

Impact of market orientation on a firm's customer-based performance:

The moderating role of employee orientation

Dr. Mujahid Mohiuddin Babu **
Lecturer in Marketing
School of Marketing and Management
Faculty of Business and Law
Coventry Business School, Coventry University
Priory Street, Coventry, CV1 5FB, United Kingdom
Email: ac4691@coventry.ac.uk

Dr. Hongfei Liu
Lecturer in Marketing
Essex Business School
University of Essex
Wivenhoe Park, Colchester, CO4 3SQ
Email: hongfei.liu@essex.ac.uk

Professor Chanaka Jayawardhena
Professor of Marketing
Faculty of Business, Law and Politics
University of Hull
Hull, HU6 7RX, UK
Email: c.jayawardhena@hull.ac.uk

Dr. Bidit Lal Dey
Senior Lecturer in Marketing & Deputy Director, MBA
College of Business, Arts and Social Sciences
Brunel Business School, Eastern Gateway Building,
Brunel University London
Uxbridge, UB8 3PH, UK
Email: Bidit.Dey@brunel.ac.uk

**Corresponding author

Abstract

In this paper, we examine the influence of employee orientation (EO) on converting constituent dimensions of market orientation (MO) into customer-based performance (CBP) and consider the robustness of these relationships in the context of firm age and size. Based on a sample of 410 mid-to-senior-level managers working in UK service industries, we find that all three dimensions of MO positively influence CBP. While highlighting the utility of employing a multidimensional approach to evaluate the customer-based outcome of MO implementation we highlight the nuanced role of EO in strengthening the MO–performance relationship and emphasize the crucial role employees play in implementing different strategic orientations in a perceivable way to customers.

Key words: Market orientation, Employee orientation, Customer-based performance

1. Introduction

A firm's market orientation (MO) is said to influence its overall performance (e.g. Barney, 1991; Darley & Marion, 2017; Hult, Ketchen, & Slater, 2005; Narver & Slater, 1990). Market orientation refers to an organisational culture in which firms strive to create and maintain superior value for their customers (Narver & Slater, 1990). Although the relationship between MO and business performance has received significant academic attention since the 1990s, empirical evidence of the linkage between the two constructs is replete with inconsistent findings (Tsiotsou, 2010). From a strategic perspective, MO has a direct positive impact on achieving organisational goals and accelerating development in the short (e.g. periodical performance) and long run (e.g. sustainability) (Argouslidis & McLean, 2004; Crittenden, Crittenden, Ferrell, Ferrell, & Pinny, 2011; Jaworski & Kohli, 1993). Agarwal, Erramilli, and Dev (2003) assert, however, that, instead of a direct association, the influence of MO on performance is mediated by innovation and judgemental performance, while some other empirical studies have even discovered an insignificant relationship between MO and organisational performance (Deshpandé, Farley, & Webster, 1993; Greenley, 1995).

While many measures compete for attention in evaluating organisational performance, customer-based performance (CBP) stands out in capturing the effectiveness of the firms' marketing activities and is measured through customers' perceived service quality, satisfaction, awareness and loyalty, among others (Hankinson, 2012; Ifie, 2010). CBP is an important concept that reflects the management's perceptions of the extent to which the firm has managed to deliver excellence in satisfying, developing and maintaining customers, which is also an essential indicator for future decision making (Cheraghalizadeh & Tümer, 2017; Neslin et al., 2006; Nwokah, 2008). However, there have been calls to explore as to how useful is MO in explaining CBP (de Bussy & Suprawan, 2012; Noble, Sinha & Kumar, 2002; Ramani & Kumar, 2008) and our first objective is to respond to these calls. We

enhance our inquiry further by taking a multidimensional perspective of MO by emphasising on three different dimensions (i.e. customer orientation, competitor orientation and interfunctional orientation). This is because, previous literature argues each component of MO might work in different ways of influencing the firm performance (Frambach, Fiss & Ingenbleek, 2016; Ho, Nguyen, Adhikari, Miles & Bonney, 2018). Thus, our primary objective in this study is to examine the dimensions of MO and their associations with CBP.

Employees play an irreplaceable role in assisting firms to achieve superior performance (Bhattacharya, Gibson & Doty, 2005; Kim & Patel, 2017; Sadikoglu & Zehir, 2010). Employees care about how their organisation treats them and seek to synchronise their values with those of their employers in the workplace (Alton, 2017; Miller, 2015; Vaughan, 2016). We argue that to ensure the efficient implementation of MO, a firm also needs to demonstrate employee orientation (EO). EO is defined as a firm's employee-focused behaviour (Luk, Yau, Tse, Sin, & Chow, 2005; Plakoyiannaki, Tzokas, Dimitratos & Saren, 2008). In the manufacturing sector, for example, it has been shown that the combination of MO and EO provides essential resources, such as the market-sensing capabilities that a firm can use to link with its market and increase performance (Zhang, 2010). However, the importance of a firm's EO in implementing MO in the service industry has been subjected to very limited academic scrutiny. Given this backdrop, our second objective is to explore how EO influences the relationship between a service firm's MO and its CBP.

Literature also suggests that the dynamics of how MO influences a firm's performance are subject to the attributes of the firm. Specifically, firm size and firm age are fundamental attributes that influence firm performance (Hirvonen, Laukkanen & Reijonen, 2013; Laukkanen, Tuominen, Reijonen & Hirvonen, 2016; Petruzzelli, Ardito & Savino, 2018). We postulate that identifying and understanding the influence of such attributes can provide a benchmark for practitioners to position themselves effectively and evaluate the

feasibility and effectiveness of their strategies. Therefore, the third objective of this study is to examine how firm size and firm age influence the relationships under investigation.

Our examination of MO, EO, and CBP is built on the foundations of the resource-based view (RBV) of the firm. The RBV reflects a strategic approach in which internal resources contribute towards a firm's development of competitive advantages, sustainability, and performance (Barney & Arikan, 2001; Priem & Bulter, 2001). Viewed through the lens of the RBV, internal strategic resources are seen as being composed of the firm's observable assets and unobservable capacities, which set boundaries for the firm's strategic decisions and operations and provide a foundation for superior performance (Barney, 1991; Hult et al., 2005). MO is a customer-centred perspective within an organisation that is reflected on firm's strategic capacities at the corporate level (Hooley, Broderick, & Möller, 1998; Hult et al., 2005). The RBV suggests that converting MO into performance cannot be accomplished in a single action. Firms need to take strategic actions based on the resources available and generate competitive advantages, thereby improving performance (Ketchen, Hult, & Slater, 2007). Therefore, the RBV also emphasises understanding the development mechanism of the MO–performance conversion process, which reinforces the rationale for and significance of identifying moderators between MO and performance (Morgan, Vorhies, & Mason, 2009; O'Cass & Weerawardena, 2010; Wang, Dou, Zhu, & Zhou, 2015). Through our inquiry, we provide managerial insights into the effectiveness of strategically implementing MO and EO in order to improve CBP given the resources available within the firm.

2. Literature review

2.1 Market orientation and customer-based performance

MO is the creation of superior customer value on the basis of knowledge derived from customer and competitor analyses (Kandemir, Yaprak, & Cavusgil, 2006; Narver & Slater, 1990). Although MO has typically been considered as a marketing concept, its

implementation has profound implications for multiple facets within an organisation, such as human resources (HR), finance, and operations management (Hult & Ketchen, 2001; Lings, 1999; Narver & Slater, 1990). However, recent academic works have returned to the original nature of MO and examined its impact on a firm's market performance; more specifically, its customer-based outcomes (Agarwal et al., 2003; Lings & Greenley, 2009; Pelham, 1997; Siguaw, Simpson, & Baker, 1998; Sok, O'Cass, & Miles, 2016). Primarily, a firm could keep existing customers satisfied and loyal through the appropriate execution of its MO (Chen & Quester, 2006; Jaworski & Kohli, 1993). Lings and Greenley (2009) suggest that MO enhances a firm's market-sensing and responding competencies and that improvement is the result of using knowledge about what customers want and responding with a service/product that meets target customers' needs better than competing services/products. The practice of MO could also attract new customers, accomplish the desired level of growth and market share, and achieve desirable levels of business performance (Homburg & Pflesser, 2000; Ngo & O'Cass, 2012; Wang et al., 2012). In this case, CBP captures a firm's evaluation of customers' reactions to strategic actions guided by its MO. The RBV, which provides the theoretical framework for this study, also suggests that MO increases a firm's ability to understand and satisfy customers, thereby increasing its organisational capabilities, which, in turn, has a positive impact on performance (Liao, Chang, Wu, & Katrichis, 2011; Luo, Sivakumar, & Liu, 2005; Menguc & Auh, 2006).

