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Why doesn't our branding pay off: optimising the effects of branding through innovation

Wai Jin J. Lee
University of Tasmania, thlee@uow.edu.au

Aron O'Cass
University of Tasmania

Phyra Sok
Queensland University of Technology

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Why doesn't our branding pay off: optimising the effects of branding through innovation

Abstract

Purpose:Recent branding failures (e.g. Kodak and Krispy Kreme) have cast considerable doubt on the widely accepted contention that to develop a strong brand, firms must continuously strive to be brand oriented or innovation oriented. This study aims to examine the curvilinear and interactive effects of brand orientation and innovation orientation on brand performance.

Design/methodology/approach: Survey data were drawn from a sample of 181 firms operating in the consumer goods sector (i.e. fashion, consumer electronics and automobile) and tested through a hierarchical regression analysis.

Findings: This study finds that the sole and exclusive focus on either brand orientation or innovation orientation is detrimental to the realisation of superior brand performance because increased levels of this focus lead to diminishing returns. Critically, this study finds that the key to achieving superior brand performance lies in the extent to which the firm integrates both brand orientation and innovation orientation.

Originality/value: This study extends current knowledge by showing that focusing on either brand orientation or innovation orientation in isolation is actually detrimental to the firm's realisation of superior brand performance. The integration of brand orientation and innovation orientation is the key to achieving superior brand performance because the inherent limitations associated with each are overcome by their integration.

Disciplines

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1. Introduction

It is widely accepted that building a strong brand allows a firm to generate stronger earnings and erect barriers to imitation and competition (Aaker, 1991; Mizik and Jacobson, 2003; Morgan, 2012; Barney, 2014). To this end, existing research highlights two critical, yet separate routes to achieving superior brand performance – one is brand orientation (e.g., Huang and Tsai, 2013; Hirvonen and Laukkanen, 2014) and the other is innovation orientation (e.g., O'Cass and Ngo, 2007a, b). Despite their acknowledged contribution to brand performance, there is reason to believe that focusing solely on fostering brand orientation to the neglect of innovation orientation and vice versa may actually be detrimental to achieving superior brand performance.

Given brand orientation's emphasis on adhering to the core brand identity (Urde *et al.*, 2013), an excessive brand orientation may lead firms to dismiss opportunities that do not align precisely with the brand identity. This problem can be seen in the case of Kodak which was driven out of the photography industry because of its persistence on keeping to its historic brand positioning amid the emergence of the digital age (McCarty and Jinks, 2012). In reference to its downfall, some suggest that had Kodak been able to innovatively market products related to the memory-sharing or story-telling business as opposed to the film business, it would have been able to participate in the shift to digital photography that ultimately triggered its demise (e.g., Dan, 2013a, b). In this instance, even with a strong brand orientation, firms may not be able to achieve superior brand performance if not supplemented with an equally strong innovation orientation.

Similarly, with innovation orientation's emphasis on creativity (Hurley and Hult, 1998; Zhou *et al.*, 2005), an excessive innovation orientation may cause firms to deviate too much from

the core brand identity. This point is illustrative of Krispy Kreme who, in its innovative endeavour to cut costs, altered its original recipe and compromised its core brand identity which centred on the use of high quality ingredients (Kazanjian and Joyner, 2004). As a result, Krispy Kreme alienated large numbers of consumers and only by reverting to its original recipe did it improve its brand performance (Beverland *et al.*, 2010). In this case, it appears that being so strongly innovation-oriented may not be beneficial to achieving superior brand performance if not supported by an equally strong brand orientation.

Departing from existing research, we seek to shed light on the potential dark side of being singularly brand-oriented or innovation-oriented in the context of brand performance. In doing so, we endeavour to expose the generally held assumption of a linear relationship between brand orientation and brand performance (e.g., Huang and Tsai, 2013), and between innovation orientation and brand performance (e.g., O’Cass and Ngo, 2007a, b). We aim to examine the extent to which focusing solely on brand orientation or innovation orientation at high levels generates diminishing returns to brand performance. Drawing from the underpinning principles of the ambidexterity literature, we further examine the extent to which the diminishing returns of brand orientation and innovation orientation to brand performance can be mitigated through their interaction. Some scholars highlight the integration of branding and innovation as the key to building strong brands (e.g., Beverland *et al.*, 2010). However, existing knowledge on the brand performance effects of this integration is limited to anecdotal reports (e.g., Aaker, 1996) and case studies (e.g., Nedergaard and Gyrd-Jones, 2013). Our study addresses this deficiency by using the theoretical lens of organisational ambidexterity that the key to achieving superior brand performance lies not in the extent to which the firm is brand-oriented or innovation-oriented. Instead, it is the extent firms focus on both brand orientation and innovation orientation

simultaneously, such that the integration between them enables the inherent limitations of one to be overcome by the other.

