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The brand management system and service firm competitiveness ☆

María Leticia Santos-Vijande [a,*], Ana Belén del Río-Lanza [a], Leticia Suárez-Álvarez [a], Ana María Díaz-Martín [b]

[a] Marketing, Universidad de Oviedo, Facultad de Economía y Empresa, Departamento Administración de Empresas, Avda. del Cristo s/n, 33071 Oviedo, Spain
[b] Marketing, Universidad Autónoma de Madrid, Facultad de Ciencias Económicas y Empresariales, Dpto. de Financiación e Investigación Comercial, Avda. de Tomás y Valiente — Campus Cantoblanco, 28049 Madrid, Spain

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ABSTRACT

Despite the growing body of literature acknowledging that strong brands are crucial for firms' long-term competitiveness, little research examines how firms should manage their brands internally to maximize their value and the firm's commercial performance. On the basis of the brand management system (BMS) that Kim and Lee (2007) and Lee, Park, Baek, and Lee (2008) describe, the current research extends these authors' work and develops a multidimensional BMS scale comprising three dimensions: brand orientation, internal branding, and strategic brand management. The BMS represents the basic internal management infrastructure necessary to sustain brand-building activities and brand equity creation. The study also conceptualizes the BMS as a dynamic capability that constitutes a potential route to acquiring a sustainable competitive advantage. The data from a sample of 151 knowledge-intensive business services firms show that the BMS effectively helps firms to perform better than their competitors and that market orientation and innovativeness are key antecedents for the development of the system. These results contribute to the scarce literature on managing brands in business services.

1. Introduction

Many academics and practitioners acknowledge nowadays that creating strong brands is one of the key factors for achieving a competitive advantage and guaranteeing the firm's long-term survival (Zablah, Brown, & Donthu, 2010). Brand building involves the development of systematic and structured management processes (Merrilees, Rundle-Thiele, & Lye, 2011), although research on how best to develop the internal management of the brand to maximize its market value and the firm's commercial performance is scarce (Lee, Park, Baek, & Lee, 2008). In this sense, Madhavaram and Hunt (2008, p. 77) underline the need to "conceptualize a brand management capability", that is, the firm's ability to develop and nurture a strong brand or an effective portfolio of strong brands.

Kim and Lee (2007) and Lee et al. (2008, p. 849) introduce the "Brand Management System" (BMS) concept. These authors define the BMS as a set "of any systems, organizational structure, or culture of a firm supporting brand building activities". The BMS represents the way firms should conceive and develop the internal management of their brands to facilitate the creation and maintenance of strong brands in the long term, and constitutes a distinct concept from both the specific brand-building activities and the organization's culture.

Following the theoretical development of the strategic marketing literature, this study defines the BMS as an organizational dynamic capability that allows firms to continuously adapt to the rapid pace of market evolution leading to the sustained development of strong brands (Ni & Wang, 2008; Teece, Pisano, & Shuen, 1997). The definition of the BMS as a dynamic capability encapsulates a systemic orientation at the heart of the construct. Previous research analyzes the BMS as a single construct, ignoring its potential internal structure and does not define the system as a marketing capability. Thus the first objective of this research is to advance in the literature by conceptualizing the BMS, analyzing its dynamic capability nature and testing its underlying dimensions.

The second objective of this study is to examine the relation between the BMS and firm performance in order to verify whether the system improves firms' competitiveness in the long term and hence constitutes a valuable organizational capability (Grant, 1995).

From this perspective, the potential antecedents of the BMS are also of academic interest and constitute one of the "key research avenues for marketing strategy" (Madhavaram & Hunt, 2008, p. 78). Accordingly, the third objective of this study is to analyze the role of the firm's innovativeness (Aaker, 2007) and market orientation (Lee et al., 2008) as key determinants of the development of a BMS.

The recent literature that examines the link between capabilities and performance highlights the need to evaluate concurrently the impact of

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* Corresponding author. Tel.: +34 985 10 28 23.
E-mail addresses: lsantos@uniovi.es (M.L. Santos-Vijande), adelrio@uniovi.es (A.B. del Río-Lanza), lsuarez@uniovi.es (L. Suárez-Álvarez), ana.diaz@uam.es (A.M. Díaz-Martín).

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various capabilities to achieve a further understanding of their relative contribution to firms' competitiveness (Merrilees et al., 2011). Market orientation (Hooley, Greenley, Cadogan, & Fahy, 2005) and innovativeness (Madhavaram & Hunt, 2008; Menguc & Auh, 2006) are also themselves valuable marketing capabilities. Thus the fourth objective of this research is to examine the relative contribution of innovativeness, market orientation and the BMS to firms' performance.

Finally, the study here seeks to extend the literature on business-to-business branding. Research into branding is at an incipient stage of development in the business-to-business context compared to the business-to-consumer literature (Baumgarth, 2010; Zablah et al., 2010).

2. Review of brand management literature

2.1. The new perspective in brand management and the BMS

In the last decade, an important line of research in the brand literature argues for adopting relational perspectives in brand management; in this way, brand management emerges as an ongoing dynamic process in which multiple entities (consumers and firms) co-construct brand meaning. Louro and Cunha (2001) point out that this option will require big changes in traditional brand management structures. Merz, He, and Vargo (2009) also establish that from 2000 a new era starts in the õbranding literature, where the brand conceptually becomes a dynamic and social process in which the entire firm's stakeholders participate, establishing a network of relationships with the brand and interacting with each other socially. Thus the conception of the brand has evolved from being a merely physical thing that helps identify and differentiate the firm's products (Louro & Cunha, 2001) to being a key intangible, strategic resource that has its basis on the development of valuable social relationships. This evolution applies particularly to service firms, where the brand's meaning to customers derives mainly from their experiences with the organization and the employees that deliver the service (Brodie, Whittome, & Brush, 2009; Dall'Olmo Riley and de Chernatony, 2000).

Adopting this new brand management perspective is essential in today's competitive environments characterized by very similar commercial goods and services, the rapid imitation of innovations, and an intense competition. Brands need more than ever to build strong relationships with their customers, accordingly, firms critically require developing an efficient BMS that allows them to meet the new environmental challenges and achieve a competitive advantage by creating and maintaining strong brands. The BMS is neither the general brand management process nor the potential relations between the brand-building activities comprising that process (Aaker & Joachimsthaler, 2000; Katsanis, 1999). Instead, the BMS is a dynamic capability that sustains the brand management chain model (see Fig. 1).