2.2 Customer-based performance through the lens of the resource-based view

The RBV postulates that strategic resources, including assets and capacities, have an impact on a firm's performance, while MO embodies the strategic capacities of a firm that could affect its performance (Barney, 1991; Hooley et al., 1998; Wernerfelt, 1984). Table 1

summarises the key findings of previous studies exploring how MO influence firm performance through RBV lens in different contexts.

Table 1: Summary of MO and firm performance studies based on the RBV

| Authors | Main findings |
|---------------------------------------|--|
| He, Brouthers, and Filatotchev (2018) | Firms with stronger MO capabilities can improve export performance by using hierarchical channels and exporting to more institutionally distant markets where MO provides greater value. |
| Murray, Gao, and Kotabe (2011) | Marketing capabilities mediate the MO–performance (financial, strategic and product performances) relationship, while competitive advantages partially mediate the marketing capabilities–performance relationship. |
| O’Cass and Voola (2011) | Political market orientation of a party interacts with its political brand orientation capacity and influence the party’s performance and decision making of voters and stakeholders in a competitive political market. |
| Taghian (2010) | MO and marketing planning have strong associations with a firm’s financial and market planning performances. |
| Zhou, Brown, and Dev (2009) | Customer value affects a firm’s MO and, consequently, competitive advantage and organisational performance (market and financial) in the service industry. |
| Morgan et al. (2009) | Both MO and marketing capabilities are complementary assets and contribute to subjective and objective firm performance. |
| Olavarrieta and Friedmann (2008) | There is a significant effect of MO on a firm’s new product performance and financial performance, which is mediated by the role of knowledge-related resources and dynamic capabilities. |
| Menguc and Auh (2006) | The effect of MO on the management’s perceived performance of a firm is strengthened when MO is bundled together with internal complementary resources. |
| Hult and Ketchen (2005) | Two approaches to MO (i.e. cultural and information processing) explain a firm’s performance and are mediated by organisational responsiveness. |
| Hult and Ketchen (2001) | A firm’s positional advantages (developed through market orientation, entrepreneurship, innovativeness, and organisational learning) have a positive influence on the long-term financial performance of multinational corporations. |

Based on the summary above, MO influences different aspects of a firm's performance. CBP measures different parameters related to consumers and assesses a firm's ability to interact and develop relationships with its customers (Ramani & Kumar, 2009; Zahay & Griffin, 2010). In the RBV, such relationships are important because they enrich the firm's strategic resources (e.g. its reputation and market-focused capacities) and facilitate the development of sustainable competitive advantages (Boyd, Bergh, & Ketchen, 2010; Hult et al., 2005; Tajeddini & Ratten, 2017). CBP also reflects a firm's evaluation of its customers' judgement of the services it offers and helps the company make further customer-centred strategic decisions, thereby better satisfying customers' needs (Chang, Wong, & Fang, 2014; Wang, Chen, & Chen, 2012).

Integrating MO into its organisational culture could help a firm establish customer-based strategies based around its strategic resources. The firm could then take informed tactical actions and continue to improve its performance (Hult et al., 2005; Ketchen et al., 2007). Therefore, to improve CBP, according to the RBV, a firm needs to ensure the implementation of strategies through optimising the use of the resources available. In what follows, the rationale for a conceptual model is generalised, in part through the theoretical lens of the RBV (Barney, 1991; Wernerfelt, 1984). The theoretical foundations and constructs under consideration in this study, as well as the rationale behind the linkages between the individual concepts, are then outlined. The conceptual model is generalised in Figure 1.

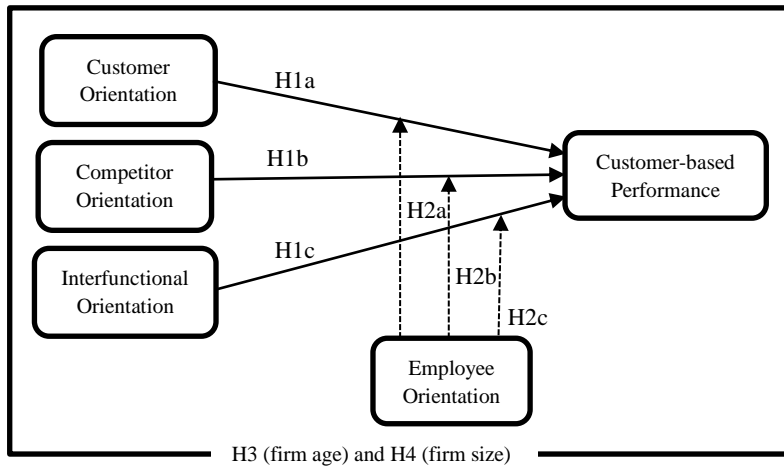


Figure 1: Conceptual framework

2.3 Multidimensionality of market orientation

Recent studies of MO have examined the relationship between MO and performance using a component-wise approach. Narver and Slater (1990), for example, claim that multidimensionality constitutes “the activities of market information acquisition and dissemination and the co-ordinated creation of customer value” (p. 21). Under a component-wise approach, it is meaningful to embrace all three components (i.e. customer orientation, competitor orientation, and interfunctional orientation) of MO and examine both their direct and indirect effects on performance (Langerak, 2003; Smirnova, Naudé, Henneberg, Mouzas, & Kouchtch, 2011; Tsiotsou, 2010; Ward, Girardi, & Lewandowska, 2006).

The first component, customer orientation (CusO), refers to a set of beliefs that puts customers’ interests first and views customers as the firm’s most important assets; in other words, CusO pursues value creation through managing the relationship with customers (Deshpandé et al., 1993; Gatignon & Xuereb, 1997). CusO drives the firm to understand the customers’ entire value chain and the evolution of the customers over time, thereby enabling the continuous creation of value for consumers (Day & Wensley, 1988; Narver & Slater, 1990). In the service industry, the practice of CusO has been found to have a positive influence on customer satisfaction, commitment, loyalty, and retention (Andreassen, 1994; Hennig-Thurau, 2004). CusO is also expected to contribute to CBP.

The second component, competitor orientation (ComO), provides an opportunity for a firm to benchmark itself against and compare with alternative suppliers (Narver & Slater, 1990). ComO emphasises the need for a firm to perform better than its competitors, as it can then develop competitive advantages, accelerate the process of service/product innovation, and continuously satisfy customers’ needs (Grawe, Chen, & Daughterty; 2009; Krepapa, Berthon, Webb, & Pitt, 2003; Lewrick, Omar, & Williams, 2011). The effects of

implementing ComO could, therefore, also reflect on the firm's performance in terms of delivering value to its customers.

The third component, interfunctional orientation (IO), is related to the involvement of employees and other resources across the whole firm, with a view to creating value for the customers and other stakeholders (Narver & Slater, 1990; Ward et al., 2006). The multidimensionality of MO supports the RBV, as the optimisation of the resources within the firm allows all individuals and bodies to accept responsibility for serving the market, to work in line with the organisational climate, and to develop a customer-friendly service environment (Pinho, Rodrigues, & Dibb, 2014; Hilal & Mubarak, 2014; Hult & Ketchen, 2001; Varghese, Edward, & Amma, 2015). As such, Ho Voon (2006) asserts that a firm's implementation of IO has a positive impact on service quality, which might also affect the firm's judgement regarding its CBP. Based on the integrated relationships between the components of MO and CBP, we contend that:

H1a: Customer orientation is positively related to the firm's CBP.

H1b: Competitor orientation is positively related to the firm's CBP.

H1c: Interfunctional orientation is positively related to the firm's CBP.