2. Literature review and hypotheses development

2.1. Using ambidexterity principles in the context of brand and innovation orientations

Ambidexterity is an important concept that has been studied widely in various disciplines and theoretical domains (Raisch and Birkinshaw, 2008; Sok and O’Cass, 2015). Within marketing and management, ambidexterity is argued to capture a firm’s pursuit of seemingly conflicting goals via exploitation and exploration (Cao *et al.*, 2009; Yu *et al.*, 2013). While exploitation focuses on the refinement and extension of existing mental models and competencies, exploration emphasises experimentation with new alternatives through search, discovery and risk-taking (March, 1991; Atuahene-Gima, 2005; Yannopoulos *et al.*, 2012; Yu *et al.*, 2013). In this sense, exploitation and exploration appear to be akin to brand orientation and innovation orientation respectively.

Indeed, the essence of brand orientation lies in the evaluation of market opportunities depending upon what the brand stands for (Urde *et al.*, 2013). The core brand identity is the critical framework that firms draw on to identify which opportunities to pursue and which not to pursue (Hirvonen and Laukkanen, 2014). In this context, brand-oriented firms do not simply “implement whatever promising opportunity they may stumble upon in their endeavours to fulfil untapped market needs unless such an opportunity fits within the boundary framework of the brand” (Nedergaard and Gyrd-Jones, 2013, p. 766). This is largely because “pursuing such strategies may lead firms to stray too far from the corporation’s core brand identity; in the end, this will erode brand equity as the symbolic value of the brand ends up losing its idiosyncrasy,

credibility and integrity” (Nedergaard and Gyrd-Jones, 2013, p. 766). In this regard, given brand orientation’s emphasis on the core brand identity, it is akin to the focus of exploitation which revolves around domains that are familiar and known to the firm or within its scope of experience and expertise (e.g., Atuahene-Gima *et al.*, 2005; Vorhies *et al.*, 2011).

Similarly, innovation orientation refers to the extent to which an organisation emphasises receptivity to new ideas and ability to innovate continuously (Hurley and Hult, 1998; Zhou *et al.*, 2005). In capturing a firm’s innovative spirit and reflecting its innovation focus, innovation orientation manifests in the firm’s openness to new ideas and propensity to change through adopting new technologies, resources, skills and administrative systems (Tsai and Yang, 2013). In this regard, given innovation orientation’s emphasis on being open and receptive to novel ideas, it is akin to the focus of exploration which is centred on areas that are unfamiliar to the firm and takes it beyond the scope of its current experience and pre-existing knowledge base (e.g., Atuahene-Gima *et al.*, 2005; Vorhies *et al.*, 2011).

The literature suggests that exploitation is conducive to increasing efficiency and reliability, while exploration facilitates greater flexibility and variability (e.g., March, 1991; Atuahene-Gima, 2005; Yu *et al.*, 2013). However, some scholars caution the detrimental effects of focusing solely on one to the neglect of the other because a firm that is too oriented towards exploitation is likely to suffer from the lack of novel ideas and potential rigidities, while a firm that is too oriented towards exploration is likely to suffer from the costs of experimentation associated with the constant pursuit of many new and risky ideas (March, 1991; Leonard-Barton, 1992; Atuahene-Gima, 2005; Atuahene-Gima and Murray, 2007). For this reason, some scholars argue firms that are able to combine exploitation and exploration in complementary ways may have a significant advantage over those firms that neglect the importance of their integration (e.g.,

Atuahene-Gima, 2005; Vorhies *et al.*, 2011). In this regard, it appears that the same logic may also apply to brand orientation and innovation orientation given their close resemblance to exploitation and exploration respectively. In sections that follow, we draw from the ambidexterity literature (e.g., Atuahene-Gima and Murray, 2007) to first examine the detrimental effects that a firm's adoption of brand orientation and innovation orientation may have on brand performance in isolation, and whether and how their diminishing returns to brand performance can be mitigated through their interaction – that is, the firm deploying both in a complementary fashion.

2.2. *Brand orientation*

Within the marketing literature, brand orientation has often been regarded as “market orientation plus” due to its similar focus on satisfying consumer wants and needs (Urde, 1999). However, it departs from the central tenet of market orientation in that its pursuit of satisfying consumer wants and needs is undertaken *within* the limits of the core brand identity (Urde *et al.*, 2013). In this regard, brand orientation dictates that “while the needs and wants of consumers are recognised, the integrity of the brand is paramount” (Urde *et al.*, p. 16), thus representing a *conditional* response to consumer needs and wants (Urde, 1999; Baumgarth *et al.*, 2013). For this reason, the literature notes that since brand-oriented firms highlight and express to consumers the idiosyncratic identity that is associated with their brands, they are thus able to establish and maintain a differentiated position and achieve superior brand performance (e.g., Huang and Tsai, 2013; Hirvonen and Laukkanen, 2014).