The model of the brand management chain seeks to illustrate two fundamental questions: (1) how can firms create and maintain strong brands; and (2) what constitutes a strong brand (Keller, 2011). The second question has generated a broad number of studies that analyze the concept of brand equity, which according to Christodoulides and de Chernatony (2010) can subdivide into brand assets, brand strength, and brand value. The branding literature has mainly focused on brand equity (Davis, Golicic, & Marquardt, 2008). In contrast, this work stresses the importance of studying how to create and maintain strong brands. The BMS involves managing the brand inside the firm with a systematic and strategic approach that considers the brand a central element in the business strategy and sets down the bases for implementing and controlling the brand-building actions in an integrated and coordinated way (Kim & Lee, 2007).

2.1.1. Dimensions of the BMS

Recent studies stress the need for a strong brand-supporting corporate culture, or brand orientation, which ensures that the brand has an important role in the business model (Baumgarth & Schmidt, 2010). Researchers also focus on the internal branding concept as a key instrument for obtaining employees' commitment to the brand and their collaboration during service encounters to guarantee consistency of the brand experience (Beverland, Napoli, & Lindgreen, 2007; Punjaisri, Evanschitzky, & Wilson, 2009). The literature also recommends treating the brand as a core strategic resource (Brodie et al., 2009; Urde, 1999). Thus M'zungu, Merrilees, and Miller (2010) suggest three stages of strategic brand management for building and protecting strong brands: adopting a brand orientation mindset, developing internal branding capabilities and consistent delivery of the brand.

On the basis of these ideas, this study conceptualizes the BMS as consisting of three underlying dimensions: brand orientation, internal branding, and the strategic management of the brand activities. The dimensions constitute a system because only their comprehensive implementation, rather than their consideration in isolation, can sustain the firm's ability to develop successful brands (Beverland et al., 2007). In this sense, the method section presents the conceptualization of the BMS as a second-order reflective construct.

2.1.2. Brand orientation

Brand orientation refers to the extent to which the firm recognizes the importance of brands as valuable assets and centers its marketing strategy and activities on developing the ability to build strong brands. This concept was initially defined by Urde (1994, 1999), and implies that top management attributes a critical importance to branding. Brand orientation in this sense is a mindset, a type of organizational culture that ensures that the brand will have a dominant role in the firm's strategy (Baumgarth, 2010; Wong & Merrilees, 2007).

According to Wong and Merrilees (2007), firms with an embryonic brand orientation consider the brand an optional strategy that is not necessarily important for achieving competitive advantage. For firms

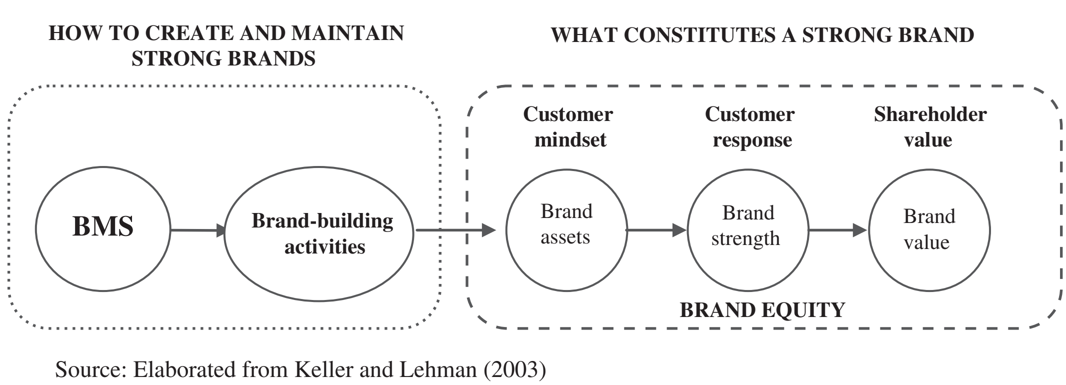

Fig. 1. The brand management chain and the BMS.
Elaborated from Keller and Lehman (2003).

with an integrated brand orientation, in contrast, the brand is a critical strategic resource for achieving competitive advantage and a key guide for their marketing strategy. Brand orientation therefore constitutes the fundamental basis upon which to sustain the firm's ability to manage its brand effectively (Beverland et al., 2007), reinforces the brand's market differentiation and ultimately helps to achieve sustainable competitive advantages (Baumgarth & Schmidt, 2010). Thus in order to create and safeguard strong brands, firms must start by adopting a brand orientation mindset (M'zungu et al., 2010).

2.1.3. Internal branding

Once the organizational culture reinforces the building of strong brands as a fundamental strategic objective, all organization members must collaborate to achieve this goal and internalize the importance of the brand (Punjaisri et al., 2009). Thus firms must educate and train all their workers, whatever their level and/or function, so they know and support the brand identity and understand its meaning and implications perfectly (de Chernatony & Cottam, 2006). Following an internal marketing approach, the objective of this process is that employees do not limit their relationship with the brand to a mere transactional exchange of work for income, but develop symbolic ties with the brand and hence become "brand ambassadors" (Vallaster & de Chernatony, 2006).

On the other hand, another objective of internal branding is to favor internal communications about the brand both from the top down – from the managers and directors – and from the bottom up – from the employees – so that the activities of brand development and strengthening can be carried out as efficiently as possible (M'zungu et al., 2010; Webster & Keller, 2004). On this basis, the BMS should also include the monitoring of the internal image of the brand in order to guarantee a perfect alignment between the internal perception of the brand and the strategic objectives of the organization.

Thus internal branding helps the firm to develop a BMS because this dimension contributes to: (1) operationalizing the brand orientation culture; (2) implementing brand-building activities, for which the employees must be perfectly familiar with the objectives and characteristics of the brand, and the lines of action that the firm foresees, as well as share relevant information; and (3) delivering the service that accompanies each purchase, through which the brand image is created. In this sense, the employees participate actively in building the brand through each contact or encounter with the customers (Dall'Olmo Riley and de Chernatony, 2000; Merz et al., 2009).