2.4 Employee orientation

The key to succeeding in implementing and practising strategies (e.g. MO) in an organisation is employee involvement (e.g. Hanna, Newman, & Johnson, 2000). According to the RBV, employees are significant in the practice of corporate strategies and improving a firm's performance (Richard, 2000). Scholars assert that firms should adopt employee orientation, as EO would address the interests of firms' employees and help develop an employee-focused organisational climate, thereby enabling companies to be more successful (Lings &

Greenley, 2009; Luk et al., 2005; Plakoyiannaki et al., 2008; Zhang, 2010). Therefore, EO broadly refers to a firm's intention to address the interests of its employees and satisfy their needs (Webster, 1992; Yau et al., 2007). In the literature, several conceptualisations, such as internal marketing, internal market orientation, and part-time marketers, have endorsed EO as an organisational philosophy for developing customer-conscious employees with significant influence on customers' perceived service quality and satisfaction (Berry, 1981; Gummesson, 1991; Tortosa-Edo, Sánchez-García, & Moliner-Tena, 2009). Conceptually, EO is argued to contribute more to a firm's customer-related outcomes. While some scholars (Bouranta, Mavridoglou & Kyriazopoulos, 2005; Greenley & Foxall, 1998; Zhang, 2010) suggest there is insignificant relationship between EO and a firm's financial performance more recent work by de Bussy and Suprawan (2012) has found a positive relationship between the two. This inconsistency would seem to require inquiry into EO and organisational performance. Specifically, as a crucial indicator of value creation for customers, CBP has barely been addressed in the literature.

Marketing scholars assert that EO is a critical element for firms intending to establish MO and build their success on customer-firm relationships (Conduit & Mavondo, 2001; Grinstein, 2008a; Lings & Greenly, 2009; Martin, Martin, & Grbac, 1998; Reinartz, Krafft, & Hoyer, 2004). MO nurtures bonding between employees and firm, promoting a feeling of belonging to one big organisational family dedicated to meeting and exceeding market needs and expectations (Grinstein, 2008a; Jaworski & Kohli, 1993). In the service industry, employees are not only the executants of the firm's strategies; employees, especially front-line personnel, are also the firm's connection with the customers (Harris & Ogbonna, 2000; Kim & Ok, 2010). In other words, how MO is delivered to the customers depends on how each layer of employees (i.e. from top management to the front-line employees) implements it. The firm's efforts to address and satisfy employees' interests enhance employee

satisfaction, accelerate employees' organisational commitment, facilitate their understanding and practice of MO, and ensure that superior value is delivered to the end customer (Brown, Mowen, Donovan, & Licata, 2002; Hennig-Thurau, 2004; Jones, Busch, & Dacin, 2003).

Much effort has been expended in identifying and evaluating interaction effects of factors that influence the association between MO and organisational performance. These factors include a wide range of concepts, such as organisational capacity (e.g. entrepreneurship) (Bhuan, Menguc, & Bell, 2005), market environment (e.g. competitive environment) (Slater & Narver, 1994), industry type (e.g. service vs. manufacturing) (Sin, Tse, Yau, Chow, & Lee, 2005) and culture (e.g. collectivism vs. individualism) (Kirca, Jayachandran, & Bearden, 2005). As noted earlier, most of these studies emphasise external factors which present difficulties for firms to adopt, since companies usually have limited control over these forces, such as their market environment, industry type and culture (Cano, Carrillat, & Jaramillo, 2004). Employees are the most important participants in the service industry, while the way in which they are treated directly influences their efficiency (Becker & Gerhart, 1996; Koys, 2001; Meso & Smith, 2000).

Management teams usually have a good degree of control over how their employees are treated, through creating a particular employee-oriented culture and organising relevant activities (Barney, 1986; Iverson & Zatzick, 2011). Baker and Sinkula (1999) argue that a learning orientation positively moderates the relationship between MO and organisational performance, whilst learning orientation is constructed by employees' commitment to learning, a shared vision among staff members, and open-mindedness across the organisation. This highlights the significance of employees and the way they are treated influencing the relationship between MO and performance. Meanwhile, some pioneering research asserts that employee-oriented efforts made by service firms, such as training, coaching, empowering and rewarding, strengthen the impact of MO on organisational performance (Becker & Gerhart,

1996; Ellinger, Ketchen, Hult, Elmadağ & Richey, 2008; Wei & Atuahene-Gima, 2009). In practice, such efforts illustrate how service firms deliver and implement their EO. After all, staff-friendly activities are driven by the firm's intention to take care of the staff's interests (Flammer & Kacperczyk, 2015). Therefore, EO as an employee-oriented strategic intent that an organisation holds is expected to strengthen the relationship between a firm's MO and its CBP. Given our multidimensional conceptualisation of MO, the rationale for how and why EO influences the association between each dimension of MO and CBP warrants closer inspection. In what follows, we rationalise the effects of EO on the relationship between MO and CBP.

Prior research has revealed that EO facilitates the effectiveness of the components of MO, including CusO, ComO and IO, in achieving firm performance because it is the employees who carry out the plan (Kohli, Jaworski, & Kumar, 1993; Luk et al., 2005). More precisely, in terms of delivering CusO to produce superior value for customers, employees play a key role, especially in the service context (Luk et al., 2005). It is argued that satisfied employees have greater motivation and contribute more to implementing the organisation's cultural beliefs and serving customers than would dissatisfied employees (Becker & Gerhart, 1996; Berman, Wicks, Kotha, & Jones, 1999; Koys, 2001). The nature of EO is to satisfy employees' employment needs and interests (Webster, 1992; Yau et al., 2007). Therefore, through the practice of EO, employees are made more aware of their firm's organisational climate and customer-related beliefs; thus, employees' objectives and strategies continuously evolve, creating value for customers (Chen & Quester, 2006; Strong, 2006).

A firm's efforts in EO help employees to carry out more effective internal communication and gain deeper understanding of the rivalry in the wider industry (Delaney & Huselid, 1996). Through training, team building and other development activities, a feeling of belonging and a sense of inter-group camaraderie among employees can be fostered

(Burroughs & Eby, 1998; Saks, 2006). Firms can ultimately consolidate their competitive advantages through their employees' work (Arnett, Laverie, & McLane, 2002; Kalra & Soberman, 2008; Varey, 1995). Meanwhile, by firms practising EO, employees are given opportunities to familiarise themselves with the firm's market position, competition strategies and competitors' reactions (Day, 1994; Galbraith & Merrill, 1991; Herbig & Milewicz, 1994). With the psychological attachment developed through EO-related activities, employees are more aware of their firm's beliefs regarding its competition and have greater enthusiasm about implementing such beliefs in their work through outperforming competitors and delivering extra value to customers (Gray, Matear, & Matheson, 2000; Pelham & Wilson, 1995). Therefore, the implementation of EO could facilitate a transformation from ComO to the generation of superior value to customers.

Effective communication and coordination among employees are essential to generating and disseminating information and responding to customer needs (Kohli et al., 1993). However, service firms usually have a hierarchical structure, in which employees are not fully aware of the resource allocation and division of responsibilities without interfunctional coordination and communication (Cadwallader, Jarvis, Bitner, & Ostrom, 2010; Caro & Garcia, 2008; Hitt, Bierman, Shimizu, & Kochhar, 2001; Xie, Song, & Stringfellow, 1998). To develop and maintain a team of employees who are able to demonstrate effective communication and coordination, a firm needs to adopt EO by addressing the employees' interests and satisfying their employment needs (Lings & Greenley, 2009). EO provides an employee-centred working environment through strategic employee training and engagement activities, which enables employees to familiarise themselves with the resources that are available within the firm and that can be used to deliver superior value to customers (Salanova, Agut, & Peiró, 2005; Richard, 2000). Hence, EO could assist service firms to achieve the cost-effective use of resources and maintain the

alignment of thoughts and actions within the firm, thereby generating more value on the consumer side. To summarise, EO and the components of MO can produce positive synergistic effects for firm performance. Based on the above discussion, the following hypotheses are suggested:

H2a: Higher EO strengthens the effects of customer orientation on the firm's CBP.

H2b: Higher EO strengthens the effects of competitor orientation on the firm's CBP.

H2c: Higher EO strengthens the effects of interfunctional orientation on the firm's CBP.

2.5 Effects of firm age and firm size

It has been argued that the size and age of a firm have a significant impact on its strategic orientations and performance outcomes (Hirvonen et al., 2013; Laukkanen et al., 2016; Petruzzelli et al., 2018). The RBV recognises that the availability and optimisation of strategic resources influence firm performance, while strategic resources are subject to the firm's age and size (Arend, 2014; Halkos & Tzeremes, 2007; Thornhill & Amit, 2003; Tseng, Tansuhaj, Hallangan, & McCullough, 2007).