While brand orientation's emphasis on and adherence to the core brand identity has been noted as the key to achieving superior brand performance, firms may incur diminishing returns at higher levels of brand orientation due to the limited scope for brand development and change.

Specifically, brands are a valuable source of growth that provide a sense of direction on how product portfolios can be successfully extended into new and profitable categories or markets (Nedergaard and Gyrd-Jones, 2013). Thus, brands should be managed prudently so that they can be a critical business asset that sustains a firm's market competitiveness (Morgan, 2012; Barney, 2014). However, excessive brand orientation may not necessarily be an appropriate approach that guarantees maximised returns because at higher levels of brand orientation, firms may develop mental models that limit their search for new information and reduce the number of alternatives considered (Lechner *et al.*, 2010). Thus, by adhering strictly to the core brand identity, highly brand-oriented firms are developing a form of cognitive "lock-in," whereby they become reluctant to revise their views in spite of the emergence of new information or market opportunities (Lechner *et al.*, 2010).

As such, higher levels of brand orientation may lead firms into what has been described in other areas of research as a competency trap, familiarity trap or the predicament of developing core rigidities (e.g., Atuahene-Gima *et al.*, 2005; Atuahene-Gima and Murray, 2007). By adhering strictly to the core brand identity, highly brand-oriented firms may dismiss or overlook promising opportunities in the market. Consequently, highly brand-oriented firms may be caught in an undesired position or left behind by competitors who are better at adjusting themselves and adapting to emerging market opportunities. Thus, the strict and persistent adherence to the core brand identity framework limits not only brand-oriented firms' ability to adapt to emerging market opportunities, but also their scope for brand growth and expansion.

Therefore, we expect an inverted U-shaped relationship between brand orientation and brand performance, such that firms are expected to see optimum returns to brand performance at moderate levels of brand orientation. Specifically, at lower levels of brand orientation, firms are

not developing a clear sense of what the brand stands for and the values it represents (Nedergaard and Gyrð-Jones, 2013). As a result, they are not able to highlight and express to consumers the idiosyncratic identity that is associated with their brands, thus deterred from achieving superior brand performance (Urde, 1999; Urde *et al.*, 2013). At higher levels of brand orientation, firms are edging closer to the development of a cognitive “lock in” or familiarity trap. Due to their strict adherence to the brand’s core values and identity framework, the scope for brand-oriented firms to grow and expand their brands is limited, hence there is a higher likelihood of not fully realising the performance benefits of brand orientation. Therefore:

H1: There is an inverted U-shaped relationship between brand orientation and brand performance, such that brand performance is strongest when brand orientation is moderate and weaker when brand orientation is either lower or higher.

2.3. Innovation orientation

Previous studies find that innovation orientation is critical to a firm’s effort to develop strong brands (e.g., O’Cass and Ngo, 2007a; b). Indeed, prior research shows that the key to building a successful brand and setting it apart from competing brands lies in the ability of the firm to act innovatively and develop unique ways of delivering superior value to customers (Weerawardena *et al.*, 2006; Wong and Merrilees, 2008). Specifically, through innovation, firms are bestowed with a competitive edge that is required to exceed customer expectations and generate a level of customer delight and surprise through the creation of uplifting experiences (Menguc and Auh, 2006). These experiences derived through innovation in turn can lead to better brand performance (Wong and Merrilees, 2008).

Further, innovative firms are endowed with the opportunity to “get there first” with the development of new positioning concepts, new distribution channels, new market segments and exploitation of gaps created by environmental changes for their brands (e.g., Weerawardena *et al.*, 2006). Therefore, by being there first, innovative firms are able to beat competition to the punch and generate greater brand awareness, establish stronger brand reputation, build superior customer loyalty and ultimately achieve superior brand performance (Weerawardena *et al.*, 2006; O’Cass and Ngo, 2007a, b). As such, innovation can be seen as a critical means through which firms continuously differentiate their brands and outperform competitors (Wong and Merrilees, 2008).

In spite of its critical role in contributing to brand performance, firms are expected to incur diminishing returns to brand performance at higher levels of innovation orientation. Specifically, since innovation orientation pertains to a firm’s proclivity and openness to embrace new ideas, it is likely that it will lead to the production of truly innovative breakthroughs and radically new products and services due to its strong emphasis on creativity (Zhou *et al.*, 2005; O’Cass and Ngo, 2007a). In this regard, owing to its emphasis on strategic actions such as departing from the usual way of approaching business (Hurley and Hult, 1998), forgoing old habits and trying untested ideas (Menguc and Auh, 2006) and questioning conventional wisdom and long-held practices (Tsai and Yang, 2013), high levels of innovation orientation may be detrimental to the development of a strong brand with a clear and consistent brand image.