2.1.4. Strategic brand management

In order for brands to become a source of competitive advantage for the firm, managers must carry out their strategic management on the basis of a series of fundamental elements: (1) the development of a marketing strategy coherent with the desired brand image; (2) the planning of the brand management over the medium to long term (set goals); (3) the evaluation of the evolution in the brand image and value in the market; and (4) the allocation of the economic and human resources necessary for the brand management.

The models that describe brand-building activities (e.g. Katsanis, 1999; Keller, 2003) recommend designing actions in several marketing-related areas such as product design, product positioning and packaging, communications campaigns in traditional and online media, and brand extensions. Consequently, the strategic brand management has to include a careful fit between the firm's global marketing strategy and the desired brand image, together with a planning of the brand's medium- and long-term goals to facilitate the strategic marketing planning process.

Beverland et al. (2007) use case studies to examine the ability of industrial firms to favor the leadership of their brands. According to their results, firms with leading brands carry out well-planned and coordinated action programs and have feedback mechanisms in place to evaluate the results associated with the brand. Thus planning of the brand management and obtaining feedback on brand image and value become fundamental elements guiding the strategic brand management. Finally, Aaker and Joachimsthaler (2000) propose a model summarizing the firm's investments in the brand in four main areas: creating and reinforcing the brand identity; structuring the brand portfolio; developing coordinated marketing actions; and organizing the brand management infrastructure and process. Firms must therefore acknowledge the importance of allocating human and financial resources to develop their brands.

2.2. The BMS as a dynamic capability

The resource-based view of the firm acknowledges that sustainable competitive advantage lies in an organization's valuable, rare, inimitable and non-substitutable set of organizational capabilities (Grant, 1995). Organizational capabilities represent a complex set of abilities to perform the firm's operations efficiently and systematically using a series of organizational resources coordinately (Grant, 1995; Menguc & Auh, 2006). The BMS is a holistic system that, starting from the cultural valuation of the brand as a key strategic resource, and a consistent organization-wide commitment to the brand's objectives and development, receives information from internal and external sources to continuously develop a strategic approach to brand management and build strong brands (Katsanis, 1999). In this respect, the BMS combines culture, management systems and working processes to successfully develop a strong brand. The BMS fits the definition of a high-level organizational capability because the system allows the firm to combine and use other resources efficiently (Madhavaram & Hunt, 2008).

Firms need to permanently renew their skills and resources to maintain their competitive advantage. Consequently, Teece et al. (1997, p. 516) define a dynamic capability as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments". Dynamic capabilities represent a complex set of abilities through which organizations systematically modify their operating routines and reconfigure their resources and skills to achieve an adequate adaptation to changing market requirements.

The consideration of the BMS as a dynamic capability arises from explicitly considering the strategic orientation to brand management as a key constituent of the BMS, which introduces an external-driven dimension, or a continuous analysis of market evolution, that captures the dynamic process of configuring the required routes of action to achieve a strong brand.

Thus the BMS tries to incorporate the new perspective on brand management that considers the brand as a key intangible, strategic resource based on the development of valuable social relationships with multiple publics in highly competitive and turbulent markets. This requires a permanent monitoring of the market and a constant input of relevant information that enables an effective brand management from a medium- and long-term perspective and a rapid resource re-allocation when new market opportunities emerge. Thus, the ultimate objective of the BMS is to allow a permanent renewal of the firm's skills and resources to develop strong brands, adapting to market evolution and achieving a sustainable competitive advantage.

3. Consequences of the BMS for competitiveness

Prior results suggest that firms with a well developed BMS achieve superior performance (Lee et al., 2008). But research into the relation between BMS and performance is scarce and the importance of the internal anchorage of the brand concept to the success of firms deserves further investigation (Baumgarth, 2010).

Performance includes customer-related outcomes (such as customer satisfaction, loyalty or value added perceptions) and overall business performance using market and financial indicators (sales, market share, and profits). The study proposes that the BMS has a direct, positive effect on customer-related performance as a result of the development of strong brands. Lee et al. (2008) do not find empirical support for the direct path between BMS and financial performance and conclude that only customer performance influences financial performance. This evidence may be suggesting that customer performance fully mediates the relation between BMS and business performance, which means that unless the BMS leads to the development of strong brands that improve customer performance, the system does not really have the capacity to improve firms' performance. Accordingly, this research analyzes the indirect effects of the BMS on firms' competitiveness

H1. The BMS has a positive effect on the firm's customer performance.

H2. The firm's customer performance has a positive effect on its business performance.

4. Antecedents of the BMS and their effects on competitiveness

The study of the potential antecedents of the BMS, as a dynamic capability that fosters firm competitiveness, has academic interest (Madhavaram & Hunt, 2008, p. 78). Researchers also need to achieve a deeper understanding of the interdependencies that may exist among organizational capabilities (Merrilees et al., 2011). Thus this study analyzes the role of innovativeness and market orientation, both valuable marketing capabilities, as antecedents of the development of the BMS. In this way, the research can also assess the relative contribution of different marketing capabilities to customer value and, ultimately, business performance (Merrilees et al., 2011).

4.1. Innovative culture, the BMS, and performance

The firm's innovative culture – in other words, its innovativeness – reflects whether the organization is in favor of developing and/or adopting innovations or alternatively resists this process (Hurley & Hult, 1998). Previous studies on innovativeness have analyzed at depth its possible antecedents (Rhee, Park, & Lee, 2010) and its effects on performance (Hult, Hurley, & Knight, 2004; Lin, Pen, & Kao, 2008; Theoharakis & Hooley, 2008). Nevertheless, empirical evidence on how the innovative culture favors superior business performance is scarce. The current research proposes that innovativeness is an antecedent of the BMS and that the system is one of the channels through which innovativeness translates its effects to customer performance and ultimately to business performance. Various arguments support this reasoning.