In examining the relationship between MO and performance, firm age matters on a number of levels. First, market-oriented firms need to manage the acquisition and application of market information as part of their operational process. A younger firm might not be as effective as an older company in the acquisition and application of market information, since a firm's understanding develops over time (Hirvonen et al., 2013). Second, the design and implementation of extensive market information systems and effective marketing strategies require both knowledge and skills that may not be available during the early stages of a business (Laukkanen et al., 2016). Third, research suggests that younger firms may be characterised by an entrepreneurial orientation while lacking established routines and

processes that are instrumental in strategic decision making, while older firms are characterised by established processes, routines and organisational norms and are adept at market and brand orientation (Anderson & Eshima, 2013; Laukkanen et al., 2016). As firms age, they develop a more profound understanding of their business and environment, which allows them to generate more effective strategies and better manage their operations (Hirvonen et al., 2013; Laukkanen et al., 2016). Last but not least, previous literature also reveals that experienced and young firms have different orientations and capacities in terms of satisfying employees' needs (MO). For example, Tsui, Zhang, Wang, Xin, and Wu (2006) suggest that firm age has an impact on the organisational culture and leadership behaviour within a firm, while employee-oriented activities (e.g. training, involvement and socialising) are also subject to the firm's age. According to Jung, Chow, and Wu (2003), the degree of employee empowerment is also different in young and old firms. Therefore, firm age not only reflects the different effects of MO on CBP, but also influences firms' beliefs and strategies for treating and satisfying their employees. Therefore, we postulate:

H3: The relationships between MO, EO and CBP differ according to firm age. Specifically, the older the firm, the stronger the relationships.

We contend that firm size also plays an instrumental role in shaping the MO–performance relationship, as size is synonymous with the resources the firm has at its disposal. Smaller firms generally lag behind larger ones because of their limited resources, particularly in the formulation and implementation of strategies (Hirvonen et al., 2013). More specifically, firms with limited resources might find it difficult to capitalise on MO, since its implementation requires resources that they do not have. Ramaswami, Srivastava, and Bhargava (2009) also suggest that large and small firms demonstrate different levels of capacities in translating MO into performance. Larger firms have more human resources, a

higher number of organisational hierarchical levels and stronger formalisation of rules and policies, which leads them to develop norms, values, and formal communication channels that reinforce existing customer-oriented or competitor-oriented models, routines and interfunctional interactions. Conversely, smaller firms enjoy greater flexibility and more freedom from internal bureaucracy (Petruzzelli et al., 2018). The implementation of EO also varies from small to large firms. From the firm's perspective, organisations of various sizes have different traditions, schemes and abilities in relation to employee training (Kotey & Folker, 2007). In terms of employees' perceptions, Park, Fun, Lee, and Lee (2018) claim that the impact of EO on employee satisfaction and turnover intention differs according to firm size, while job satisfaction and turnover intention reflect employees' willingness and enthusiasm in assisting the firm to achieve its strategic goals. Therefore, we hypothesise the following:

H4: The relationships between MO, EO and CBP differ according to firm size. Specifically, the larger the firm, the stronger the relationships.

3. Research design and method

We collected data through an online survey from service firms operating in the UK. We adopted the single informant approach. All the data were generated from mid- to senior-level managers representing different functions within firms ranging from as operations, marketing, HR, sales, and strategy. All survey measures were adopted from extant literature, and the instrument was pretested. The field work was carried out through a professional marketing research firm who followed the guidelines of ESOMAR (essential organisation for encouraging, advancing and elevating market research worldwide) to maintain transparency in its data collection work.

3.1 Development of survey instrument

We measured all the constructs using subjective measures, a common practice in strategy-related research when objective data are unavailable (Dada & Watson, 2013; Heirati, O'Cass, & Ngo, 2013; Wilden & Gudergan, 2014). All construct measures were reflective indicators, based on a 7-point Likert-scale, anchored with 1 = “strongly disagree” and 7 = “strongly agree” (see Table 2). To capture customer orientation, competitor orientation and interfunctional orientation, we adapted measures of market orientation (MO) from Narver and Slater (1990). This is because Narver and Slater (1990) scale emphasises the firm’s strategic capabilities that exert a positive influence on the development of the firm’s capability of managing sustainable relationships with stakeholders (Rapp, Beitelspacher, Schillewaert, & Baker, 2012). EO measures were adapted from Luk et al. (2005), who in turn used the original measures developed by Lings, Greenley, and Broderick (2000). The customer-based performance (CBP) was measured using subjective measures adapted from various performance-related scales from the literature (Fang, Chang, Ou, & Chou, 2014; Morgan & Rego, 2009; Rust, Moorman, & Dickson, 2002). Adoption of subjective performance measures instead of objective measures is a common practice in strategy-related research when financial data are unavailable, as evidenced in the extant literature (Chong, Bian & Zhang, 2016; Ngo & O'Cass, 2012; Sheng, Zhou & Li, 2011; Wilden & Gudergan, 2015).

To acquire a preview of the data collection process and enhance the face validity of the items in the questionnaire, two pilot tests and two pre-tests were conducted to validate the measurement instrument and to ensure the suitability of the survey administration. The first pilot test (n=63), conducted through a paper-based questionnaire, was carried out with full-time students enrolled in an international MBA programme. We conducted the second pilot

test (n=22) through an online survey with senior-level managers of different multinational organisations. After each pilot test, we made a few minor changes to the questionnaire such as restructuring the layout and rephrasing wording. Prior to the launch of the final field work, we conducted two pre-tests (n = 97 and n = 91) with senior-level managers of firms operating in service industries in the UK. We contacted probable respondents through email with an invitation to complete the survey online. The pre-tests suggested a few minor wording changes and some further restructuring of the questionnaire layout.

Table 2. Operationalisation of the items and factor Loadings

| Code | Item | Coefficient |
|------------------------------------|---|--------------------|
| Customer Orientation | | |
| CsO1 | Our business objectives are driven primarily by customer satisfaction. | 0.662 |
| CsO2 | We constantly monitor our level of commitment and orientation to serving customer's needs. | 0.677 |
| CsO3 | Our strategy for competitive advantage is based on our understanding of customer's needs. | 0.742 |
| CsO4 | Our strategies are driven by our beliefs about how we can create greater value for customers. | 0.731 |
| CsO5 | We frequently measure customer satisfaction in a systematic way. | 0.668 |
| CsO6 | We pay close attention to our after-sales service. | 0.731 |
| Competitor Orientation | | |
| CmO1 | We regularly share information within our company concerning competitors' strategies. | 0.751 |
| CmO2 | We quickly respond to competitive actions that threaten us. | 0.796 |
| CmO3 | Top management regularly discusses competitors' strengths and weaknesses. | 0.842 |
| CmO4 | We target customers where we have an opportunity for competitive advantage. | 0.734 |
| Interfunctional Orientation | | |
| InO1 | Our managers discuss how everyone in our business can contribute to creating customer value. | 0.726 |
| InO2 | We communicate information about our good and bad customer experiences across all departments. | 0.705 |
| InO3 | Our top managers from every function regularly visit our current and prospective customers. | 0.557 |
| InO4 | All of our business functions and departments are responsive to one another's needs and requests. | 0.748 |
| InO5 | All of our departments are integrated in serving the needs of our target markets. | 0.758 |
| Employee Orientation | | |
| EO1 | We try to find out our staff members real feelings about the work. | 0.921 |
| EO2 | During our performance appraisals, we discuss what our staff want from the jobs. | 0.951 |
| EO3 | We conduct a lot of research to learn how our staff feel about the company. | 0.946 |
| EO4 | We have regular staff meetings, attended by employees at all levels. | 0.834 |
| Customer based Performance | | |
| CP1 | Our company often improves products and services, based on customers' comments. | 0.685 |
| CP2 | Our customers think we are better than competitors in implementing new ideas. | 0.707 |
| CP3 | Our company is generally better than competitors in developing new products and services. | 0.618 |
| CP4 | Our company provides good service quality. | 0.752 |
| CP5 | Our customers overall satisfaction with our products and services is high. | 0.811 |

| | | |
|-----|--|-------|
| CP6 | Our customers' loyalty is high. | 0.757 |
| CP7 | Our company is good at attracting new customers. | 0.646 |
| CP8 | Our company's customer retention rate is high. | 0.758 |

3.2 Data Collection

The final field work was carried out through a professional marketing agency due to the difficulty in accessing the potential respondents. To maintain transparency in its data collection work, the company strictly followed the guidelines of ESOMAR (essential organisation for encouraging, advancing, and elevating market research worldwide). The survey link was sent to 1000 randomly chosen participants via an invitation email. The invitation email explained the purpose and scope of the survey and included the contact details of the candidate and supervisor. After a week, a reminder email was sent to increase the response rate. As a token of appreciation and as an encouragement, the participants were offered a summary of the outcomes and incentive. Altogether, 431 managers completed the survey. The survey data were rigorously checked to eliminate the cases with an unusually short completion time (Marescaux, De Winne, & Sels, 2012). Moreover, we eliminated those respondents who gave the same response to a series of questions and had a standard deviation of less than 0.50 (Loughry, Ohland, & Moore, 2007). After the clean-up of incomplete surveys, our final sample consisted of 410 responses. The details of the sample distribution are presented in Table 3.

