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The strategic hybrid orientation and brand performance of B2B SMEs

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Abstract

Purpose – The purpose of this paper is to learn how strategic hybrid orientation – constructed from brand and market orientations – is related to the brand awareness, brand credibility, and financial performance of business-to-business (B2B) small- and medium-sized enterprises (SMEs).

Design/methodology/approach – The questionnaire was used in a survey to collect data from 250 Finnish B2B SMEs. The sampled firms were categorized into four clusters according to a two-by-two matrix, and their relationships with the brand performance outcomes were examined using one-way ANOVA and multiple regression.

Findings – The results indicate that strategic hybrid orientation is positively related to all three dimensions of brand performance, showing that two dissimilar orientations can complement each other in improving brand performance outcomes. However, the strength of complementary interaction seems to vary depending on the degree to which brand- and market-oriented attributes dominate in a firm's strategy.

Originality/value – This is one of the first studies to provide empirical evidence to support the concept of strategic hybrid orientation for branding in B2B SMEs. This study aims to contribute to existing research on SME branding by capitalizing on B2B branding and strategic management literatures.

Keywords Brand awareness, Financial performance, Market orientation, B2B branding, Brand credibility, Brand orientation, Strategic hybrid orientation

Paper type Research paper

Introduction

Brand building is one of the key objectives of marketing strategy. Small- and medium-sized enterprises (SMEs) that are actively involved in strengthening their brand have a significant performance advantage over their competitors (e.g. Agostini *et al.*, 2015; Berthon *et al.*, 2008; Odoom, 2016; Selase Asamoah, 2014). Similarly, Hirvonen *et al.* (2016) demonstrated that business-to-business (B2B) SMEs have achieved high business growth with the help of their strong brand. Particularly in B2B markets, the stronger brand produces more trust and a close relationship with customers and other stakeholders (Leek and Christodoulides, 2011). While the importance and process of brand building in SMEs have been emphasized in the literature (e.g. Khan and Ede, 2009; Spence and Essoussi, 2010; Krake, 2005), it has received far less attention in the context of B2B markets (Glynn, 2012; Seyedghorban *et al.*, 2016; Hirvonen *et al.*, 2016).

According to Hakala (2011, p. 200), "strategic orientations are viewed as principles that direct and influence the activities of a firm and generate the behaviours intended to ensure the viability and performance of the firm." And consequently, various firm performance measures show improvement when relevant strategic orientation is devised in SMEs (Weinzimmer *et al.*, 2013; Batra *et al.*, 2015; Pérez-Luño *et al.*, 2016; Hirvonen and Laukkanen, 2014; Dutot and Bergeron, 2016). Moreover, a number of studies have shown

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that often two or more relevant strategic orientations can have a combined effect on SME's performance (e.g. Li *et al.*, 2008; Baker and Sinkula, 2009), including its brand performance (Laukkanen *et al.*, 2013, 2016). The concept of developing two or more strategic orientations for firm performance is one of the widely researched topics in the strategic management literature (Hakala, 2011), but this approach for brand performance in B2B SMEs has caught scholars' attention quite recently (Reijonen *et al.*, 2015).

There is research suggesting that brand and market orientations are independently positively related to B2B brand performance (e.g. Lee *et al.*, 2008; Baumgarth and Schmidt, 2010), but the research does not tell how they influence it collectively. Urde *et al.* (2013) provided a theoretical framework for examining the synergic interaction between brand and market orientations in relation to brand performance. They proposed that instead of seeing brand and market orientations as substitutes, it is possible to combine these two to create a unified orientation in hybrid form: a strategic hybrid orientation. Hence, the strategic hybrid orientation has the characteristics of both brand and market orientations.

M'zungu *et al.* (2017) noted that strategic hybrid orientation based on brand and market orientations is an existing phenomenon among SMEs, however it is not known how it is connected to the dimensions of brand performance – including brand awareness, brand credibility and financial performance – in B2B SMEs. Brand awareness, brand credibility, and financial performance are highly important dimensions of B2B brand performance; their significance and relevance are explained in the Literature Review section (Seyedghorban *et al.*, 2016; Leek and Christodoulides, 2011). Therefore, the objective of this study is to learn how strategic hybrid orientation – constructed from brand and market orientations – is related to the brand awareness, brand credibility and financial performance of B2B SMEs. This study aims to contribute to existing research on SME branding by capitalizing on B2B branding and strategic management literatures.

In the following, this study provides the theoretical background of market orientation, brand orientation, brand performances, and strategic hybrid orientation and develops associated hypotheses. This study then describes the empirical method and data analysis. In the empirical part, quantitative methods for examining the connections of the central concepts are applied. The data consists of a survey conducted among B2B SMEs in Finland. Finally, this study presents the results and draw conclusions with theoretical and managerial implications.

Literature review

Market orientation

Market-oriented strategy implements customer-centric marketing concepts and it drives the performance of SMEs (Ledwith and O'Dwyer, 2008; Kumar *et al.*, 2011). Customers' needs form the basis for the strategic planning of the firm. A market-oriented strategy actively seeks information on customers in order to understand their requirements, and then aligns the resources and management operations accordingly (Slater and Narver, 1998). The primary objective of market orientation is to prepare a response that can satisfy customers more effectively than their competitors (Narver and Slater, 1990; Kohli and Jaworski, 1990; Noble *et al.*, 2002; Kumar *et al.*, 2011; Dutot and Bergeron, 2016). Therefore, the branding process in market-oriented strategy is primarily customer driven (Urde *et al.*, 2013), that is, the brand image and the brand value proposition are adapted to satisfy customer needs.

The study by Martin *et al.* (2009) explains differences between the high and low market-oriented cognitive mindsets of the CEOs/presidents of small manufacturing firms. They found that "in the high market-oriented group, respondents were very clear that the driver of their success was the customer. During the interviews, the customer was the primary focus of discussion, such that understanding the customer and developing products and services based on the customer's needs were the center of concern" (Martin *et al.*, 2009, p. 100).

In the low market-oriented firms, the senior management aims to build internal capabilities by being product, production, and technology oriented (Martin *et al.*, 2009). This point of view is further reinforced with the description of market orientation given by Urde *et al.* (2013, p. 16), who described that under market-oriented strategy the customer's needs and wants are the point of departure in creating value, to the extent of being obsessed with the customer.