One of its defining features is that innovativeness favors firms' external orientation as a means of creating competitive innovations, so innovativeness does not ignore the market as a potential source of innovation. In fact, even if the innovation comes from internal development efforts, and tries to act upon the market or respond in anticipation, the innovative culture assumes that successful innovation requires an adequate understanding of the market's behavior and potential response (O'Cass & Ngo, 2007). On the basis of this external orientation, innovativeness may help firms to recognize the importance of the brand, not only for the successful commercialization of the innovations, but also as a valuable tool to adapt new services more closely to customer demands, since the brand lends credibility and security (Aaker, 2007). Teece (2007) also suggests that entrepreneurial management is a key microfoundation, or source, of dynamic capabilities. "Entrepreneurship is about sensing and understanding opportunities, getting things started, and finding new and better ways of putting things together" (Teece, 2007, p. 529). Innovativeness has a strong link to entrepreneurism since firms need to have an innovative culture to engage in innovative behavior (Hult et al., 2004; Menor & Roth, 2007); in fact, innovativeness "implies a firm being proactive by exploring new opportunities rather than merely exploiting current strengths" (Menguc & Auh, 2006, p. 65). Because this variable fosters entrepreneurism, innovativeness is also arguably among the antecedents of the dynamic capability BMS.

Additionally, in the services context the corporate brand is often identical to the brand of the service being commercialized, so that a good management of the brand and its use in innovations helps strengthen the firm's reputation as an innovative firm, improves consumer acceptance of new services, and bolsters the firm's competitive position in the market (Aaker, 2007; Corkindale & Belder, 2009). This reasoning also reinforces the idea that innovativeness may reasonably foster the development of a brand management system.

H3. Innovativeness has a positive effect on the BMS.

On the other hand, previous studies (Hult et al., 2004; Lin et al., 2008; Theoharakis & Hooley, 2008) suggest that innovativeness has a positive effect on performance by favoring the firm's innovative capacity and consequently its ability to adapt to customers' constantly evolving needs and preferences. Previous empirical evidence on the innovativeness-performance interface, considering innovativeness as a form of organizational culture, is scarce, and as far as the authors know these studies do not include a customer performance construct in their conceptual models (Hult et al., 2004; Lin et al., 2008). The positive effect of innovativeness on performance has its grounding in the basic idea that firms need to innovate to adjust to the rapid pace of market evolution: "because environments evolve firms must adopt innovations over time" (Hult et al., 2004, p. 431). Innovation is, in this way, a cornerstone in the creation of value in the marketplace and in achieving a position of advantage over the competition.

H4. Innovativeness has a positive effect on the firm's customer performance.

4.2. Market orientation, the BMS, and performance

Market orientation is a management philosophy (Narver & Slater, 1990), with its corresponding operational application (Kohli & Jaworsky, 1990), in which firms primarily seek the sustained creation of value added for their customers and, to this end, closely monitor their markets to respond quickly to the rapid pace of evolving needs.

Lee et al. (2008) confirm that market orientation is an antecedent of the BMS both in industrial and consumer markets. The logic of this relation stems from the inherent external orientation that market orientation implies. In their efforts to provide greater value to their customers, market-oriented firms can better appreciate the different benefits brands offer and how these brands form an intrinsic part of customer needs (de Chernatony & McDonald, 2003; Reid, Luxton, & Mavondo, 2005). The benefits and functions of brands include helping to identify and differentiate goods and services, facilitating the interpretation of information and consumer choice, saving consumers' time and costs, reducing their perceived risk, improving their loyalty, and permitting individual self-expression (Kapferer, 2004; Keller, 2003). In addition, strategic brand management is an essential part of the marketing strategy, and market-oriented firms are more willing to adopt a strategic vision of brands (Ruekert, 1992). Thus market-oriented firms are more likely to develop a BMS.

But several authors indicate that "there may be tension between the concepts of market orientation and brand orientation, because the former requires constant adaption to consumer needs while the latter is more firm driven and not fickle to variations in consumer needs (Urde, 1999)" (Merrilees et al., 2011, p. 370). Recent research by Urde, Baumgarth, and Merrilees (2011) sheds some light on this issue, because these authors recognize that strongly brand-oriented firms may also add a dose of market focus to maintain the relevance of their brand to customers. Market-oriented firms, in turn, also need to develop a brand focus to gain differentiation and appropriate all the benefits that the brand offers. Thus market orientation can encourage the firm to adopt a BMS.

H5. Market orientation has a positive effect on the BMS.

The literature provides evidence for the idea that market orientation improves firms' performance because of the firms' increased interest in providing greater value with their goods/services (Morgan, Vorhies, & Mason, 2009; Narver & Slater, 1990). Thus market-oriented firms seek to closely monitor customer needs and market trends in order to anticipate, and rapidly respond to, the evolving market demands by providing greater added value than their competitors (Kohli & Jaworsky, 1990; Narver & Slater, 1990). Since market orientation defends customer centrality in firms' operations, this study analyzes the market orientation-customer performance relationship.

H6. Market orientation has a positive effect on the firm's customer performance.

Fig. 2 illustrates the conceptual model that this work proposes. According to this model, the BMS consists of three dimensions: brand orientation, internal branding, and strategic brand management. Market orientation and a strong innovative culture reinforce the development of the BMS. In addition, the BMS has a direct effect on customer-related performance, which also benefits from the firm's innovativeness and market orientation. Finally, customer performance ultimately leads to business performance.

5. Methodology

5.1. Context of study and characteristics of sample

This study uses a sample of knowledge-intensive business services (KIBS) firms. KIBS firms use their knowledge and experience to provide complex professional services that are highly customized to customers' needs (Løwendahl, 2005). Brand management is critical for these firms to sustain their credibility, reduce the client's perceived risk, and maintain their long-term competitiveness. Also in the KIBS sector the employees, who are in possession of highly qualified professional knowledge, have to develop a high level of personal interaction with customers, who must share their respective industry-specific knowledge for the provision of the service. Thus the premise that the internal implementation of the brand is more important in service firms than in sectors with no personal contact between the employees and the customers (Brodie et al., 2009) is particularly true for KIBS.