Indeed, the marketing literature notes that brand image clarity and cohesiveness is an important determinant of brand success (e.g., Keller and Lehmann, 2006). As such, high levels of innovation orientation may have an adverse impact on brand performance because when firms act in a highly innovative manner, they tend to stray from and introduce innovations outside of their

core competencies (Simpson *et al.*, 2006). In branding terms, this means highly innovative firms may deviate from and introduce innovations outside of the framework permitted by the core brand identity. Thus, when firms innovate excessively, they run the risk of pursuing innovative efforts that are not well-integrated and coordinated for the establishment of a clear, consistent and meaningful brand image. Consequently, consumers may experience difficulty in deciphering the true meaning and image of the brand amidst the diverse innovations that have been introduced by the firm since too much innovation confuses the marketplace (Simpson *et al.*, 2006).

Therefore, we expect an inverted U-shaped relationship between innovation orientation and brand performance, such that firms are expected to gain optimum results at moderate levels of innovation orientation. Specifically, at lower levels of innovation orientation, firms do not have the innovative edge that is required to excite consumers and be ahead of competition (Menguc and Auh, 2006; O’Cass and Ngo, 2007a, b). As a result, they are not able to “get there first” and generate a stronger and more differentiated brand presence (Weerawardena *et al.*, 2006), hence deterred from achieving superior brand performance. At higher levels of innovation orientation, firms run the risk of introducing innovations that are not well-integrated and coordinated, such that these diverse innovation-driven endeavours are not contributing to the establishment of meaningful innovations around the core values and identity of the brand. Thus, a clear and consistent image of the brand may not be effectively established in the minds of consumers, leading to a brand-innovation misalignment and the prospect of impaired brand performance (Beverland *et al.*, 2010; Nedergaard and Gyrd-Jones, 2013). Therefore:

H2: There is an inverted U-shaped relationship between innovation orientation and brand performance, such that brand performance is strongest when innovation

orientation is moderate and weaker when innovation orientation is either lower or higher.

2.4. The interaction between brand orientation and innovation orientation

Our discussions so far argue that brand orientation and innovation orientation in isolation may not be the key that guarantees continued brand success considering the likelihood that their positive effects on brand performance may diminish and become negative beyond an ideal point. On this point, the ambidexterity literature suggests that when they are combined, exploitation tempers the excesses of exploration by enabling firms to evaluate and assimilate new ideas more effectively, while exploration overcomes the costs of excessive exploitation by endowing firms with the novel skills and knowledge to generate new insights (March, 1991). In applying this principle to the context of brand orientation and innovation orientation, we argue that the key to achieving superior brand performance lays in the extent to which firms engage in the simultaneous pursuit of brand orientation and innovation orientation.

Specifically, innovation orientation plays an important role in reinvigorating the brand by enabling brand-oriented firms to conceive of creative strategies that allow them to not only pursue promising market opportunities that provide the potential for brand growth and expansion, but also do so in ways that are aligned and consistent with the brand's core values and identity. Indeed, the number of alternatives considered by brand-oriented firms may not be adequate since they fail to think "outside the box" of what is already well established and known within the organisation (Leonard-Barton, 1992). As such, by being open and receptive to new ideas and emerging possibilities, brand-oriented firms are bestowed with the creative edge that enables

them to think “outside the box” and conceive of innovative ways to adapt to emerging market opportunities without jeopardising the consistency and idiosyncrasy of their brand identities.

By the same token, prior research notes that in order to build strong brands, it is paramount that firms deliver innovations that are strategically consistent with their brand promises and strategies (Beverland *et al.*, 2010; Nedergaard and Gyrd-Jones, 2013). As such, we expect brand orientation to serve as a critical controlling mechanism that helps to steer the direction in which innovative firms take for future growth and expansion via the development of new products and services that not only are consistent with what the brand stands for and the values it represents, but also contribute to strengthening its idiosyncratic identity and intended image in the market.

Therefore, we expect that when brand orientation and innovation orientation interact, their respective detrimental effects are counterbalanced. Specifically, innovation orientation enables the firm to be freed from the shackles of the core rigidities, familiarity trap and cognitive “lock in” developed through brand orientation. It allows the firm to grow and expand their brands progressively in the market via the generation of creative and novel ideas. Similarly, brand orientation operates as a guiding light that provides a greater sense of focus and illuminates the direction in which the firm takes for the introduction of new innovations and future brand growth and development. As such, the key to achieving superior brand performance lies in the extent to which the firm integrates both brand orientation and innovation orientation because in addition to endowing the firm with greater flexibility and creativity, this integration also ensures the firm’s brand growth and development efforts are in line and consistent with its idiosyncratic core brand identity. Therefore:

H3: The interaction between brand orientation and innovation orientation is positively related to brand performance.