The above viewpoints suggest that the customer-focused process dominates in market-oriented strategy, at least for small manufacturing firms (Martin *et al.*, 2009). This viewpoint is not new in the literature. In fact, Deshpande *et al.* (1993) already stated that customer orientation and market orientation are synonymous. As noted by González-Benito and González-Benito (2005), several studies have used a customer-focused framework to conceptualize and operationalize market orientation. In the context of industrial firms and/or small firms, a number of studies have used only a customer-focused approach to measure market orientation (e.g. Deshpandé *et al.*, 2000; Frishammar and Åke Hörte, 2007; Baker and Sinkula, 2009). Therefore, in this study, market orientation is conceptualized as the extent to which firms are customer focused or customer driven.

Brand orientation

Brand orientation, on the other hand, is conceived as a market-driving strategic approach (Urde, 1999; Urde *et al.*, 2013). Urde (1999, p. 117) has defined it as "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." The primary objective of a brand-oriented strategy is to build a stronger brand on the basis of core identity and values for a sustainable competitive advantage in the marketplace (Anees-ur-Rehman *et al.*, 2016).

Brand orientation is an identity-driven strategic process in which the brand is developed and managed on the basis of core values and identity. These values are often derived from the vision and mission statements of an organization (Baumgarth *et al.*, 2013). The identity and values of a corporate brand act as guiding principles for brand management, and all other corporate decisions follow (Balmer, 2013; Gromark and Melin, 2011). Brand-oriented strategy is reflected through the culture of the organization. Brand-oriented organizational culture incorporates branding philosophy into its policies and business objectives, and it shapes brand management (Balmer, 2013). Similarly, in the context of B2B firms, this study has conceptualized brand orientation as a brand-focused organizational culture (Baumgarth and Schmidt, 2010).

Brand performance – brand awareness, brand credibility and financial performance

The concept of brand equity provides a holistic view on brand performance and it has been used extensively in the literature to study B2B brand performance. However, its repeated use has resulted in the dominance of a single theoretical and methodological framework, which limits the examination and understanding of some other important and specific performance dimensions of a B2B brand (Seyedghorban *et al.*, 2016). Therefore, this study uses brand awareness, brand credibility and financial performance as indicators of B2B brand performance. These performance dimensions are measured for a company at corporate level because in a B2B setting customers often form a stronger judgment of the company itself than of its products (Zaichkowsky *et al.*, 2010; Van Riel *et al.*, 2005). These dimensions are discussed in detail in the following subsections.

Brand awareness. Brand awareness is the "ability of the decision-makers in organizational buying centers to recognize or recall a brand" (Homburg *et al.*, 2010, p. 202). A well-known brand in the marketplace is likely to be considered during the purchase evaluation stage by the members of a buying center. When a buyer is aware of a brand through past experience or from peer-to-peer communication, it is easier for the buyer to recognize the associated benefits and predict outcomes (Davis *et al.*, 2008). A brand with high awareness is likely to reduce the information search cost and perceived risk for industrial buyers, and it is therefore important that managers have an accurate understanding of its level (Erdem *et al.*, 2006; Hawes and Barnhouse, 1987). In any case, in a B2B context a brand must surpass a threshold level of awareness (which is an arbitrary level set by a buyer) before it starts influencing the decision-making process (Yoon and Kijewski, 1996). Therefore, brand awareness is directly responsible for improving market and financial performance for a B2B supplier (Homburg *et al.*, 2010). Usually, reaching high brand awareness takes a long time, and a sustained and continued development effort (Lee and Kim, 2008). Nevertheless, once it has been developed, it can create a snowball effect – potential customers prefer a brand that is famous among other customers and consider it more reliable and trustworthy.

Brand credibility. According to Baek *et al.* (2010), brand management should focus on consistency and clarity, and it should be coupled with adequate financial investment in order to build a credible brand image. Brand credibility has been defined as the "believability of the product information contained in a brand, which requires that consumers perceive that the brand have the ability (expertise) and willingness (trustworthiness) to continuously deliver what has been promised" (Erdem and Swait, 2004, p. 192). Typically, the credibility of a brand develops over a period of time when customers acknowledge the consistent delivery of brand promises. Although the concept of brand credibility has had a visible role in the consumer branding literature in particular, it is also an important characteristic of a B2B brand because it helps to reduce customer risk and information cost, which are the primary functions of a B2B brand (Backhaus *et al.*, 2011; Baek *et al.*, 2010; Herbst and Merz, 2011). In fact, Leischnig and Enke (2011) found that B2B brand stability (consistency in brand meaning) is a key factor in reducing risk, building brand loyalty, and earning premium prices.

Financial performance. Both brand awareness and brand credibility are appropriate performance dimensions in a B2B context because they tap into the fundamental role of a brand (Backhaus *et al.*, 2011) for firms of all sizes, including the smaller ones. However, the financial aspects need to be acknowledged as well. Leek and Christodoulides (2011) found that B2B firms' investment in branding is conditional on the financial benefits. Likewise, Lee *et al.* (2008) and Seyedghorban *et al.* (2016) brought up the relevance of financial aspects in B2B brand performance. According to Wong and Merrilees (2008), in the marketing literature financial performance often refers to measures of a firm's profits, sales growth, and market share. Accordingly, this study includes the financial performance of SMEs, which reflects the ability of firms to realize the potential residing in the awareness and credibility of B2B brands.

Strategic hybrid orientation and brand performance

According to Urde *et al.* (2013), market-oriented philosophy believes that a brand can be strengthened by satisfying customers' needs, whereas brand-oriented philosophy believes that a brand can be strengthened by nurturing a distinctive and idealistic set of brand values. Thus, brand performance can be attained by both means. However, their practice reveals some weaknesses. The risk with the market-oriented approach is that what a brand does and what it offers depend on the ever-changing needs of customers and market trends. Because SMEs often operate in homogenous and competitive markets it is relatively easy for competitors to follow the market trend and match the offering, which could reduce the brand's distinctiveness, resulting in image dilution, poor brand positioning and brand failure. On the other hand, the risk with the brand-oriented approach is that it may not completely satisfy customers' needs because it follows its own laid out values and principles while ignoring the requirements of customers and market trends.