Table 3. Sampling Distribution

| | | Frequency | Percent |
|--|---|------------------|----------------|
| Industry | Accommodation & estate services | 23 | 5.6 |
| | Financial and Insurance services | 66 | 16.09 |
| | Health, Food and social work services | 33 | 8.05 |
| | Telecom, Transportation and Information services | 56 | 13.64 |
| | Professional, scientific and technical activities | 44 | 10.84 |
| | Retail & Wholesale trades | 48 | 11.64 |
| | Other services. | 140 | 34.27 |
| | <i>Total</i> | <i>410</i> | <i>100</i> |
| Department/ functional area | Sales and Marketing | 126 | 30.77 |
| | Finance | 113 | 27.62 |
| | HR & Operations | 149 | 36.37 |
| | Strategy | 11 | 2.62 |
| | Communication | 11 | 2.62 |
| | <i>Total</i> | <i>410</i> | <i>100</i> |
| Current job position | Manager | 189 | 46.15 |
| | Senior Manager | 113 | 27.62 |
| | Director and Managing Director | 42 | 10.14 |
| | Consultant, Coordinator and Advisor | 42 | 10.14 |
| | President and Vice-president | 7 | 1.75 |
| | Other | 17 | 4.2 |
| | <i>Total</i> | <i>410</i> | <i>100</i> |
| Company size (Number of employees) | 100 to 500 | 108 | 26.22 |
| | 501 to 1,000 | 42 | 10.14 |
| | 1001 to 2,000 | 47 | 11.54 |
| | 2,001 to 3,000 | 23 | 5.54 |
| | 3,001 to 5,000 | 22 | 5.64 |
| | 5,001 to 10,000 | 50 | 12.24 |
| | More than 10,000 | 118 | 28.67 |
| | <i>Total</i> | <i>410</i> | <i>100</i> |

4. Analysis and results

4.1 Construct and measurement scale validation

We applied structural equation modelling (SEM) using AMOS 22 for analysing the survey data. To assess the convergent validity and reliability of the constructs, we conducted a confirmatory factor analysis (CFA). The measurement model demonstrated an acceptable fit with the data: CMIN/DF = 2.68, $p = 0.00$, GFI = 0.95, AGFI = 0.92, CFI = 0.95, TLI = 0.931, RMSEA = 0.057, and SRMR = 0.047. The Cronbach's alphas of all constructs ranged from 0.86 to 0.96, showing evidence of good reliability (King & Grace, 2012). As depicted in Table 2, all items in the model loaded significantly ($p < 0.001$) on their designated first-order constructs (standard factor loadings ranged from 0.56 to 0.95), and there was no evidence of cross-loadings (Fornell & Larcker, 1981). Detailed reliability analysis was also conducted by examining the patterns of item-to-item correlations, item-to-total correlations, and alpha-if-item-deleted to assure further that no deviations from internal consistency and external consistency occurred (Anderson & Gerbing, 1988). Furthermore, the overall Cronbach's alpha value of any construct was not improved if any of that construct's items were deleted. The composite reliabilities (CR) for all the constructs exceeded 0.70, and all average variances extracted (AVE) were higher than the recommended level of 0.50 (Fornell & Larcker, 1981; Hair, Hult, Ringle, & Sarstedt, 2014). The discriminant validity was assessed using three approaches (Chin, 1998; Hair, Sarstedt, Ringle, & Mena, 2012). First, the patterns of item-to-item correlations, item-to-total correlations, and alpha-if-item-deleted were assessed; no visible issues arose (Anderson & Gerbing, 1988). Second, we estimated between-construct correlations using Fornell and Larcker's (1981) criterion, which indicates that a construct's AVE is always greater than the square of the construct's largest correlation with any construct (Hair et al., 2014). Finally, the examination of cross-loadings showed a suitable loading pattern, as suggested by Chin (1998). Each item loaded higher on its

respective construct than on any other construct across the rows and down the column. A summary of descriptive statistics, factor correlations, and reliability and validity analysis are provided in Table 4.

Table 4. Descriptive statistics and correlation among construct scores

| | Mean | Std Dev | α | CR | 1 | 2 | 3 | 4 | 5 |
|--------------------------------|-------------|----------------|----------------------------|-----------|--------------|--------------|--------------|--------------|--------------|
| 1. Customer Orientation | 5.43 | 0.96 | 0.86 | 0.86 | 0.76* | | | | |
| 2. Competitor Orientation | 5.17 | 1.27 | 0.85 | 0.87 | 0.67 | 0.80* | | | |
| 3. Interfunctional Orientation | 5.07 | 1.06 | 0.89 | 0.83 | 0.69 | 0.62 | 0.90* | | |
| 4. Employee Orientation | 4.81 | 1.07 | 0.84 | 0.88 | 0.29 | 0.21 | 0.39 | 0.86* | |
| 5. Customer based Performance | 5.27 | 0.83 | 0.93 | 0.91 | 0.68 | 0.63 | 0.60 | 0.22 | 0.71* |

**Square root of AVE*

To examine non-response bias, multiple t-tests were performed on early and late response groups; the t-tests did not result in any significant differences (Armstrong & Overton, 1977). Moreover, multiple t-tests were performed to see if the responses varied based on industry type, job position, or size of the organisation. The result suggested that responses were invariant irrespective of all three factors. To minimise the potential for common method variance (CMV), we adopted proximally separated measures of predictors and well-established scales and also ensured the respondents' anonymity (Podsakoff, MacKenzie, & Podsakoff, 2012). Since self-reported measures were adopted in this study, the impact of potential common method bias was minimised through two methods: Harman's one-factor test (Podsakoff & Organ, 1986) and use of the marker variable (Lindell & Whitney, 2001). Following the guideline of Lindell and Whitney (2001), we tested the common method bias using a marker variable in the model, adopting a diagnostic technique (Ngo & O'Cass, 2012). The outcome of the test empirically suggested that the relationships among the constructs in this model are not inflated by CMV since, after the adjustment, the significance level of correlation among the constructs in Table 4 remained unaffected (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The Harman's one-factor test result suggested that none of the factors demonstrated a majority of covariance among items. Moreover, the potential problem of self-generated validity was minimised through adopting several measures such as counter-balancing the items, randomising the order of the items, and placing the criterion variables between demographic variables (Caligiuri, Phillips, Lazarova, Tarique, & Burgi, 2001; Podsakoff et al., 2003).