The target population of the empirical study comes from the SABI database (considering the NACE codes for the KIBS sector suggested by the European Monitoring Centre of Change, EMCC, 2005): a randomly selected stratified population of 1587 Spanish firms with more than ten employees. Telephone calls allowed verifying the firms' contact information, their willingness to participate in academic studies, and the accuracy of the data referring to the key informant. Several firms had ceased activity due to the current crisis, and others had reduced their employee numbers to below the threshold value. The authors eventually sent out 1236 questionnaires by post, e-mail, or fax. General Managers and CEOs were key informants (Thorpe & Morgan, 2007) because they receive information from a wide range of departments and can be fully knowledgeable about their organization's operations (BMS or market orientation), culture (such as innovativeness), or business performance.

The final sample comprises 151 firms (response rate of 11.5%). Of these, 21.8% belong to the computer and related service sector, 21.2% to business management, legal, and accounting consultancies, 28.5% to engineering, architecture, and environment consultancies, 9.3% to market research, advertising, and personnel selection and training consultancies, and 19.2% to other business activities.

Harman's one-factor test allowed controlling for common method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). This analysis produced six factors, with the first factor accounting for only 27.7% of the total variance explained (70.1%). This provides additional assurance that the results of this research are not due to common method variance.

5.2. BMS scale development

Following the usual recommendations (Menor & Roth, 2007), the measurement scale for the BMS is developed in two stages. The literature review together with in-depth interviews with a panel of nine academic and professional experts in the field of services commercialization and brand management provided an initial list of 22 items. After checking for and removing duplicates, the remaining 20 items were assigned, according to the authors' criterion, to the different dimensions of the BMS proposed in the present study. The researchers pre-tested the resulting measurement instrument by means of personal interviews with 14 firms. The interviewees had considerable managerial experience to examine the questions and provided valuable comments about: (1) the suitability of the BMS concept and its different dimensions to the reality of the sector under study; (2) the correspondence of the items with the proposed dimensions of the BMS; and (3) their readability and correct understanding. As a result, the authors re-drafted several items to facilitate their interpretation, to avoid confusion and thus prevent research bias, and eliminated three of them, considered confusing and/or redundant. This process left a final list of 17 items deemed suitable to measure the dimensions of the BMS (the authors will provide the initial scale upon request).

The development of the items, reinforced by the extensive literature review and the detailed evaluations by academics and practitioners, tries to ensure that the BMS scale addresses all issues relevant to the content domain under study and that, therefore, the BMS constructs have content validity. Seven-point Likert scales measure all items to ensure higher statistical variability among survey responses. Thus, respondents evaluate how well the different statements describe their

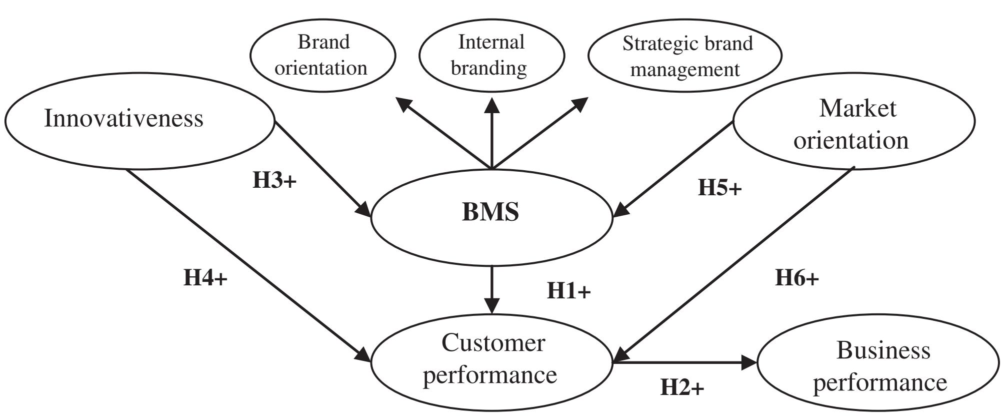

Fig. 2. Conceptual model.

firm's practices on a scale from 1 ("strongly disagree") to 7 ("strongly agree").

5.3. Measurement of other model variables

The innovativeness scale includes five items previously used by Hurley and Hult (1998). This scale refers to aspects such as the firm's acceptance of proposed innovations, the active search for innovative ideas, and the integration of innovation development into the firm's culture, among others.

To measure market orientation Olsen and Sallis (2006), following the research of Narver, Slater, and MacLachlan (2004), propose a 6-item scale that distinguishes between two basic dimensions within market orientation: (1) the proactive dimension, which reflects the firm's interest, relative to its competitors, in further identifying the latent needs of its current and potential customers, as well as future market trends; and (2) the reactive dimension, which focuses on understanding the needs and desires of consumers, as manifested explicitly by them, and trying to offer products and services that meet these needs.

With regard to the performance scales, and taking as reference Avlonitis and Gounaris (1999), and Theoharakis and Hooley (2008), respondents evaluate performance in relation to the firm's major competitor during the last three years. This choice minimizes both the industry effect and the subjectivity of the responses by establishing a point of reference to make the comparison. Evaluating performance during the last three years also introduces an explicit reference to the attainment of sustained competitive advantages (Prajogo & Sohal, 2006; Weerawardena, O'Cass, & Julian, 2006).

The customer performance scale includes the customers' level of satisfaction (Gounaris, 2005; Hooley et al., 2005), loyalty and staying with the firm (Hooley et al., 2005; Lings, 2004; Zahay & Griffin, 2004), the added value the service has provided them (Vorhies & Morgan, 2005), the level of communication attained, the reduction in the number of complaints and claims, improvement in the customers' image of the firm, and increased retention of the market's best customers (Lings, 2004).

The business performance scale includes items commonly used in the literature (Theoharakis & Hooley, 2008; Vorhies & Morgan, 2005; Weerawardena et al., 2006): the market-related indicators, sales and market share, and the financial measure, profits.

6. Results

Following Anderson and Gerbing's (1988) methodological recommendations, the analysis of the results includes two stages: first, the evaluation of the psychometric properties of the scales; and second, the test of the hypotheses in the conceptual model. The statistics package EQS version 6.1 for Windows enables assessment of the relations among the variables using structural equations modeling and the robust maximum likelihood estimation method.