Empirical studies have found a direct positive effect of both brand and market orientations on brand performance (Laukkanen *et al.*, 2013; O'Cass and Viet Ngo, 2007; Hirvonen *et al.*, 2016; Reijonen *et al.*, 2015; Huang and Tsai, 2013). While a few empirical studies conducted among small firms and industrial firms could not verify the direct positive effect of both orientations (Lee *et al.*, 2008; Hirvonen and Laukkanen, 2014), none of them reported their negative effects. This can be interpreted so as to suggest that both orientations have a relevant but dissimilar strategic process for building a strong brand. And due to weaknesses in their strategic process, they can be less effective for (if not entirely counterproductive to) brand performance.

To avoid a tug-of-war between the two orientations, or compromising strengths for their weaknesses, Urde *et al.* (2013) presented a dynamic and synergic view. They illustrated that instead of seeing the two orientations as competing or alternative approaches, it is possible to develop a synergic hybrid combination of the two – a strategic hybrid orientation. A strategic hybrid orientation has the characteristics of both brand and market orientations, allowing the strength of one orientation to be used to minimize the weakness of the other, hence, providing a more rigid and effective strategy for developing a strong brand. For instance, when the customer-centric thought process of market orientation combines with identity-driven branding strategy, it helps to maintain the distinctiveness of a brand as well as increase brand awareness among customers and keep it relevant for their needs. Similarly, when brand orientation provides a strong sense of brand identity in customer-driven branding strategy, it allows greater control, manageability and coherence in brand value, and the projection of a greater degree of brand differentiation from competitors. Following Hakala's (2011) line of argumentation, this perspective would mean that brand orientation and market orientation are capable of complementing each other in order to achieve a desired business objective. In practice, the case study of Lipiäinen and Karjaluoto (2015) showed how an industrial firm has successfully built its brand with a very similar approach. The "branding should be market-driven, but should also take into account the company's internal capabilities and affairs. The company detects signals from the environment, considers how it should respond to them and transforms the signals as a part of the brand's identity in light of the company's identity" (Lipiäinen and Karjaluoto, 2015, p. 738).

A strategic hybrid orientation can be conceived when both orientations are either strongly or weakly present in a firm's strategy. This study proposes this line of argument because a strategic hybrid orientation is a concept that denotes synergy by co-aligning or overlapping the strategic orientations of a firm (rather than the degree of focus it receives from the management). Therefore, this study followed the approach of Atuahene-Gima and Ko (2001), and Berthon *et al.* (2004) to outline four variants of strategic hybrid orientation using a two-by-two matrix. This enables examining which pair is the most effective for each brand performance outcome because neither market nor brand orientation is initially superior to the other, and choosing the right balance between the two is a critical strategic decision and depends on the circumstances (Urde *et al.*, 2013, p. 19). Figure 1 shows a

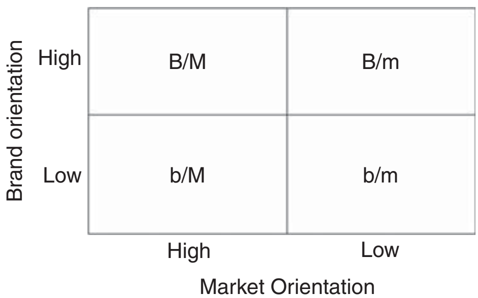

Figure 1.
Four possibilities of strategic hybrid orientation

two-by-two matrix outlining four variants of strategic hybrid orientation – "B/M," "B/m," "b/M," and "b/m" – representing different emphases on brand and market orientations.

B/m firms are primarily brand oriented, but they also add a dose of market focus which helps to maintain the relevance of the brand for customers, and b/M firms are primarily market oriented but add identity focus in order to obtain greater control, achieve manageability and coherence, and to project a greater degree of difference (Urde *et al.*, 2013). Adding to these forms, B/M firms have developed both orientations at primary levels. This strategic move instills an equal and highest possible emphasis on identity-driven branding and customer-driven branding simultaneously. The exact opposite of "B/M" firms would be b/m firms because neither brand nor market orientation is given primary attention. Hypothetically, it is possible that in b/m firms brand and market orientations are secondary compared to any third dominant orientation (e.g. an entrepreneurial orientation).

While developing such a dual-faceted strategic hybrid orientation could be challenging for SMEs because of the different nature of the two strategic orientations, it appears that due to their flexible structure, SMEs are able to successfully follow both strategic orientations simultaneously (M'zungu *et al.*, 2017). For example, studies by Reijonen *et al.* (2012, 2014) have shown that growth-oriented and growing SMEs adopt brand orientation and market orientation simultaneously to a greater extent. However, the relevance of strategic hybrid orientation for brand awareness, brand credibility, and financial performance in B2B-focused SMEs has not been researched previously.

Research hypotheses

In this section, the research hypotheses proposing a relationship between the strategic hybrid orientation and three brand performance outcomes are introduced. In the context of B2B suppliers, the existing research acknowledges brand orientation to have a significant positive effect on a brand's performance (Hirvonen *et al.*, 2016; Zhang *et al.*, 2016), but market orientation is only indirectly related to a brand's performance (Lee *et al.*, 2008). Financial benefits are also an indirect outcome of brand-oriented and market-oriented strategies in B2B SMEs (Merrilees *et al.*, 2011; Hirvonen *et al.*, 2016). Moreover, the analysis of M'zungu *et al.* (2017) revealed that SMEs are inclined to follow both brand- and market-oriented strategies simultaneously, and collective implementation of these orientations in hybrid form appears to define their success. The study, therefore, predicts a positive relationship between strategic hybrid orientation and all three performance outcomes.

Brand awareness could be improved when relying on a strategic hybrid orientation because this approach helps to define the benefits, identity, and values of a brand while simultaneously enhancing the customer experience in order to improve their brand perception. Similarly, the strategic hybrid orientation could be related to higher brand credibility because this approach enables SMEs to deliver clear, comprehensive, and consistent brand values over the years and at the same time develop better brand communication and a stronger relationship with industrial customers, building trust. Finally, the financial performance can improve under strategic hybrid orientation as well because the improved brand awareness and brand credibility are likely to result in repeat purchases, an increase in sales, premium prices, and a larger market share.