3. Research design

3.1. Sampling and data collection

In this study, we followed the lead of Lee *et al.* (2008) and Homburg *et al.* (2010) and focused on a strategic business unit (SBU) built around a brand within a firm (or, if no specialisation into different business units exists, the entire firm). The SBU was selected as the unit of analysis because whether it belongs to a corporation with multiple SBUs or it is the only SBU within the corporation, it is the unit in which strategies are formulated and executed for the specific brand (see also Matsuno *et al.*, 2014). In testing the hypotheses, survey data were drawn from a sample of businesses operating within the consumer goods sector. In particular, we focused on firms (or business units where applicable) that were responsible for managing consumer brands within the product categories of fashion, automobile and consumer electronics since prior research suggests that the brands associated with these categories are often consumed for symbolic or status-enhancing reasons (e.g., Zhou *et al.*, 2010). Consumers' purchase behaviour in these settings is often driven by the extent to which there is congruity between the image of the brand and that of the consumer (e.g., Parker, 2009), implying that the brand plays a crucial role. Considering the theoretical focus of the present study and the significant role of branding in these specific sectors (Beverland *et al.*, 2010), it is deemed appropriate and justified that they be considered a fitting source from which critical insights about brand management practices employed by business are derived.

Given the significant amount of knowledge they have about the brand, its operations and level of performance (e.g., Huang and Tsai, 2013), senior-level personnel responsible for

overseeing the day-to-day management of the brands were targeted as key informants, to whom self-administered surveys were dispatched through the assistance provided by a professional market research firm. Informants were instructed to focus specifically on the brand for which they were managerially responsible. A brand database was first generated, listing the contact details of the key informant who was associated with the identified brand. In total, 181 usable surveys were obtained. Among them, 136 (75.14%) were operating in the fashion industry, 33 (18.23%) in the consumer electronics industry, while the remaining 12 (6.63%) were in the automobile industry. Among the 181 key informants, 84 (46.4%) indicated that they were positioned at the directorial level while the remaining 97 (53.6%) were at the managerial level.

3.2. *Measures*

Established measures were sourced from previous studies and adapted to suit the context of the present study. Brand orientation was measured by five items taken from Wong and Merrilees (2007, 2008) and Baumgarth and Schmidt (2010). Innovation orientation was measured by five items taken from Hurley and Hult (1998). Brand performance was measured by five items taken from O’Cass and Ngo (2007a, b) and Lai *et al.* (2010). All measures were operationalised on a 7-point scale with poles of 1=strongly disagree and 7=strongly agree for brand orientation and innovation orientation, and 1=very poor and 7=very good for brand performance. The use of subjective performance measures is deemed appropriate in this study. Indeed, such measures have been used extensively in the literature (e.g., Lisboa *et al.*, 2011; O’Cass and Sok, 2013) and adopted by scholars in similar areas, focusing on brand performance (e.g., O’Cass and Ngo, 2007a, b; Huang and Tsai, 2013). For example, Santos-Vijande *et al.* (2013) measured such performance indicators as sales and market share through survey responses provided by general

managers or chief executive officers. Further, previous studies have shown that subjective and objective measures of performance are highly correlated (e.g., Atuahene-Gima and Murray, 2007). For example, Vorhies and Morgan (2005) observed similar results when objective measures of overall firm performance were used in place of subjective measures.

Prior to launching the survey instrument, all measurement items were subject to a rigorous phase of pre-testing, during which a panel of judges comprised of marketing practitioners and academics were invited to assess the face validity of measures by completing the draft questionnaire and assess items in terms of their comprehension, logic and relevance (Ngo and O’Cass, 2012). Aside from a few wording issues which called for minor revisions, no other major concerns were reported.

3.3. *Control variables*

Brand size and brand age were included as control variables. Both were measured by the logarithm of the number of full-time employees and number of years in operation respectively. Also, as respondents were required to think of the brand management practices that had been undertaken over the past year, the brand’s prior performance would need to be controlled so that the effects of brand management practices as measured in the survey could be captured. Following Vorhies *et al.* (2011), the brand’s base-year performance 12 months prior to the period covered by the survey was measured by a newly developed item (“Prior to the last 12 months, the overall performance of this brand was...”) on a 7-point scale with poles of 1=declining and 7=improving. Similarly, since some brands whose brand management practices might be overseen or controlled by upper-level offices (e.g., headquarters, regional offices), a newly developed two-item scale was included to control the degree to which brand units were able to

autonomously develop and implement their own branding strategies. These items (“We are free to develop [implement] our own branding strategies for this brand”) were measured on a 7-point scale with poles of 1=strongly disagree and 7=strongly agree. Further, previous research suggests that in an uncertain environment where consumer needs and preferences change frequently, firms tend to focus more on building strong brands that signal superior quality (Homburg *et al.*, 2010) and developing new solutions that meet consumers’ emerging needs (Narver *et al.*, 2004). To control for these confounding effects, we followed the lead of Sok *et al.* (2015) and measured market turbulence with the six-item scale taken from Jaworski and Kohli (1993) on a 7-point scale with poles of 1=strongly disagree and 7=strongly agree.