6.1. Validation of second-order concepts: the BMS and market orientation

The BMS and market orientation scales represent 2nd-order reflective constructs, in other words, multidimensional concepts that consist of a number of more concrete (or 1st-order) subdimensions or components. More specifically, this work conceptualizes the BMS as a three-dimensional second-order reflective measure. A reflective latent construct illustrates that changes in the underlying latent construct are reflected by changes in the indicators, that is, reflective measures are caused by the latent construct (Jarvis, Mackenzie, & Podsakoff, 2003). The authors understand that the true existence of a brand management capability involves the simultaneous development and implementation of the BMS dimensions. In fact, the word "system" seeks to indicate that all the dimensions in the BMS should covariate. This means that firms have the ability to manage and develop strong brands or not, but if they do they simultaneously and coordinately develop a strong brand orientation, achieve an organization-wide commitment to the brand and develop a strategic management perspective of the brand.

Thus, to verify the multi-dimensional nature of the BMS the authors conducted a first-order and a second-order CFA. The first CFA studied the correlation of the three dimensions that constitute the BMS (brand orientation, internal branding, and strategic brand management). This analysis provides an acceptable fit (BBNNFI = 0.97; CFI = 0.97; IFI = 0.97; RMSEA = 0.07) and confirms the positive intercorrelations among the reflective subdimensions of the BMS (Table 1). The results also allow confirming the convergent validity of the different BMS sub-dimensions (although three items were eliminated), since the standardized lambda parameters relating each observed variable with the latent variable range from 0.79 to 0.93 and are all significant at the 95% level (Table 2). Together with the Cronbach alpha coefficient, the reliability of the BMS subdimensions is also evaluated using the average variance extracted (AVE) and the composite reliability (CR). All these indicators exceed the recommended threshold values of 0.7, 0.6 and 0.5, respectively (Table 1). These results reinforce the reflective nature of the BMS dimensions since the indicators "are based in the assumptions of internal consistency… they are inappropriate for formative indicators, where there is no theoretical assumption made about inter-item correlation" (Coltman, Devinney, Midgley, & Venaik, 2008, p. 1253). Likewise, discriminant validity exists between the BMS subdimensions, because the squared correlation between each pair of factors is lower than the AVE of each (Fornell & Larcker, 1981).

The 2nd-order CFA aiming to test whether the BMS subdimensions converge on a single latent factor confirms this fact (Table 1): the standardized gamma values range between 0.87 and 0.91, and are significant in all cases at the 95% level, and the fit indices of the model are satisfactory (BBNNFI = 0.97; CFI = 0.97; IFI = 0.97; RMSEA = 0.07). This result suggests that the BMS is a reflective second-order measure.

The CFA correlating the two underlying subdimensions of market orientation (reactive and proactive orientation) also provides satisfactory results and confirms the existence of convergent validity, reliability and discriminant validity between the components of the scale following the criteria previously described. A 2nd-order CFA confirms the existence of a concept underlying the two subdimensions: the goodness-of-fit indices are satisfactory (BBNNFI = 0.92; CFI = 0.91; IFI = 0.91; RMSEA = 0.07) and the standardized gamma parameters for the proactive and reactive subdimensions are, 0.80 and 0.88, respectively.

6.2. Estimation of causal model

Before testing the causal model the measurement model needs evaluation. The results shown in Table 2 confirm the convergent validity of each construct, since the standardized factor loadings are all significant at the 95% level and higher than 0.5. The Cronbach alpha coefficient, composite reliability index and AVE, which assess the reliability of the scales, also exceed the recommended levels in all cases. Additionally, the results prove the existence of discriminant validity among the constructs in the conceptual model because the squared correlation between each pair of factors is less than the AVE of each (Fornell & Larcker, 1981).

The estimation of the causal model includes the means of the observed variables in the BMS and market orientation dimensions to comply with the required ratio of parameters to estimate to number of cases observed available in the database (Jöreskog & Sörbom, 1995). Table 3 shows the results of these analyses. The goodness-of-fit indices are satisfactory and all the hypotheses gain support. Specifically, the BMS has a direct, positive effect on customer performance (H1), and

Table 1
BMS measurement model and CFA by EQS.

Source	Constructs (Mean, SD)	Parameter standardized	t-value	Reliability		
				Cronbach's Alpha	AVE	CR
Baumgarth (2010); Kim and Lee (2007); Lee et al. (2008); Urde (1994, 1999); Wong and Merrilees (2007)	Brand orientation—F1 (3.67, 1.56)			0.91	0.76	0.93
	1. Building a strong brand is one of the objectives set by the firm's management.	0.87	15.32			
	2. An active and effective brand management is essential for achieving competitive advantages.	0.92	16.93			
	3. Brand decisions are a very important element in the firm's business strategy.	0.91	18.49			
	4. The firm's commercial brand is one of its most valuable assets (employees, management…).	0.79	13.10			
Lee et al. (2008); Punjaisri et al. (2009a,b); Wong and Merrilees (2007)	Internal branding—F2 (3.08, 1.59)			0.93	0.75	0.94
	1. The firm's employees attend workshops to learn about the objectives and characteristics of the brand.	0.85	12.51			
	2. The firm's employees periodically receive information about the brand and the actions involved in its management.	0.93	16.85			
	3. The firm's employees sufficiently understand the brand objectives and brand-building activities.	0.91	17.84			
	4. The firm analyzes the brand image among its internal publics.	0.79	12.54			
	5. The different areas or departments of the firm share information about the brand.	0.84	16.38			
Beverland et al. (2007); Lee et al. (2008); Matear, Gray, and Garrett (2004)	Strategic brand management—F3 (4.19, 1.66)			0.93	0.68	0.91
	1. The firm carries out significant investments to manage its brand	0.86	15.22			
	2. The firm invests more resources in brand management than its competitors	0.79	12.57			
	3. The firm has a well-coordinated, multidisciplinary team to manage its brand	0.84	16.33			
	4. The firm plans its marketing actions taking into account the possible repercussions for the brand image	0.80	13.63			
	5. The firm manages its brand from a medium- and long-term perspective	0.83	15.36			

Correlations F1–F2: 0.77; F1–F3: 0.79; F2–F3: 0.77 — Squared correlations F1–F2: 0.59; F1–F3: 0.62; F2–F3: 0.60