While, this study proposes the positive influence of strategic hybrid orientation on three brand performance outcomes, the effect size is expected to vary and depends on the degree to which the two orientations dominate. That is, the higher levels of these orientations are predicted to have a higher influence than lower levels. In this sense, B/M firms would have the highest level of brand performance and b/m firms would have lowest level of brand performance. With respect to B/m and b/M firms (where one orientation dominates the other), the brand-oriented characteristics are expected to drive higher performance than market-oriented characteristics, based on current literature findings (e.g. Reijonen *et al.*, 2012; M'zungu *et al.*, 2017). Therefore, the hypotheses of this study are:

H1. There are significant differences in brand awareness among the four groups of firms: (a) B/M firms have higher brand awareness than B/m, b/M and b/m firms; (b) B/m firms have higher brand awareness than b/M and b/m firms; and (c) b/M firms have higher brand awareness than b/m firms.

H2. There are significant differences in brand credibility among the four groups of firms: (a) B/M firms have higher brand credibility than B/m, b/M and b/m firms; (b) B/m firms have higher brand credibility than b/M and b/m firms; and (c) b/M firms have higher brand credibility than b/m firms.

H3. There are significant differences in financial performance among the four groups of firms: (a) B/M firms have higher financial performance than B/m, b/M and b/m firms; (b) B/m firms have higher financial performance than b/M and b/m firms; (c) b/M firms have higher financial performance than b/m firms.

Methodology

Sample selection and data collection

This study relied on a commercially available database of Finnish companies to select the sample firms. The database was maintained by a well-reputed business consultancy and accounting firm in Finland. Firms were chosen on the basis of two criteria. First, a firm should satisfy the definition of an SME outlined by the European Commission[1]. Second, a firm should belong to a B2B sector. This non-probability sampling process resulted into the selection of 4,720 SMEs representing various B2B industries[2]. Current e-mail address from each firm was collected by visiting their websites. In most cases, the e-mail address of a person from the top management was found. Then covering letter along with the hyperlink to an online questionnaire was sent through e-mail to 4,720 firms. After two reminders, responses from 260 firms were received with a response rate of about 5.5 percent. Although the response rate is rather low, it is comparable to other similar studies (Reijonen *et al.*, 2015). From earlier studies, it was learned that respondents, particularly senior managers, pay less attention to e-mails from unknown sources, and in this case, there was no possibility to improve the situation, for example, by making phone calls (see Sheehan, 2001).

During the data screening process ten non-qualifying responses were excluded because they exceeded the criteria of a SME. The non-response bias was checked by comparing the responses from before the reminders to those after the second reminder (Armstrong and Overton, 1977). The results indicate that a significant difference ($p < 0.05$) only exists for brand orientation, which suggests that non-response bias is not a major concern for this study. Furthermore, the missing values from six responses were replaced with an expectation maximization algorithm after ensuring that the values were missing completely at random. Hence, 250 responses were effective for this study.

Of the 250 firms, almost 51 percent had an annual turnover of 0-2 million euros, 33 percent had an annual turnover of 2-10 million euros, and 16 percent had an annual turnover of 10-50 million euros. Almost 52 percent of the firms had less than 15 employees and the maximum number of employees was 240. About 49 percent of the firms were less than 20 years old, about 42 percent were more than 20 years old but less than 50 years old and about 9 percent of the firms were more than 50 years old but less than 142 years old. The age of the firm was measured at the time of the survey. The firms belong to various industries: manufacturing (42 percent), construction (5 percent), IT corporate services (21 percent), auditing and office administrative services (6 percent), commercial advertisement and market research (9 percent), and other industries (17 percent).

The respondents were managing directors (41 percent), members of boards of directors (18 percent), marketing managers (14 percent), owners (12 percent), sales managers (10 percent), regional managers (1 percent), and others (4 percent).

Measures

Scale items were selected from previous studies. For brand orientation, six items were taken from Baumgarth and Schmidt (2010). Market orientation was measured with five items used by Laukkanen *et al.* (2013) because they measure the extent to which an organization is customer focused. These items have high validity and reliability, and have previously been used in Finnish SMEs. Similar scale items have been used previously in studies to measure market orientation (e.g. Deshpandé *et al.*, 2000; Frishammar and Åke Hörte, 2007; Baker and Sinkula, 2009). For brand awareness, the present study relied on the four items covering managers' perceptions used by Homburg *et al.* (2010) in the B2B sector. After reviewing the B2B literature, no established scale for measuring brand credibility was found. Therefore, this study made some modifications to the items used by Erdem and Swait (2004) in the consumer sector. The modified scale asks managers to assess to what degree customers perceive their brand as trustworthy and reliable. Finally, to measure financial performance, this study relied on four items used by Wong and Merrilees (2008). A total of 23 items were used to measure all five constructs of the study (see Table I). Respondents were also asked about the firm's age, the number of employees, and their job position.

A seven-point Likert scale was used for all measures. Except for financial performance, all other constructs were measured with a range from 1 = totally disagree to 7 = totally agree. For financial performance, the range was from 1 = decreased enormously to 7 = increased enormously. The questionnaire was translated into Finnish because the respondents were native people of Finland. The translation was checked by three academic scholars and some minor changes were made to the sentence structure and words based on their feedback. However, these changes did not affect the overall meaning of the statements. In addition, this study also pre-tested the translated questionnaire with senior marketing managers and it was further refined for Finnish vocabulary on the basis of their comments.

Data analysis and results

Principal component analysis (PCA)

A factor analysis was performed using PCA with a varimax rotation to examine dimensions within the data set (see Table I for the results). On the basis of Kaiser's criterion (initial eigenvalue > 1) and a scree test, the factor analysis produced a five-factor solution accounting for 72.5 percent of the total variance. Table I shows that each scale item is loaded on only one factor with factor loading greater than 0.5. Table I further shows that the five-factor solution corresponds with the five constructs of the study and each scale item was loaded on their respective constructs. For example, all six scale items of brand orientation were loaded on component 1 with factor loading above 0.5. Therefore, no scale item was excluded and no additional dimension was found in the data set. The high score of the Kaiser-Meyer-Olkin confirmed that the sample size is adequate, and the statistical significant result of Bartlett's test of sphericity also supported a five-factor solution.