3.4. *Non-response bias and common method variance*

Non-response bias was assessed by comparing mean differences between early and late respondents on key constructs and organisational characteristics at the 5% significance level (O’Cass and Ngo, 2012). The *t*-tests performed show that there are no significant differences between early and late respondents on either the key constructs or the brand units’ age and size (*t*-values ranged from .19 to 1.62). These results suggest non-response bias is not a major concern in the present study.

Also, because data were collected from a single source through the employment of a single informant approach, common method variance might potentially introduce spurious relationships among variables. In addressing this issue, we followed the procedure recommended by Verhoef and Leeflang (2009) and Murray *et al.* (2011). First, a factor analysis of all items resulted in a solution of eight factors with a total variance of 65%, 17% of which came from the first factor. The result showed that the first (largest) factor did not account for the majority of the

total variance explained. Second, an item that had no theoretical relation to any of the key constructs captured in this study was included (O’Cass and Ngo, 2012). The item was “it is good to drive over the speed limit”, measured on a 7-point scale with poles of 1=strongly disagree and 7=strongly agree. The calculated correlations between this item and the key constructs in the study, ranging from -.09 to .05, were not statistically significant. Taken together, these results provided no evidence of the presence of common method bias.

4. Results

4.1. *Measure reliability and validity*

Prior to hypotheses testing, all measures were subject to an assessment of their reliability and validity. With respect to convergent validity, factor loadings are assessed along with each of the constructs’ average variance extracted (AVE) and composite reliability (CR). As shown in Table 1, all individual indicators have loadings greater than the benchmark of .50 (ranging from .66 to .81) and are statistically significant ($t > 13.69$) (Fornell and Larcker, 1981; Hulland, 1999). Similarly, the AVE (ranging from .50 to .60) and CR (ranging from .83 to .90) estimates for each construct are within the acceptable limits of .50 and .70 respectively (Fornell and Larcker, 1981; Hulland, 1999). Taken together, these results provide support for satisfactory convergent validity.

--- Table 1 here ---

Following Fornell and Larcker (1981), discriminant validity is assessed by examining the correlation of two constructs and the square root of their respective AVE estimates. As shown in Table 2, the square roots of all AVE values (ranging from .71 to .77) are greater than the off-diagonal correlation estimates between the corresponding constructs (ranging from -.11 to .33). This finding provides support for adequate discriminant validity. In order to substantiate this

result, we followed Gaski and Nevin's (1985) approach and assessed whether the correlation between two composite constructs is lower than their respective reliability estimates. Again, as shown in Table 2, the reliability estimates of any two constructs are consistently greater than their corresponding correlation value. Taken together, these results indicate satisfactory discriminant validity for all constructs.

--- Table 2 here ---

4.2. *Hypotheses testing*

In testing the proposed hypotheses, we employed a hierarchical regression analysis. We retained all previous terms in the model as covariates so that the meaningfulness of the results could be substantiated. Also, we mean centered all independent and moderating variables prior to the creation of interaction terms to reduce the risk of multicollinearity (Aiken and West, 1991). An analysis of the variance inflation factor (VIF) indices across the regression models indicates that none of the VIF values (ranging from 1.04 to 2.80) are higher than the benchmark of 10 (Hair *et al.*, 2010), suggesting multicollinearity is not a serious problem in the present study. Results of the hierarchical regression analysis are presented in Table 3.

In Model 1, control variables were entered. None of the control variables have a significant effect on brand performance. Following this, brand orientation and innovation orientation were entered in Model 2. Consistent with previous findings (e.g., O'Cass and Ngo, 2007a, b; Huang and Tsai, 2013), both brand orientation ($\beta = .22, t = 3.01$) and innovation orientation ($\beta = .28, t = 3.96$) have a significant positive effect on brand performance.

In Model 3, the squared or quadratic terms of brand orientation and innovation orientation were added entered to assess their curvilinear effects on brand performance (H1 and H2). On this point, prior research suggests that a significant coefficient of the squared term on the outcome

variable indicates the presence of a curvilinear relationship; such that a positive coefficient sign indicates a U-shaped relationship while a negative coefficient sign an inverted U-shaped relationship (e.g., Schilke, 2014). In H1, it was hypothesised that brand orientation would have an inverted U-shaped relationship with brand performance. The results show that the squared term of brand orientation is negatively related to brand performance ($\beta = -.11, t = 1.69$), providing support for H1. Similarly, it was hypothesised in H2 that innovation orientation would have an inverted U-shaped relationship with brand performance. The results also show that the squared term of innovation orientation is negatively related to brand performance ($\beta = -.21, t = 3.01$), lending support to H2.