χ^2 S-B (74) = 123.69 ($p<0.00026$) BBNNFI = 0.97; CFI = 0.97; IFI = 0.97; RMSEA = 0.07

Second-order factor: definition of the BMS scale

Second-order factor	Dimensions	Standardized parameter	t-value	Reliability
BMS	Brand orientation (F1)	0.87	10.94	Cronbach's Alpha = 0.90
	Internal branding (F2)	0.91	10.35	CR = 0.92
	Strategic brand management (F3)	0.91	12.86	AVE = 0.80

χ^2 S-B (75) = 124.43 ($p<0.00029$) BBNNFI = 0.97; CFI = 0.97; IFI = 0.97; RMSEA = 0.07

an indirect effect on business performance via customer performance (H2). Likewise, the results show that innovativeness and market orientation are clearly critical for the development of an adequate BMS (H3 and H5, respectively). The firm's innovativeness also has a direct, positive effect on customer performance (H4). Finally, the analysis provides support for a direct effect of market orientation on customer performance (H6).

6.3. Analysis of the indirect effects in the conceptual model and control variables

Following procedures from Preacher and Hayes (2008) and Shrout and Bolger (2002) the authors used the Sobel test (Sobel, 1986) to test for the statistical significance of the mediating effects evident in the conceptual model. The Sobel test confirms that innovativeness and market orientation exert a significant indirect effect on business performance through the BMS and customer performance (0.05 and 0.08, respectively). Innovativeness and market orientation also have a significant impact on business performance through customer performance (0.14 and 0.37, respectively). Table 4 indicates that the total effect of innovativeness on business performance is 0.19 and the total effect of market orientation is 0.45. The BMS also affects business performance through customer performance, with a significant indirect effect (0.19). The BMS significantly mediates the effect of innovativeness and market orientation on customer performance (0.08 and 0.14, respectively). The total effect that innovativeness and market orientation exert on customer performance equals the sum of the significant direct and indirect effects, resulting in significant values of 0.32 and 0.78, respectively.

7. Conclusions, limitations, and future lines of research

The current research stresses that successful branding is not just about smart, creative brands, but also about well planned and executed brand management (M'zungu et al., 2010), and seeks to provide further insights in the brand management literature. Strong brands need to be well developed internally and the BMS seeks to help managers to gain a clearer picture of how best to manage the brand internally in order to maximize its value and the firm's long-term competitiveness. As Fig. 1 shows, the BMS constitutes the basic internal management infrastructure that sustains first the brand-building activities and, subsequently, brand equity creation.

The BMS underlines the firm's need to assume the strategic importance of the brand (culture or brand orientation), aligns employee behavior with what the brand means (internal branding), and guarantees an efficient allocation of resources in its long-term management (strategic brand management). In this respect, the BMS, by combining culture, management systems and working processes, may become one of the

Table 2
Measurement model and CFA by EQS.

Source	Constructs (Mean, SD)	Parameter standardized	t-value	Reliability Cronbach's Alpha	AVE	CR
See Table 1	BMS—F1 (3.65, 1.47)			0.90	0.57	0.78
	Brand orientation	0.87	14.27			
	Internal branding	0.88	15.35			
	Strategic brand management	0.86	13.73			
Narver et al. (2004); Olsen and Sallis (2006)	Market orientation—F2 (5.40, 1.01)			0.75	0.51	0.68
	Proactive orientation	0.86	10.87			
	Reactive orientation	0.72	8.92			
Hurley and Hult (1998)	Innovativeness—F3 (5.64, 1.10)			0.88	0.62	0.89
	1. The firm willingly accepts innovation proposals.	0.79	8.61			
	2. Management is actively seeking innovative ideas.	0.89	11.55			
	3. Innovation is not perceived in our firm as something too risky and to be avoided.	0.60	7.29			
	4. Our firm does not penalize those employees who promote and develop ideas for new services but which ultimately do not succeed in the market.	0.76	6.79			
	5. The development of innovations is a fundamental part of the culture of our firm.	0.87	12.51			
Gounaris (2005); Hooley et al. (2005); Lings (2004); Vorhies and Morgan (2005); Zahay and Griffin (2004)	Customer performance—F4 (5.55, 0.94)			0.92	0.62	0.92
	1. The firm achieves greater level of customer satisfaction.	0.89	12.21			
	2. The firm achieves greater customer loyalty.	0.83	10.26			
	3. The firm achieves greater added value provided to customers.	0.80	11.61			
	4. The firm achieves a greater level of communication with customers.	0.77	11.74			
	5. The firm achieves a greater reduction in client complaints and claims.	0.73	10.57			
	6. The firm has an improved image among its customers.	0.71	11.74			
	7. The firm retains the best customers in the market.	0.77	9.24			
Theoharakis and Hooley (2008); Vorhies and Morgan (2005); Weerawardena et al. (2006)	Business performance—F5 (5.12, 1.43)			0.92	0.60	0.82
	1. Sales growth	0.95	14.00			
	2. Market share growth	0.86	10.91			
	3. Profits growth	0.86	11.91			

Squared correlations F1–F2: 0.28; F1–F3: 0.20;F1–F4: 0.12; F1–F5: 0.09; F2–F3: 0.42; F2–F4: 0.48; F2–F5: 0.15;F3–F4: 0.24; F3–F5: 0.16; F4–F5: 0.35
χ^2 S-B (160) = 197.45 (p = 0.02) BBNNFI = 0.97 CFI = 0.97; IFI = 0.97; RMSEA = 0.04

firm's most valuable organizational capabilities, since the system is knowledge-based and also allows the firm to combine and use other resources efficiently (Madhavaram & Hunt, 2008). Thus this study broadens the definition of the BMS that Lee et al. (2008) offer and, in line with the research of Ballantyne and Aitken (2007) and Brodie, Glynn, and Little (2006) conceptualizes the BMS as a marketing dynamic capability that allows firms: (1) a continuous resource re-allocation to adapt to evolving markets; and (2) to adopt a management perspective that acknowledges the current social, interactive and dynamic nature of brands by developing a coherent brand culture and an organization-wide commitment to its consistent delivery. Thus the conclusion is that the BMS is a dynamic marketing capability that allows firms to be in a better position to carry out all their brand-building activities and to be able to develop brand equity efficiently. In this way, the current research contributes to the scant literature available on marketing capabilities (Merrilees et al., 2011), provides new insights because research in branding has mainly focused "on brands as assets as opposed to brand management as an organizational capability" (Louro & Cunha, 2001; p. 868), and responds to recent calls for the conceptualization of the brand management capability (Madhavaram & Hunt, 2008; Ratnatunga & Ewing, 2009).