Measurements validation

This study performed a number of checks on the data and constructs to evaluate their fitness for one-way ANOVA. Table II provides the correlation, mean, standard deviation, composite reliability, and the average variance extracted (AVE) for all constructs. The composite reliabilities of the scales were between 0.849 and 0.938, which indicates a high degree of internal consistency. A 23-item measurement model with five latent constructs was estimated

Constructs/Measurement items	Initial eigenvalue	Variance explained (%)	Components 1	2	3	4	5
Brand orientation	8.120	17.085					
bo1 In our company we have a clear idea of what our brand stands for			0.633				
bo2 We recognize our brand as a valuable asset and strategic resource, which we continually develop and protect in the best possible way			0.779				
bo3 Brand equity is a control factor in our company			0.761				
bo4 The development of our brand is not the responsibility of a small group within the company, but also the business of top management			0.708				
bo5 All business decisions are evaluated with respect to their impact on the brand			0.796				
bo6 The great majority of our company's employees understands and lives the brand values			0.724				
Brand awareness	3.192	15.570					
ba1 The decision makers of our potential customers have heard of our brand				0.889			
ba2 The decision makers among our potential customers recall our brand name immediately when they think of our product category				0.919			
ba3 Our brand is often at the top of the minds of the decision makers in potential customer firms when they think of our product category				0.900			
ba4 The decision makers can clearly relate our brand to a certain product category				0.791			
Market orientation	2.169	13.870					
mo1 Our business objectives are driven by customer satisfaction					0.804		
mo2 We monitor our level of commitment to serving customer's needs					0.773		
mo3 Our strategy for competitive advantage is based on our understanding of customer needs					0.722		
mo4 Our business strategies are driven by our beliefs about how we can create greater value for customers					0.823		
mo5 Our company understands how everyone in our company can contribute to creating customer value					0.566		
Brand credibility	1.866	13.853					
bc1 Our brand reminds our customer of someone who is competent and knows what we are doing						0.835	
bc2 Our brand delivers what it promises						0.821	

(*continued*)

Table I.
The results of the principal component analysis

Constructs/Measurement items	Initial eigenvalue	Variance explained (%)	Components 1	2	3	4	5
bc3 Over time, our customer's experience with our brand have led them to expect it to keep its promises						0.872	
bc4 Our brand has a name our customer can trust						0.762	
Financial performance	1.331	12.130					
fp1 Growth rate of sales in the last 12 months							0.806
fp2 Market share in the last 12 months							0.604
fp3 Profitability of your firm in the last 12 months							0.897
fp4 Overall financial performance in the last 12 months							0.891

Notes: $n = 250$. KMO measure of sampling adequacy = 0.874; $\chi^2 = 4066.339$; Bartlett's test of sphericity $p < 0.001$; df = 253; total variance extracted = 72.508 percent

Table I.

	Mean	SD	Composite reliability	AVE	1	2	3	4	5	6	7
1. Brand orientation	5.12	1.15	0.877	0.544	*0.737*						
2. Market orientation	5.76	0.93	0.858	0.551	0.545**	*0.742*					
3. Brand awareness	4.66	1.52	0.938	0.792	0.366**	0.161**	*0.889*				
4. Brand credibility	5.81	0.93	0.920	0.742	0.460**	0.426**	0.495**	*0.861*			
5. Financial performance	4.37	1.17	0.849	0.601	0.318**	0.333**	0.155*	0.204**	*0.775*		
6. Age	24.28	19.86	–	–	0.002	−0.097	0.300**	0.154*	−0.117	–	
7. Size	31.63	41.99	–	–	−0.067	−0.068	0.210**	0.064	0.007	0.452**	–

Notes: Diagonal elements in italics are the square roots of AVE of the construct. *$p < 0.05$; **$p < 0.01$

Table II.
Descriptive statistics and the correlation matrix

with a confirmatory factor analysis (CFA) in order to establish the discriminant and convergent validity of the scales. Following Hu and Bentler (1999), the CFA results of fit indices show an acceptable model-data fit ($\chi^2 = 432.200$, df = 216, $p < 0.001$, CFI = 0.945, SRMR = 0.067, and RMSEA = 0.063). The AVE of each construct was higher than the minimum level of 0.5, which supports convergent validity. Also, the square root of the AVE (shown in the diagonal of Table II) is higher than the correlation between constructs, which provides support for discriminant validity (Fornell and Larcker, 1981).

Issues related to outliers, normality, and multicollinearity were also checked before conducting a one-way ANOVA. Two responses were found to have outlier values in the market orientation, but no further action was taken because the K-means cluster procedure was used, which is not sensitive to outliers when the grouping elements share similar characteristics and the sample size is large (Hair *et al.*, 1998). Multicollinearity was found not to be a problem either, as the value of the condition number was 2.66. Normality was checked by examining graphs (a histogram and P-P plots), and skewness and kurtosis. These parameters indicate that the four constructs (except financial performance) have light left-tailed distributions. However, no further action was taken for two reasons: first, the sample size is large enough to trigger the central limit theorem (Lumley *et al.*, 2002), and, second, Lunney (1970) found that ANOVA results are accurate when the smallest group is less than 20 percent of all responses and has at least 40 degrees of freedom, which is applicable to this study.

Finally, two methods were used to verify common method variance bias in the data set. First, according to Harman's single-factor test, the highest variance explained by any unrotated factor solution was just 35.30 percent. Second, 23 items were loaded on a single common latent factor in CFA. It resulted in a poor model-data fit ($\chi^2 = 2508.664$, df = 230, $p < 0.01$, CFI = 0.424, RMSEA = 0.199), suggesting that no significant common variance was present. Hence, common method variance was not a major concern for this study (Podsakoff *et al.*, 2003). Furthermore, the response to all five constructs of the study may vary due to the firm's age and size, and the respondent's job position. Therefore, the variation in the constructs was examined with respect to these variables, and the results suggest that no significant ($p < 0.05$) difference exists in any of the five constructs of the study. This indicates that the data is fairly consistent and the firm's age and size, and respondent's job position have no significant influence on either dependent or independent constructs.