4.2 Hypotheses testing

To test the hypotheses in this study, we developed two models were developed. Model 1 considers the direct effects of MO dimensions on CBP, Model 2 considers the

interactive effects of EO on these relationships and the results are presented in Table 5. The fit indices of the structural model showed a good fit (for Model 1, CMIN/DF =2.82, GFI = 0.96, CFI = 0.97, and RMSEA = 0.054 and for Model 2, CMIN/DF =2.79, GFI = 0.94, CFI = 0.95, and RMSEA = 0.055). The results indicate that all three components of MO have a significant and positive effect on CBP, thus supporting H1a, H1b, and H1c. However, the effect of interfunctional orientation is only significant at $p < 0.10$ level. With respect to the moderating effect of EO on the relationships between the components of MO and CBP, H2a and H2b are supported. H2c is not supported, as the interaction of EO and interfunctional orientation has no significant positive effect on CBP. Following the Cohen's effect size formula, the size of the interaction effect has been calculated between Models 1 and 2 ($f^2 = 0.07$). The interaction effect size can be regarded as small but substantial (Chin, Marcolin, & Newsted, 2003). Limayem, Hirt, and Chin (2001) argued that "If there is a likelihood of occurrence for the extreme moderating conditions and the resulting beta changes are meaningful, then it is important to take these situations into account" (p. 281). A small effect size does not necessarily suggest an unimportant effect (Wilson, 2010). Using standard practices (Aiken & West, 1991), the outcomes of interaction effects are plotted in Figures, 2 and 3, which together indicate that, with the prevalence of EO, the greatest impact on a firm's CBP is evident when a firm has adopted customer orientation and competitor orientation strategies.

Table 5. Structural model and result of hypothesis testing

| Relationship | Model 1 | | Model 2 | |
|---|----------------|-----------|--------------------|---------------|
| H1a: Customer Orientation →CBP | 0.43** | Supported | 0.35** | Supported |
| H1b: Competitor Orientation → CBP | 0.36** | Supported | 0.23** | Supported |
| H1c: Interfunctional Orientation → CBP | 0.14* | Supported | 0.13* | Supported |
| H2a: Interaction of Cust Orientation and EO →CBP | -- | | 0.19** | Supported |
| H2b: Interaction of Comp Orientation and EO →CBP | -- | | 0.34** | Supported |
| H2c: Interaction of Inter Orientation and EO →CBP | -- | | 0.08 ^{ns} | Not supported |
| R square | 0.67 | | 0.72 | |
| Adjusted R square | 0.65 | | 0.71 | |
| Cohen effect size (f^2) | | | 0.07 | |

**Significant at $p < 0.01$, *Significant at $p < 0.10$, ns= not significant

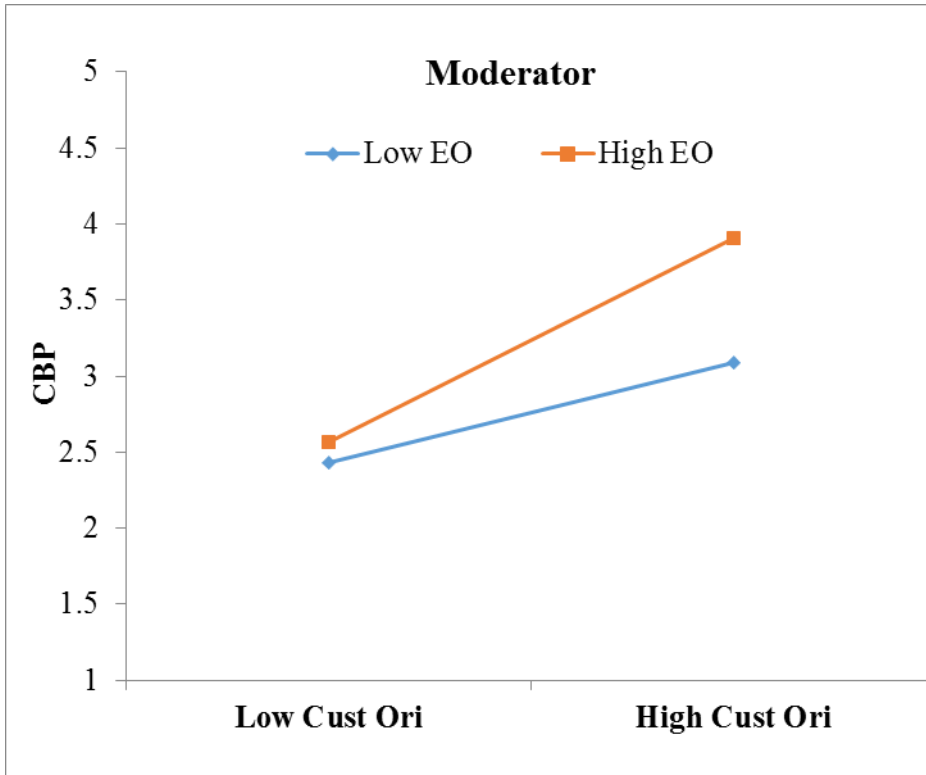


Figure 2: EO strengthens the positive relationship between Cust Ori and CBP.

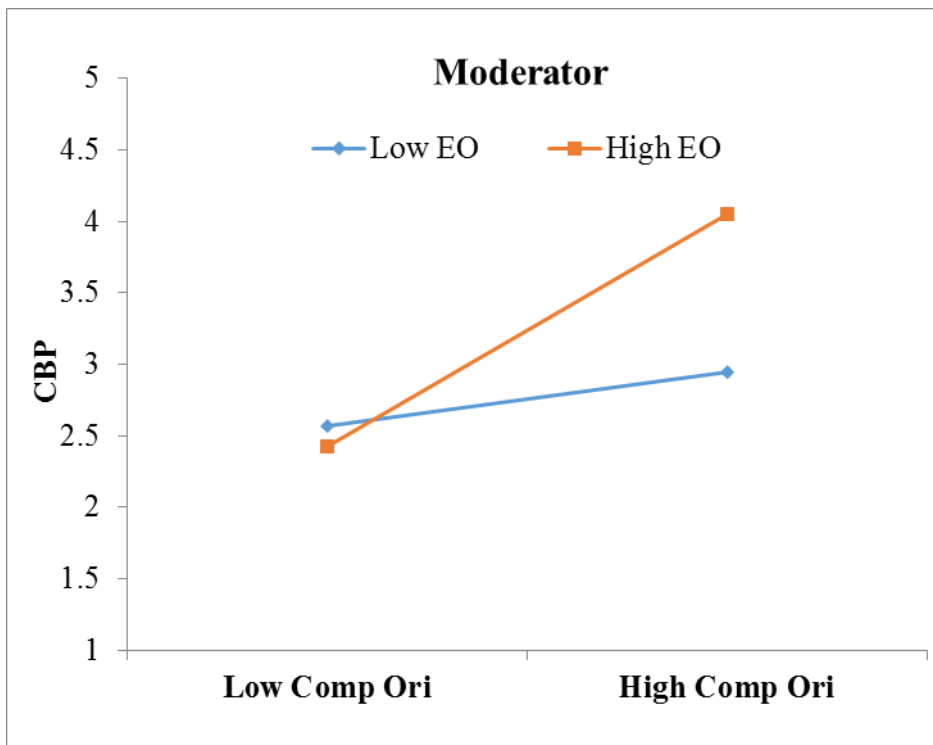


Figure 3: EO strengthens the positive relationship between Comp Ori and CBP.

4.3 Effects of firm age and size

Drawing upon previous studies on firms' MO, we explored whether firm age, firm size, or type of industry had any influence over the hypothesised theoretical linkages (Alteren & Tudoran, 2015; Bao, Fong, Landry, & Zhou, 2015; Laukkanen, Tuominen, Reijonen, & Hirvonen, 2016; Rod & Ashill, 2015; Ziggers & Henseler, 2016). To determine the age of the firm, firms were separated into two groups with 10 years of operations as the demarcation line (mean age was 9.35 years). This division resulted in 184 young firms (<10 years old), 226 older firms (>10 years). The firm size was determined through number of employees following Hooley, Greenley, Cadogan, and Fahy (2005). Firms with fewer than 100 employees were grouped as small (n = 151), firms with 101 to 500 employees were grouped as medium (n = 93), and firms with more than 500 employees were grouped as large (n = 166). To ensure that the measurement instruments validated above were equivalent across different values of the multigroup moderators (firm age and firm size), a set of measurement invariance tests were carried out since the multigroup confirmatory factor analysis (CFA) model represents the most applicable approach for testing measurement invariance (Steenkamp & Baumgartner, 1998).