Finally, the interaction effect of brand orientation and innovation orientation on brand performance was entered in Model 4. The results show that the interaction between brand orientation and innovation orientation is positively related to brand performance ($\beta = .17, t = 2.56$). Following prior research (e.g., Aiken and West, 1991; Atuahene-Gima, 2005), we plotted the interactions and performed simple slope tests to gain further insight into the interaction effect of brand orientation and innovation orientation on brand performance. The plot in Figure 1 shows that the positive relationship between brand orientation and brand performance is significant when innovation orientation is high ($t = 3.48, p < .01$), but not when it is low ($t = 1.02, n. s.$). Similarly, the plot in Figure 2 shows that the positive effect of innovation orientation on brand performance is significant when brand orientation is high ($t = 4.26, p < .01$), but not when it is low ($t = 1.30, n. s.$). Taken together, these findings offer support for H3.

--- Table 3 here ---

--- Figure 1 here ---

--- Figure 2 here ---

4.3. *Supplementary analyses*

We also performed supplementary analyses to determine whether the inverted U-shaped relationship between independent variable and dependent variable would be more pronounced or subtle under low and high levels of the moderator. These supplementary analyses enable a more complete interpretation of the findings reported above in relation to the interactive effect of brand orientation and innovation orientation on brand performance.

Consistent with findings previously reported (Table 3, Model 5), the results show that when the squared term of brand orientation is coupled with innovation orientation, their interactive effect is positively related to brand performance ($\beta = .16, t = 2.08$). The simple slope test further reveals that when innovation orientation is low, the inverted U-shaped relationship between brand orientation and brand performance is significant ($t = 1.66, p < .10$). However, when innovation orientation is high, the inverted U-shaped relationship between brand orientation on brand performance loses its significance ($t = .93, n. s.$). As illustrated in Figure 1, these findings indicate that increasing levels of innovation orientation positively moderate the inverted U-shaped relationship between brand orientation and brand performance, such that the relationship is more subtle when innovation orientation is high and more pronounced when innovation orientation is low.

--- Figure 3 here ---

Similarly, when the squared term of innovation orientation is coupled with brand orientation, their interactive effect is positively related to brand performance ($\beta = .19, t = 2.55$). The simple slope test further indicates that when brand orientation is low, the inverted U-shaped relationship between innovation orientation and brand performance is significant ($t = 2.66, p$

< .01). However, when brand orientation is high, the inverted U-shaped relationship between innovation orientation and brand performance loses its significance ($t = 1.36$, n. s.). As illustrated in Figure 2, these findings suggest that increasing levels of brand orientation positively moderate the inverted U-shaped relationship between innovation orientation and brand performance, such that the relationship is less profound when brand orientation is high and more pronounced when brand orientation is low. Taken together, these findings provide additional support for H3.

--- Figure 4 here ---

5. Discussion

5.1. Theoretical and managerial implications

While the literature notes that brand orientation and innovation orientation are two critical routes to achieving superior brand performance, it appears perplexing that some brand-focused firms have struggled to keep their heads above water or had to cease operations in the market, as have some innovation-focused firms. At present, existing knowledge is limited on why this is the case and how this can be addressed. We seek to advance current knowledge in the branding literature by examining the nonlinear and interactive effects of brand orientation and innovation orientation on brand performance through the underpinning principles of the ambidexterity literature. In doing so, we aim to resolve two existing deficiencies in the extant literature.

First, previous works have mainly established that in pursuit of superior brand performance, firms must continuously strive to be brand-oriented (e.g., Huang and Tsai, 2013) or innovation-oriented (e.g., O’Cass and Ngo, 2007a, b). In this regard, established findings appear to suggest that the key to achieving superior brand performance lies in the sole and exclusive focus on either brand orientation or innovation orientation. This observation further implies that

the more firms become brand-oriented or innovation-oriented, the better their brand performance gets. However, counter to the prevailing assumption of linearity, there is reason to expect that increases in brand orientation or innovation orientation may be subject to diminishing returns in brand performance terms. Indeed, the findings show that both brand orientation and innovation orientation have an inverted U-shaped relationship with brand performance – that is, when increasing past a certain point, their performance benefits begin to diminish and eventually disappear.