Cluster analysis

The objective was to classify the sampled firms into four predetermined groups in a two-by-two matrix (see Figure 1). A similar approach has been used by Atuahene-Gima and Ko (2001) as well. The K-means clustering procedure was used because it is simple and efficient in grouping objects according to their measured intrinsic characteristics (Jain, 2010). The K-means cluster procedure has been used in similar studies by Reijonen *et al.* (2012, 2014) as well for this task. Table III shows the results of cluster analysis and centers for all four groups of firms. The *F*-statistics indicate that firms differ most on the basis of brand orientation.

In all four clusters, the mean value of market orientation is higher than that of brand orientation. Overall, this indicates that the sampled firms are more market oriented than brand oriented. However, the clusters differ from each other on the basis of relative change in the mean values of the same strategic orientation. The mean value of brand orientation is highest in cluster 4 and lowest in cluster 1. Similarly, the mean value of market orientation is highest in cluster 4 and lowest in cluster 1. Therefore, cluster 4 represents the group of firms that are B/M and cluster 1 represents the group of firms that are b/m, according to the two-by-two matrix. Furthermore, the brand orientation mean value increases from 3.78 to 5.32 from cluster 2 to cluster 3, while the mean value of market orientation decreases from 5.73 to 5.56 from

	Cluster 1 (b/m) $n = 22$	Cluster 2 (b/M) $n = 55$	Cluster 3 (B/m) $n = 80$	Cluster 4 (B/M) $n = 93$	*F*-value	Sig.
Brand orientation	3.45	3.78	5.32	6.15	301.627	$p < 0.001$
Market orientation	3.54	5.73	5.56	6.49	237.838	$p < 0.001$

Notes: B/M, high brand-oriented and high market-oriented firms; B/m, high brand-oriented and low market-oriented firms; b/M, low brand-oriented and high market-oriented firms; b/m, low brand-oriented and low market-oriented firms

Table III. The results of the K-means cluster analysis cluster 2 to cluster 3. This indicates that the firms in cluster 2 represent b/M and the firms in cluster 3 represent B/m, as per the two-by-two matrix. The relative change in the mean values between clusters is shown on a graph for visual demonstration of the clustering process (see Figure 2). Thus, these clusters were used for one-way ANOVA.

One-way ANOVA

ANOVA is a very effective procedure for analyzing difference and variation among group means. Several previous studies on SMEs have successfully used ANOVA in a non-experimental setting where other factors are not controlled for (Reijonen *et al.*, 2012, 2014; Odoom, 2016). Hence, this procedure was deemed suitable for this study as well. As a linear model, ANOVA assumes that the variances in the groups are equal. Therefore, the homogeneity of variance was first tested using Levene's test. The results in Table IV show that the variance between the groups for brand credibility is significantly different ($p < 0.05$). To rectify this problem, this study reports and uses Welch's F-value for subsequent analysis.

Table V shows the results of the one-way ANOVA. F-statistics show that the firms differ most in terms of brand credibility, followed by financial performance and brand

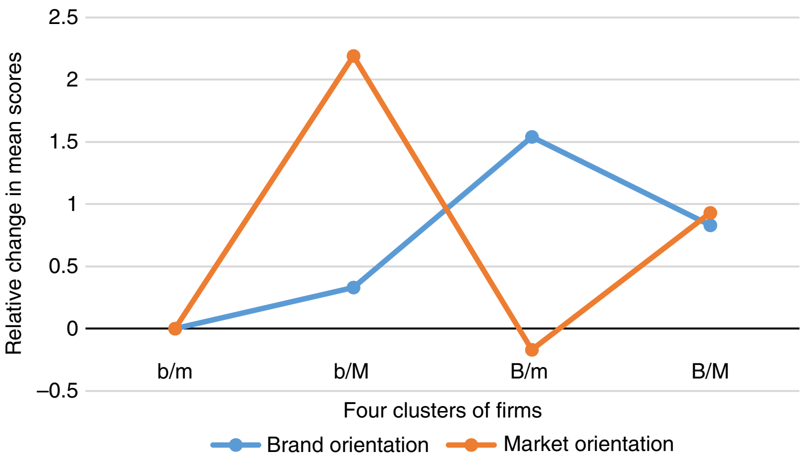

Figure 2. Relative change of mean scores across four clusters of firm

Table IV. Test of the homogeneity of variance

	Levene statistics	df1	df2	Sig.
Brand awareness	2.380	3	246	0.070
Brand credibility	2.686	3	246	0.049
Financial performance	2.524	3	246	0.058

Table V. ANOVA results

	b/m	b/M	B/m	B/M	Total	F-value	Sig.
Brand awareness	4.17	3.86	4.91	5.03	4.66	9.211	$p < 0.001$
Brand credibility	4.75	5.46	5.90	6.20	5.81	15.822[a]	[a]$p < 0.001$
Financial performance	3.56	3.93	4.42	4.78	4.37	10.983	$p < 0.001$

Notes: [a]Welch's F

awareness. Comparison of the mean values suggests that brand awareness was highest in B/M firms and lowest in b/M firms (rather than in b/m firms). In contrast, the B/M firms had the highest mean score for brand credibility and financial performance and b/m firms had the lowest mean score for these outcomes. It was further noted that the second highest mean scores for all three performance outcomes were in the B/m firms. The overall mean scores were highest for brand credibility and lowest for financial performance.

Post hoc test

Considering the exploratory nature of the study and to supplement one-way ANOVA, a *post hoc* pairwise comparison test was also performed (see Table VI for the results). This test is useful for examining pairwise differences between clusters. Three *post hoc* tests were used, namely Tukey HSD, Scheffe LSD, and Game-Howell. Tukey HSD and Scheffe LSD statistics control type I errors without losing much power to determine significant difference. Game-Howell statistics are also used for the same purpose, but it is useful for comparison when the assumption of equal variance is violated, in this case with brand credibility.

Overall, the *post hoc* results supported the findings from the one-way ANOVA. With regard to brand awareness, the least significant difference in mean scores is between B/m and b/m, and the highest significant difference is between B/M and b/M. For brand credibility, the least significant difference in mean scores is between B/M and B/m, and the highest significant difference is between B/M and b/m. With regard to financial performance, the least significant difference is between B/M and b/M, and the highest significant difference is found between B/M and b/m. On the other hand, this study found that a significant difference between B/M and B/m is only found for brand credibility but a significant difference between B/M and b/M is found in all three performance outcomes. While the mean scores of B/m are higher than those of b/M in relation to all three performance outcomes, the difference is only significant in brand awareness.