Prior to the moderation, we conducted a measurement invariance test to ensure the equivalence of measurement instruments across the groups of the moderator. For this purpose, we carried out configural invariance, metric invariance and factor variance invariance tests. Firstly, without introducing any constraints, for both groups of the moderating variable we estimated configural invariance in the model. We used the configural model as a baseline and achieved an acceptable fit of the model ($X^2 = 823.64$, $df=375$, $p<0.01$, $RMSEA= 0.047$, $CFI= 0.95$, $GFI=0.89$). Following Hair, Black, Babin, and Anderson (2010), we constrained factor loadings to assess metric invariance equivalent

across the two groups through chi-square difference test. To accept the constrained model over its less constrained counterpart, a statistically insignificant result needs to be present. Finally, factor variance invariance was established by constraining factor variances equal across groups while still holding factor loadings constrained across groups. Our analysis indicated the chi-square difference test of full metric invariance is nonsignificant ($p > 0.10$) which supports full metric invariance ($\Delta X^2 = 14.43$, $\Delta df = 10$, $p > 0.05$). Following similar procedure, we assessed and established the factor variance invariance ($\Delta X^2 = 7.22$, $\Delta df = 7$, $p > 0.05$).

To assess the multi-group moderation effect, we developed both constrained and unconstrained models. In unconstrained models, the paths among the components of MO, employee orientation (EO), and customer-based performance (CBP) were allowed to vary across groups. In the constrained models, we ensured that all the paths in all the groups were equal. The results suggest that the firm's MO strategy and EO do not show any significant effect on CBP for various service industries, as the model demonstrated an invariant outcome. However, the results also suggested that MO strategy and EO did show a significant effect on CBP with the degree of firm's age and firm size.

With regard to firm age, we find that the constrained and unconstrained models were different at the model level, indicating differences in the path estimates between young and old firms. The model showed a differential effect on CBP ($\Delta X^2 = 11.33$, $\Delta df = 22$, $p < .01$, with fit indices of the fully unconstrained model, $CMIN/DF = 2.73$, $p = 0.00$, $GFI = 0.94$, $CFI = 0.95$, and $RMSEA = 0.06$). H3 is therefore supported. However, at path level, all the interaction effects have demonstrated non-significant results as shown in Table 6. With regard to firm size our model also showed a differential effect over its customer-related performance ($\Delta X^2 = 14.09$, $\Delta df = 24$, $p < .01$, with fit indices of the fully unconstrained

model, $\text{CMIN/DF} = 2.73$, $p = 0.00$, $\text{GFI} = 0.94$, $\text{CFI} = 0.95$, and $\text{RMSEA} = 0.06$). This leads to the support of H4. To test the difference of individual path estimates among the different sized firms, following Hair, Black, Babin, and Anderson (2010), we constrained each of the paths one by one and compared this with the unconstrained model. Table 7 delineates the detailed effect of MO and its components on CBP with regard to firm size.

Table 6. Effect of components of MO on CBP with regard to firm age

| Relationship | Young | Old | χ^2 | $\Delta\chi^2$ |
|---|---------------------|--------------------|----------|--------------------|
| Customer Orientation → CBP | 0.08 ^{ns} | 0.29** | 956.36 | 4.45** |
| Competitor Orientation → CBP | 0.27** | 0.08 ^{ns} | 947.65 | 5.17** |
| Interfunctional Orientation → CBP | -0.09 ^{ns} | 0.11 ^{ns} | 942.34 | 1.14 ^{ns} |
| Interaction of Cust Orientation and EO → CBP | -0.05 ^{ns} | 0.10 ^{ns} | 950.35 | 0.11 ^{ns} |
| Interaction of Comp Orientation and EO → CBP | -0.09 ^{ns} | 0.12 ^{ns} | 947.66 | 0.95 ^{ns} |
| Interaction of Inter Orientation and EO → CBP | -0.11 ^{ns} | 0.09 ^{ns} | 943.72 | 1.46 ^{ns} |

***Significant at $p < 0.01$, *Significant at $p < 0.10$, ns= not significant*

Table 7. Effect of components of MO on CBP with regard to firm size

| Relationship | Small | Medium | Large | χ^2 | $\Delta\chi^2$ |
|---|---------------------|---------------------|--------------------|----------|--------------------|
| Customer Orientation → CBP | 0.33** | 0.44** | 0.63** | 956.36 | 9.21** |
| Competitor Orientation → CBP | 0.27** | 0.26** | 0.33** | 947.65 | 6.13** |
| Interfunctional Orientation → CBP | 0.07 ^{ns} | 0.11 ^{ns} | 0.15* | 942.34 | 1.14 ^{ns} |
| Interaction of Cust Orientation and EO →CBP | 0.19** | 0.19** | 0.41** | 950.35 | 5.11** |
| Interaction of Comp Orientation and EO → CBP | -0.09 ^{ns} | 0.08 ^{ns} | 0.19* | 947.66 | 0.95 ^{ns} |
| Interaction of Inter Orientation and EO → CBP | 0.07 ^{ns} | -0.15 ^{ns} | 0.10 ^{ns} | 943.72 | 1.46 ^{ns} |

***Significant at $p < 0.01$, *Significant at $p < 0.10$, ns= not significant*

This analysis reinforces the findings of Laukkanen et al. (2016), i.e. that firm age has a moderating effect on the competitor orientation of the firm (as part of MO) and performance such that younger firms need to be more competitive to outsmart the competitors in reaching customers. However, our findings also suggest that for older firms it is comparatively more important to be customer-focused. Moreover, the outcome of this analysis suggests that small and medium-sized firms adopt MO strategies to a lesser extent than large firms. The moderation analysis, suggests that both Customer orientation and Competitor orientation play a key role for larger firms. With regard to the presence of EO, also the effect of Customer orientation and Competitor orientation has been reinforced more in case of large firms compared to small and medium-sized firms.

5. Discussion and conclusions

Based on the foundations of RBV of the firm, we advance the current understanding of how MO and EO translate into superior CBP and made a number of important theoretical contributions and managerial implications.

5.1 Main Findings

First, we focus on the impact of MO on customer-based performance by highlighting the positive relationships between dimensions of MO and CBP (H1a, b, c). Our findings are in line with previous studies and reiterates the significance of CBP as a critical benchmark in evaluating service firms' efforts to satisfy customers (Guenzi, Sajtos & Troilo, 2016; Katsikeas, Morgan, Lenidou, & Hult, 2016). That the dimensions of MO have a positive influence on CBP are consistent with previous studies that addressed the associations between MO and other types of firm performance (e.g. financial, market and innovation) and diversifies the approaches to assessing firm performance in MO research (Kir

ca et al., 2005; Laukkanen et al., 2016; Ramani & Kumar, 2008).

Second, our inquiry on how a firm's culture influence affects firm performance uncovers a nuanced role of employee orientation (EO) in the MO–performance relationships (H2a, b, c). Our approach differs from previous studies that model EO as a direct antecedent of CBP, (e.g. Fritz, 1996) or as an outcome of MO (e.g. Grinstein, 2008b). While the three components of MO have a positive association with CBP, the interactive effects of EO appear to exert differential effects on these relationships. Specifically, EO accelerates the process of translating customer and competitor orientations into observable performance but has an inconsequential influence on how interfunctional orientation contributes to CBP. Given that service firms' entire cultural orientation relies on what their employees deliver (Harris & Ogbonna, 2000; Kim & Ok, 2010), customer orientation requires a firm and its employees to give priority to customers' needs and to those needs that are dependent on the employees' implementation, especially the front-line employees (Brown et al., 2002; Hennig-Thurau, 2004). Therefore, being employee oriented also facilitates the delivery of a firm's customer-oriented beliefs to its customers (H2a). Previous literature asserts that interfunctional orientation emphasises the impact of cross-divisional resource optimisation on firm performance, in which EO could potentially influence the level of employees' involvement (Cadwallader et al., 2010; Lings & Greenley, 2009; Salanova et al., 2005). Our findings are, however, at odds with this sentiment (H2c) and this may be due to a number of factors. On the one hand, service firms usually employ a multi-divisional or hierarchical organisational structure, which inhibits cross-divisional communication and coordination and could thereby weaken the effects of EO on the relationship between interfunctional orientation and CBP (Anning-Dorson, 2018; Caro & García, 2008; Habib & Victor, 1991; Lenz, 1981). On the other, previous literature suggests that service firms usually experience high turnover rates, which obstructs employees' implementation and internalisation of the firm's strategic

orientation (Guchait & Cho, 2010; Li, Kim & Zhao, 2017; Nadiri & Tanova, 2010). Consequently, we contend that our findings on how EO enhances the MO–performance association highlights the crucial role employees play in implementing different strategic orientations in a perceivable way to customers, particularly in the service industry.