Specifically, at higher levels of brand orientation, firms are limited in their scope for brand growth and expansion because excessive brand orientation may cause firms to overlook emerging opportunities in the market that do not fit perfectly within the core brand identity framework. Similarly, at higher levels of innovation orientation, firms jeopardise the clarity and consistency of the core brand identity because excessive innovation orientation may lead to the introduction of innovations that are not coherently aligned and integrated with each other for the construction of a meaningful brand image. In this light, our findings extend current knowledge by showing empirically that brand orientation or innovation orientation by itself is insufficient for achieving superior brand performance. Focusing solely on either brand orientation or innovation orientation is unlikely to yield superior brand performance since increased levels of this focus may cause the opposing effect and lead to diminishing returns. Managers are therefore advised against fostering either brand orientation or innovation orientation in isolation within their firms. Higher levels of the brand orientation restrict brand growth and development whereas higher levels of the innovation orientation impede the establishment of a clear and coherent brand image in the minds of consumers.

In light of the above discussion, the second deficiency within the extant literature which we attempt to resolve pertains to the simultaneous pursuit of brand orientation and innovation orientation as the key to realising superior brand performance. Specifically, the study shows through the theoretical lens of organisational ambidexterity that when there is an interaction between brand orientation and innovation orientation, the inherent limitations associated with one are overcome by the other, thus their interactive effect is critical to the achievement of enhanced brand performance.

The findings suggest that with increasing levels of brand orientation, firms are developing a cognitive “lock-in” or core rigidity which limits their ability to adapt to emerging market opportunities. Consequently, firms have limited scope for brand growth and expansion and may therefore be deterred from achieving superior brand performance. However, with the bestowal of a creative edge via innovation orientation, firms are able to think “outside the box” and conceive of the unique ways that allow them to not only adjust in accordance with the evolving market, but also do so in ways that are in line and consistent with what the brand stands for and the values it represents. As such, innovation orientation is crucial in broadening the brand’s scope for growth and expansion and keeping it revitalised.

Similarly, with increasing levels of innovation orientation, firms are producing radically new innovations that may not coherently reflect a clear, consistent and meaningful brand image in the minds of consumers. Consequently, the firm’s introduction of diverse innovations may confuse consumers and impair brand performance. However, with the endowment of a greater sense of direction and focus in the form of brand orientation, firms are provided with a guiding light that illuminates the path on which they embark for the introduction of innovative outputs. In this sense, firms are able to garner their innovative energy and channel it into the development of

innovations that are not only reflective of and consistent with the core brand identity, but also contribute to strengthening and consolidating its brand positioning in the marketplace. As such, brand orientation is vital in governing the firm's focus and maintaining the consistency of the core brand identity.

It is imperative that in achieving superior brand performance, managers should avoid orienting their firms towards the sole and exclusive focus on either brand orientation or innovation orientation because increased levels of this focus are likely to lead to diminishing returns in brand performance terms. Instead, managers are advised to focus their efforts on developing and fostering both brand orientation and innovation orientation within their firms when striving to achieve superior brand performance because the integration of brand orientation and innovation orientation enables the inherent limitations of one to be managed and mitigated by the other.

5.2. *Limitations and recommendations for future research*

The findings of the present study should be considered in the light of several limitations. First, we captured brand performance by soliciting subjective data from managers instead of objective performance data. While the data drawn from this approach may not be fully representative of firms' actual performance in the market, it is however consistent with the procedure adopted by previous research (e.g., Baumgarth, 2010; Santos-Vijande *et al.*, 2013). Future research may focus on obtaining objective performance data to capture firms' actual brand performance.

Second, we captured brand performance by focusing on such indicators as sales and market share. While our approach of assessing brand performance is consistent with prior research (e.g., Weerawardena *et al.*, 2006; O'Cass and Ngo, 2007a, b), future studies may focus

on examining brand performance indicators related to the consumer's perspective given some scholars argue that the attitudinal and behavioural responses of consumers determine the competitive nature or success of a brand in the marketplace (e.g., Keller and Lehmann, 2006; Santos-Vijande *et al.*, 2013).

Third, while we followed the approach of previous studies by focusing on the SBU as the unit of analysis (e.g., Lee *et al.*, 2008; Homburg *et al.*, 2010), we did not consider how brand orientation and innovation orientation operationalised at the corporate level influence or differ from those operationalised at the SBU level. Future research may examine the differences between the brand orientation and innovation orientation of corporate and product brands given that many firms own multiple brands and undertake individual product branding strategies (e.g., Baumgarth and Schmidt, 2010).

Fourth, while we followed the approach of previous studies to control for the confounding effect of market turbulence (e.g., Atuahene-Gima and Murray, 2007), we did not consider how it affects the pattern of interaction between brand orientation and innovation orientation. Future research may examine how market turbulence differentially moderates the brand performance effects of brand orientation and innovation orientation. For example, in highly turbulent markets where consumer preferences are rapidly changing, the role of innovation orientation may be more important than that of brand orientation.

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