Dependent variable	Cluster (I)	Cluster (J)	Mean Difference (I – J)	Std. Error	Tukey HSD	Scheffe	Games-Howell
Brand awareness	B/M	B/m	0.118	0.221	ns	ns	ns
	B/M	b/M	1.168	0.246	***	***	***
	B/M	b/m	0.860	0.343	*	*	*
	B/m	b/M	1.049	0.254	***	**	**
	B/m	b/m	0.742	0.349	*	ns	ns
	b/M	b/m	−0.307	0.365	ns	ns	ns
Brand credibility	B/M	B/m	0.301	0.127	*	*	**
	B/M	b/M	0.740	0.141	***	***	***
	B/M	b/m	1.454	0.197	***	***	***
	B/m	b/M	0.439	0.145	ns	ns	ns
	B/m	b/m	1.153	0.200	***	***	***
	b/M	b/m	0.713	0.210	**	**	*
Financial performance	B/M	B/m	0.360	0.169	ns	ns	ns
	B/M	b/M	0.845	0.188	***	***	***
	B/M	b/m	1.214	0.262	***	***	***
	B/m	b/M	0.485	0.194	ns	ns	ns
	B/m	b/m	0.853	0.266	**	*	*
	b/M	b/m	0.368	0.279	ns	ns	ns

Notes: ns, not significant. *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

Table VI. The results of *post hoc* pairwise multiple comparisons

Multiple regression

This study performed multiple regression by using dummy variables to examine the interdependencies between constructs more closely and to validate the hypotheses (Hardy, 1993). According to the two-by-two matrix (see Figure 1), there are four groups of firms representing each quadrant of hybrid strategy. Therefore, only three dummy variables are required to perform regression analysis. The results of one-way ANOVA and *post hoc* pairwise comparison tests indicate that B/M firms have the highest levels of brand awareness, brand credibility, and financial performance compared to the other three groups of firms. Therefore, the B/M group is taken as the reference group in multiple regression. Accordingly, the remaining three groups of firms (B/m, b/M and b/m) are dummy coded for regression analysis. The dummies are created by coding 1 when a firm has membership of the relevant group and 0 if not.

Furthermore, a firm's characteristics (age and size) could influence the outcome of dependent variables. The age of the firm is important because older firms can be viewed as more reliable than younger ones; and the bigger firms are also often well-known within the industrial network. The age of the firm is measured in years and the size of the firm is measured in terms of the number of employees. These measures were also included in the regression analysis. The regression analysis estimates two models for each dependent variable. Model 1 estimates the effect of firm groups, and Model 2 estimates the effect of firm characteristics and firm groups.

The results of the multiple regression are provided in Table VII. The value of the constant in Model 1 shows that the level of brand awareness in B/M firms is predicted to be 5.03. Moreover, the brand awareness of B/m firms compared to B/M firms is 0.119 unit less, but this difference is insignificant. The brand awareness of b/M and b/m firms compared to B/M firms are 1.16 and 0.86 units less, respectively, and this difference is statistically significant. The results for brand credibility and financial performance are similar. The constant value (6.20) of Model 1 is predicted brand credibility of B/M firms. When compared to B/M firms, the B/m, b/M, and b/m firms are likely to have 0.30, 0.74, and 1.45 units less brand credibility, respectively. Likewise, the financial performance of B/M firms is predicted to be 4.78 in Model 1. When compared to B/M firms, the B/m, b/M, and b/m firms are likely to have 0.36, 0.84, and 1.21 units less financial performance, respectively. These results complemented the trend observed in the ANOVA.

The value of the unstandardized β coefficient suggests that only firm age could significantly, though marginally and unequally, impact on all three brand performance outcomes. That is, the results of Model 2 show that with each additional year, brand awareness and brand credibility are predicted to rise by 0.019 and 0.008, respectively, while financial performance is predicted to decrease by 0.009. The size of the firm is predicted to have no significant effect on any of the brand performance outcomes. The interpretation of these results is that only a firm's age has some role in explaining the brand performance outcomes.

The regression results of Model 2 are used to validate the hypotheses of the study (see the results in Table VIII). Unlike one-way ANOVA and *post hoc* pairwise comparison tests, the regression results of Model 2 account for a firm's age and size when estimating the effect of strategic hybrid orientation on performance and thus offer a better estimate of the relationship between the constructs. Only *H1c* was not supported by the results. *H1c* predicted that the brand awareness of b/M firms would be higher than that of b/m firms, but instead the results suggested that b/m firms had higher brand awareness.

Discussion and conclusion

Theoretical contributions

The present study has contributed to the existing research on SME branding by capitalizing on B2B branding and strategic management literatures. It has responded to the need for

Table VII. Multiple regression results

	Brand awareness		Brand credibility		Financial performance	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Constant	5.03 (0.150)***	4.50 (0.173)***	6.20 (0.086)***	6.02 (0.104)***	4.78 (0.115)***	4.91 (0.139)***
Firm groups						
B/m	−0.119 (0.221)	−0.250 (0.211)	−0.301 (0.127)	−0.343 (0.126)**	−0.360 (0.169)*	−0.338 (0.169)*
b/M	−1.168 (0.247)***	−1.233 (0.235)***	−0.741 (0.142)***	−0.748 (0.141)***	−0.846 (0.189)***	−0.872 (0.188)***
b/m	−0.861 (0.344)*	−0.927 (0.326)**	−1.451 (0.198)*	−1.482 (0.195)**	−1.214 (0.263)***	−1.183 (0.261)***
Firm characteristics						
Age		0.019 (0.005)***		0.008 (0.003)**		−0.009 (0.004)*
Size		0.005 (0.002)		0.000 (0.001)		0.003 (0.002)
R^2	0.101	0.201	0.214	0.242	0.118	0.137
F	9.21***	12.30***	22.29***	15.59***	10.89***	7.76***
Adjusted R^2	0.090	0.185	0.204	0.227	0.107	0.120
ΔR^2	0.101	0.100	0.214	0.028	0.118	0.019
ΔF	9.21***	15.34***	22.29***	4.58*	10.98***	2.70

Notes: All VIF values are less than 1.3. Unstandardized β coefficient values are outside parentheses and standard errors are in parentheses. *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

research on branding in B2B SMEs by examining the relevance of strategic hybrid orientation (constructed from market and brand orientation) for brand awareness, brand credibility, and financial performance.