Before managers can develop a BMS they need to understand what dimensions make the construct manifest. The results confirm that the BMS includes the three expected underlying dimensions: brand orientation, internal branding, and strategic brand management. Some authors define brand orientation as a construct embracing both a "cultural" and a "behavioral" perspective (Baumgarth, 2010), which conceptually makes this dimension closer to the description of the BMS. However, the measurement of brand orientation in prior research evaluates whether or not the brand is important in the business strategy (Wong & Merrilees,

Table 3
Assessment of research hypotheses by EQS.

Constructs	Hypotheses	Path coefficient (Standardized)	t-value	Assessment (p<0.01)	R^2
BMS → Customer performance (CP)	H1 (+)	0.32	2.99	s	BMS = 0.25
Customer performance → Business performance (BP)	H2 (+)	0.57	7.63	s	CP = 0.53
Innovativeness → BMS	H3 (+)	0.26	2.99	s	
Innovativeness → Customer performance	H4 (+)	0.24	2.97	s	BP = 0.33
Market orientation → BMS	H5 (+)	0.43	5.09	s	
Market orientation → Customer performance	H6 (+)	0.64	5.42	s	

χ^2 S-B (164) = 245.75 (p<0.000) BBNNFI = 0.94; CFI = 0.94; IFI = 0.95; RMSEA = 0.05
s = significant at 95%

Table 4
Direct, indirect and total effects in the causal model.

	Direct effect (DE) (t-value)	Indirect effects (IE)	Sobel z-value	Sign. level (two-tailed)	Total effects (DE + IE)
BMS—Business performance		H1∗H2 = 0.19	3.32	0.00	0.19
Innovativeness—Business performance		H3∗H1∗H2 = 0.05	2.72	0.00	0.19
		H4∗H2 = 0.14	1.18	0.06	
Market orientation—Business performance		H5∗H1∗H2 = 0.08	3.76	0.00	0.45
		H6∗H2 = 0.37	2.43	0.01	
Innovativeness—Customer performance	0.24 (2.97)	H3∗H1 = 0.08	2.04	0.04	0.32
Market orientation—Customer performance	0.64 (5.42)	H5∗H1 = 0.14	2.92	0.00	0.78

2008), which corresponds to the definition of brand orientation in the current work.

The BMS scale developed in this study can function as a diagnostic tool to evaluate whether the organization is in a situation to develop a strong brand. But the strategic brand management sub-dimension does not include items measuring the monitoring and evaluation of the brand image in the marketplace. This may be because the sample firms lack the appropriate control procedures, or because they do not consider such procedures to be useful. Both situations represent obstacles or difficulties for brand management, like the ones that Wong and Merrilees (2008) identify, since evaluation procedures help firms justify their investments and make the necessary changes to their action plans. Another contribution of the current work is to offer empirical data on brand management from the perspective of industrial services firms. Most research on brands has involved consumer markets and adopted an analytical perspective centering on the product (Brodie et al., 2009).

The results also confirm that the BMS contributes to an improved business performance, although indirectly, since customer performance completely mediates this relation. This outcome is in line with Lee et al.'s (2008) argument that firms' efforts to manage their brands do not immediately improve their financial and market performance. Instead, these effects come via the BMS's impact on the firm's commercial performance in terms of customer satisfaction, loyalty, and so forth. Because the performance measures refer to the results the firm achieves relative to its major competitor in the past three years, these results reinforce the idea that the BMS is a complex organizational capability that allows firms not only to sustain their brand building activities but also to improve their long-term competitiveness. With regard to the key antecedents of the BMS, the current work analyzes the effects of innovativeness and market orientation among the sample firms. According to the results, both innovativeness and market orientation have a positive effect on the development of a BMS, with market orientation having the stronger effect. But in any case both effects are significant, which underlines the importance of firms adopting a market orientation and an innovative culture for the development of a BMS. This result also contributes to the recent research stream that underlines that interdependencies exist among organizational capabilities, or in other words, that firms may need some mix of capabilities to develop other capabilities (Merrilees et al., 2011).

The results of this study also allow the authors to compare the impact of the BMS, market orientation and innovativeness on customer-related performance, which acts as a full mediator in the relation between capabilities and business performance. Previous research analyzing the effects of innovative culture and market orientation on performance generally involves manufacturing firms, so the current study extends the analysis of the contribution of these variables to service firms' competitiveness. Considering both direct and indirect effects in the conceptual model, the results indicate that the BMS, innovativeness and market orientation have a positive impact on customer and business performance and that market orientation exerts the strongest impact on both performance indicators.

This work suffers from a number of limitations. First, the research is cross-sectional. Thus the authors cannot be sure that the causal relations that the results identify will not vary or even lose their significance over time. A longitudinal study would overcome this limitation and strengthen the current results further. Second, the measurements were based on the subjective perceptions of a single respondent in each firm, which is a potential source of common method bias. Ideally, researchers should collect data from several sources within each firm to avoid this problem, which would allow them to explore interrater reliability (James, Demaree, & Wolf, 1993). But using multiple informants may also reduce the response rate, which would limit the generalizability of the results. Other unmeasured variables may have also played a crucial role in the conceptual model of this research, thereby accounting for some of its findings. Additionally, this work develops and validates the BMS scale in a specific context: knowledge-intensive business services firms.

Thus this study provides opportunities for future research. First, researchers should replicate this study with different samples, in different industries and considering other potential antecedents of the BMS. Similarly, the reflective vs. formative nature of the BMS construct deserves future investigation, as is currently happening in the literature with more consolidated concepts such as market orientation and service quality. Another possible future line of research includes investigating why the items that measure the monitoring of the brand image in the strategic brand management subdimension of the BMS do not survive the scale validation process, or the variables that may threaten the development of the BMS.

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