superior brand performance in highly competitive markets. Instead, its systematic combination with market orientation enables a firm to channel its brand-focused cultural mindset into continuously improving the relevance of its customer-linking branding actions via the collection and distribution of market intelligence regarding customers and competitors in current and prospective markets. As such, the confluence of market orientation and brand management capability under highly competitive environments is key to maximizing the brand building potential of brand orientation.

In light of the above findings, we offer important implications for managers. First, managers are advised to foster brand orientation within their firms in an effort to improve the marketplace performance of their brands. In doing so, managers should focus on ensuring the brand is positioned at the heart of the organization. Firm operations and strategies should revolve around the brand so that an organization-wide appreciation of the importance of the brand can be established. Our findings suggest establishing this organization-wide focus on and appreciation of the brand is fundamental to achieving superior brand performance because it is key to setting the brand building process in motion.

Second, to operationalize the organization-wide brand focus, managers are advised to promote the importance of creating superior value for customers by encouraging an organization-wide involvement in gathering and distributing market intelligence concerning customers and competitors. Given the centrality of the brand in developing and supporting strong customer relationships, a firm’s underlying brand orientation should be enacted by the development of a greater understanding of customer needs and alternative satisfiers of those needs. Developing such knowledge is critical as it provides the basis upon which firms can develop the required actions to create value for and link with customers through the brand.
Third, our findings suggest in highly competitive environments, the role of market orientation is all the more important in enacting firms’ underlying brand orientation because it enhances brand management capability development. Specifically, when faced with aggressive competition, firms focusing on building strong brands must ensure they continuously create superior value for customers by collecting and distributing market intelligence concerning customers and competitors in current and prospective markets. Acquiring such intelligence enables the firms to continuously improve their branding actions and enhance the relevance and value of their brands to customers. Therefore, managers should promote continuous market-based learning when faced with aggressive competitors because it is critical in translating the organization’s underlying brand values and beliefs into relevant and meaningful branding strategies, which are in turn key to achieving superior brand performance.

6. Limitations and recommendations for future research

The findings of this study should be interpreted in light of specific limitations. First, while we followed the approach of prior research and captured brand performance in market terms (e.g., sales growth, market share), future research may benefit from assessing brand performance using a combination of market and non-market performance measures (such as brand image). Recent research suggests these measures provide a more accurate assessment of the effectiveness of a firm’s brand-related activities (Iyer et al., 2018). Second, the role of controlling mechanisms has yet to be considered within the context of our study. Previous research within the branding literature suggests that consistency is key to developing strong brands (Lee et al., 2017). Thus, additional insights into the nexus between controlling mechanisms, branding consistency and environmental dynamism may contribute to advancing brand management theory and practice.
Appendix A: Measurement items

<table>
<thead>
<tr>
<th>Constructs and items</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brand orientation</strong></td>
<td></td>
</tr>
<tr>
<td><em>When managing this brand, we:</em></td>
<td></td>
</tr>
<tr>
<td>Recognize the brand as a top priority of the business.</td>
<td>.70</td>
</tr>
<tr>
<td>Look to the brand as an essential guiding principle for our behaviors.</td>
<td>.66</td>
</tr>
<tr>
<td>Consider the brand as a guiding philosophy for the running of the business.</td>
<td>.70</td>
</tr>
<tr>
<td>Think of the brand as an essential starting point for the development of strategic actions.</td>
<td>.75</td>
</tr>
<tr>
<td>Think of the brand as a valuable asset of the business.</td>
<td>.69</td>
</tr>
<tr>
<td><strong>Reactive market orientation</strong></td>
<td></td>
</tr>
<tr>
<td><em>When managing this brand, we have:</em></td>
<td></td>
</tr>
<tr>
<td>Constantly monitored our level of commitment and orientation to serving customer needs.</td>
<td>.75</td>
</tr>
<tr>
<td>Freely communicated information about our successful and unsuccessful customer experiences across all business levels (e.g., senior, middle) and departments (e.g., marketing, accounting) involved in the management of this brand.</td>
<td>.69</td>
</tr>
<tr>
<td>Based our strategy for competitive advantage on our understanding of customers’ needs.</td>
<td>.76</td>
</tr>
<tr>
<td>Measured customer satisfaction systematically and frequently.</td>
<td>.77</td>
</tr>
<tr>
<td>Been more customer-focused than our competitors.</td>
<td>.79</td>
</tr>
<tr>
<td>Adopted serving customers as our primary purpose.</td>
<td>.75</td>
</tr>
<tr>
<td>Disseminated data on customer satisfaction across all business levels and departments involved in the management of this brand on a regular basis.</td>
<td>.64</td>
</tr>
<tr>
<td><strong>Proactive market orientation</strong></td>
<td></td>
</tr>
<tr>
<td><em>When managing this brand, we have:</em></td>
<td></td>
</tr>
<tr>
<td>Regularly helped customers anticipate developments in their wants and needs.</td>
<td>.74</td>
</tr>
<tr>
<td>Continuously tried to discover additional needs of customers of which they are unaware.</td>
<td>.75</td>
</tr>
<tr>
<td>Often incorporated solutions to unarticulated customer needs in new products.</td>
<td>.76</td>
</tr>
<tr>
<td>Always brainstormed on how customers use the brand’s products.</td>
<td>.78</td>
</tr>
<tr>
<td>Regularly innovated even at the risk of making the brand’s other products obsolete.</td>
<td>.80</td>
</tr>
<tr>
<td>Routinely searched for opportunities in areas where customers have a difficult time expressing their needs.</td>
<td>.80</td>
</tr>
<tr>
<td>Always worked closely with lead users who try to recognize customer needs months or even years before the majority of the market may recognize them.</td>
<td>.77</td>
</tr>
<tr>
<td>Regularly extrapolated key trends to gain insight into what users in a current market will need in the future.</td>
<td>.74</td>
</tr>
</tbody>
</table>
Competitive intensity<sup>a</sup>

*Within the market this brand competes:*

- Competition is cut-throat. .79
- There are many “promotion wars.” .77
- Anything that one competitor can offer others can match easily. .76
- Price competition is a hallmark. .83
- One hears of a new competitive move almost every day. .72
- Our competitors are relatively weak. (R) .71

Brand management capability<sup>a</sup>

*When managing this brand, we have:*

- Developed positioning strategies that are consistent with the brand’s image. .74
- Established the appropriate associations that reinforce the brand’s image in customers’ minds. .72
- Controlled the consistency between customers’ perceived image of the brand and its intended image. .74
- Portrayed the brand with an appealing personality that reflects the brand’s image. .69
- Identified potential extension opportunities that consolidate the brand’s image. .70
- Developed integrated marketing programs that send consistent messages to customers about the brand. .66

Brand performance<sup>b</sup>

*Based on the most recent and up-to-date information available to us (e.g., company reports, market research, financial reports), the information shows that relative to competing brands, this brand’s performance in terms of:*

- Overall performance has been .67
- Sales has been .69
- Market share has been .72
- Sales growth has been .74
- Margin increment has been .78

Notes: <sup>a</sup>1=strongly disagree, 7=strongly agree; <sup>b</sup>1=very poor, 7=very good; (R) = reversed item.
References