Compared to the previous studies (e.g. M'zungu *et al.*, 2017; Lipiäinen and Karjaluoto, 2015), this study provides a more detailed account of patterns in which brand and market orientations may be combined into a hybrid orientation more effectively. While the results of the previous studies generally indicate positive independent effects of brand orientation and market orientation on B2B brand performance (Hirvonen *et al.*, 2016; Lee *et al.*, 2008; Baumgarth and Schmidt, 2010; Reijonen *et al.*, 2015), this study extends their findings by providing insight on how these two orientations could be relevant for the brand performance of B2B SMEs when developed simultaneously.

In particular, this study suggests that the magnitude of synergic interaction depends on the degree to which brand- and market-oriented strategies dominate in a firm's strategic policy. The findings show, first, that B2B SMEs, whose strategic decisions are extremely influenced by both brand- and market-oriented principles, have the highest levels of brand awareness, brand credibility, and financial performance. Second, brand credibility and financial performance were found to be at their lowest levels in firms where strategy is poorly aligned with the principles of brand- and market-oriented concepts. This further supports the importance of having a brand and market orientation for these aspects. However, with regards to the lowest level of brand awareness, it seems that b/M firms perform more poorly than b/m firms, though the difference in the level of brand awareness is not significant. Third, B/m firms perform better than b/M firms in terms of brand performance. It could be argued that brand-oriented characteristics are, at least to some extent, more important than market-oriented ones in strategic hybrid orientation. That is to say, identity-related issues are more relevant and influential in improving brand awareness, brand credibility, and financial performance. This finding is in line with the M'zungu *et al.* (2017) who found that B2B consulting SMEs are more brand-oriented and less market-oriented. Also, Reijonen *et al.* (2012) found that brand-oriented strategy contributes more to the growth of SMEs than market orientation.

Overall, the results suggest the presence of synergic interaction between brand- and market-oriented attributes when combined in the form of strategic hybrid orientation. This also replicates and conforms with the case study of Lipiäinen and Karjaluoto (2015), who showed how seamless interplay between identity-driven and image-driven strategies is beneficial for branding in an industrial firm. This study highlights the significance of developing hybrid strategy for brand performance, something which is not emphasized in current B2B branding and strategic management literature despite decades of research (Glynn, 2012; Seyedghorban *et al.*, 2016; Hakala, 2011; Anees-ur-Rehman *et al.*, 2016). Therefore, based on the empirical findings of this study, strategic hybrid orientation can now be seen as a more comprehensive strategy in which the strengths of brand and market orientations are coupled and weaknesses are curtailed.

Table VIII. The results of hypotheses

Constructs	Hypothesized relationship	Empirical support[a] a	b	c
Brand awareness (*H1*)	(a) B/M > B/m, b/M, b/m; (b) B/m > b/M, b/m; (c) b/M > b/m	Yes	Yes	No
Brand credibility (*H2*)	(a) B/M > B/m, b/M, b/m; (b) B/m > b/M, b/m; (c) b/M > b/m	Yes	Yes	Yes
Financial performance (*H3*)	(a) B/M > B/m, b/M, b/m; (b) B/m > b/M, b/m; (c) b/M > b/m	Yes	Yes	Yes

Note: [a]Based on multiple regression results of Model 2 (see Table VII)

Managerial implications for B2B SMEs

The findings of this study provide some practical implications for the managers of B2B SMEs. This study advises owner-managers to devise an organizational culture and behaviors which recognize the importance and practice of fulfilling customer requirements while protecting a brand's identity. Here the objective should be to build a brand that not only protects its identity but also satisfies customers' needs more thoroughly (Lipiäinen and Karjaluoto, 2015). While there is benefit in acknowledging the requirements of a customer base, it seems that high-market orientation coupled with low-brand orientation in the hybrid strategy leads to sub-optimal performance outcomes, especially in regard to brand awareness. This means that SMEs should not just focus on adapting endlessly to varying customer needs, but should also foster a clear vision of their brand and behave correspondingly. Those customer requirements that might require behavior that is not in line with the brand values should be considered cautiously.

Typically, business customers know many of their requirements beforehand and they evaluate supplier's ability to satisfy their requirements (Van Riel *et al.*, 2005; Brown *et al.*, 2011). In this regard, the market-oriented strategy generates behavior and provides enhanced tools to access and gather useful insights on customer requirements and market trends. Managers can narrow down target customers and the scope of operations on the basis of a specific brand and the company values that the company intends to follow and protect for differentiation in the marketplace. This process enables firms to derive a customer value proposition from a brand's ideology. This in turn allows a firm to consistently deliver brand promises and values because the firm's internal structure and operations work coherently for a well-defined and, desired brand image and identity. Hence, over time a continuous implementation of both brand- and market-oriented philosophies would make customers better informed, making brand more aware and reliable.

Limitations and future research recommendations

This study comes with limitations. First, responses were collected from one person in each firm. This method may lead to key informant bias (Kumar *et al.*, 1993). This needs to be acknowledged even if preference was given to senior managers as respondents with the assumption that their knowledgeability would limit this problem. Second, the response rate was relatively low but comparable to that of other similar studies. Moreover, the data were collected from a small open economy, which may affect the findings.

Future research could replicate this study by obtaining responses on independent variables from industrial suppliers and dependent variables from their customers in order to have a more realistic view. It would also be interesting to examine and compare how strategic hybrid orientation and brand performances are interrelated in B2B SMEs operating in developing and developed economies, and in manufacturing and services sectors. Future studies may also study other strategic orientations as well (e.g. entrepreneurial and technology orientations). Finally, this study would recommend that other B2B brand performance measures (e.g. brand loyalty, brand personality, and brand quality) are examined in order to develop a more holistic understanding of the significance of strategic hybrid orientation.

Notes

1. A firm should have an annual turnover equal or less than €50 million and less than 250 employees.
2. The codes of the selected industrial sectors are: 07, 09, 20-30, 33, 42, 62, 69, 73, and 82 (as per Standard Industrial Classification TOL 2008 of Finland).

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