Third, we inquired as to how firm age (H3) and firm size (H4) influence MO–EO–CBP interactions. In terms of firm age, customer orientation has a stronger impact on CBP in older firms, while the effects of competitor orientation on CBP are stronger for younger firms. In a global marketplace characterised by increasing competition, young firms face friction with rivals in the marketplace (Hughes & Morgan, 2007). In the early stages of development, firms usually lack the knowledge and skills to acquire and filter the data required for designing and implementing broad market information systems and effective branding strategies and tend to pay extra attention to competition in order to survive and succeed in the market (Laukkanen et al., 2016; Sinkula, 1994). In comparison, old firms usually have the luxury of a stable customer base and strive to serve their customers' needs and maintain long-term relationships with them, thereby being more adept at being customer-oriented (Chandler, 1990).

We find that firm size has an even greater observable effect on the relationships examined than a firm's age. Both customer orientation and competitor orientation have a positive influence on CBP in small, medium and large firms, while interfunctional orientation has a more significant impact on large firms. Customer orientation and competitor orientation apply to firms, regardless of firm size. Smaller firms usually have a simpler organisational structure and less hierarchical communication, management therefore paying less attention to internal coordination and communication (Eisenberg, Sundgren, & Wells, 1998; Williamson, 1967). EO positively moderates customer orientation and CBP in all sizes of firms, which reflects how customer-oriented beliefs and strategies are delivered through the employees in

the service industry. It is also important to appreciate that the way in which employees are treated by the firm could influence how they treat the firm's customers (Becker & Gerhart, 1996; Koys, 2001; Meso & Smith, 2000).

5.2 Theoretical contribution

We believe the findings of this study would enhance our theoretical understanding of MO-performance research in a number of ways. First, it highlights the significance of employing a multidimensional approach in evaluating the customer-based outcomes of MO implementation. Our findings add weight to the pool of empirical evidence on the relationship between MO and firm performance (Agarwal et al., 2003; Laukkanen et al., 2016; Tsiotsou, 2010). Second, we push the boundaries of financial performance-centred MO research by highlighting the positive relationships between dimensions of MO and CBP. We show that that MO translates not only into objective performance outcomes but also subjective outcomes, and offers an alternative approach of capturing the effects of MO on the firm performance. Third, as mentioned earlier, inquiries on how employee orientation influence in implementing MO in the service industry has been subjected to very limited academic scrutiny. This is rather surprising since in service industries, employees play an essential role in delivering the value to customers. By providing industry-specific insights, we break new ground by exploring the moderating role of EO between MO and firm performance and clarify nuanced differences in different dimensions of MO. Last but not least, we shine a light on how the firm size and age influence MO–EO–CBP dynamics. We reveal the importance of appreciation of firm features in strategy research and practice. These observations in combination advance our theoretical understanding of MO research.

5.3 Managerial implications

Our findings on the positive associations between MO dimensions and CBP suggest that service firms could implement MO to guide their strategic actions, satisfy their customers' needs and enhance their customer-based outcomes. Although CBP emphasises managers' perceptions of their firm's abilities to satisfy their current and potential customers, this type of positive association (MO–CBP) signifies that there is a circular feedback loop between a firm's management team and its customers (Chan, 2005). Namely, when managerial decisions on the firm's MO dimensions are perceived as leading to high-quality service and strong emotional bonds with the firm's customers, customers' positive evaluation in turn contributes to a higher perceived CBP by the managers. In most organisations, those at the management level gather a large volume of data on the organisation's performance and operations and make strategic decisions based on their understanding of that information (Busenitz & Barney, 1997; Carneiro, 2000). Therefore, managers could employ CBP as an outcome to refine their organisational culture towards customers and future strategies.

We illustrate how EO plays a crucial role in implementing different dimensions of MO and improves a firm's CBP. More specifically, first, when carrying out customer orientation, managers need to be clear about their customer-based objectives and strategies and develop monitoring schemes to assess the efficiency of the implementation of those strategies. In the service industry, employees are the implementers of their firm's cultural orientation and strategic strategies (Greer, Lusch & Hitt, 2017). Therefore, firms need to make sure their employees' individual perceptions and execution of the company's customer-oriented culture are aligned with the strategic focus at the corporate level through timely updates of the firm's strategic directions, regular staff training and periodic reflection and reports (Sadikoglu & Zehir, 2010). Ultimately, employees can only deliver a service to the

customers as the firm expects when there is consistent understanding between the individual employees and management.

Second, a firm's management needs to conduct frequent market research to help them understand the market and competition. Service firms could work on developing capacity and potential strategies so as to respond to any urgent changes in the market, thereby developing competitor orientation more smoothly. To enhance the efficiency and effectiveness of competitor-oriented strategies, managers need to make an effort to build a more family-like and friendly environment, thereby leading to a sense of belonging and pride among their employees (Meyer, Hecht, Gill & Toplonysky, 2010). This will contribute to the development of strong self-organisation identification, which creates a distinction between "we" and "they" in employees' perceptions and enables the firm to outperform competitors (Mignonac, Herrbach & Guerrero, 2006).

Third, service firms should create opportunities and invest in facilities and processes that could accelerate the internal communication and knowledge/resource-sharing between different divisions and departments. Our findings suggest that the way in which a firm utilises its resources to satisfy its stakeholders (i.e. interfunctional orientation) contributes to delivering superior value to its customers but has no observable relation to how the firm addresses its employees' interests and satisfies their needs. As mentioned previously, this might be caused by structural issues in service firms. Therefore, firms need to have transparent policies regarding resource allocation and specify who is responsible for resource-related inquiries within the organisation (Tiwari & Lenka, 2018). This could ease cross-divisional communication and coordination and remove the constraints set by bureaucratic regulations within the organisation. Service firms could also consider breaking the boundaries that are brought about by a multi-divisional or hierarchical organisational structure, through employee empowerment to encourage resource-sharing and employee

engagement (Men & Stacks, 2013). This might also require firm managers to adopt new leadership styles (e.g. the use of transformational and empowering leadership) that support internal communication and collectivist thoughts within the organisation and employer–employee/peer interaction (Men, 2014; Srivastava, Bartol & Locke, 2006).

Differences in a firm’s age and size imply that the implementation of MO dimensions and their effects on CBP are subject to the firm’s age and to its capacities to leverage internal resources. Emphasis on the components of MO depends, in turn, on a firm’s growth strategy. For example, younger firms, as they grow older, need to switch their strategic focus from competition to customers (Tsai, 2005). Smaller firms should not neglect the impact of internal coordination and communication due to their size and implement more interfunction-oriented strategies in their management and operations (Sillince, Macdonald, Lefang & Frost, 1998). The central role of EO reminds firms that their customers will be treated the same way they treat their employees. In summary, managers need to develop a corresponding organisational culture that supports the firm’s strategic goals, monitoring and refining the organisational culture when necessary, thereby ensuring that the MO adopted suits an ever-growing market and assists the achievement of the firm’s objectives in every stage of its development.

5.4 Limitations and future research

While we make a number of important contributions, as with any research, our study suffers from certain limitations. First, the particular focus of this research is on the service industry, in which employees play a significant role (Ho Voon, 2006; Pelham & Wilson, 1995). This concentration on the service industry limits the generalisability of the findings. Therefore, future research could replicate this study in different industries to improve the generalisability of the findings. Second, the measurement of CBP is based on a managers’ self-report survey.

Future research could test the dynamics between the dimensions of MO, EO and other types of performance (e.g. financial) and collect data from the customer side (de Bussy & Suprawan, 2012; Venkatraman & Ranmanujam, 1987). Third, although previous literature provides a theoretical foundation and suggests EO could moderate the positive association between interfunctional orientation and performance, our findings do not confirm these moderating effects. Therefore, future research could specifically examine the mechanism of EO and interfunctional orientation in influencing firm performance and investigate whether organisational structure and HR management strategies influence this mechanism (Anning-Dorson, 2018; Caro & García, 2008; Habib & Victor, 1991). Fourth, the data for this study were collected from UK service firms. As Deshpandé and Farley (2004) suggest, the implementation of MO and its implications for firm performance may vary from country to country. Therefore, a cross-cultural study would be useful to identify national differences in the impact of MO on CBP and the moderating role of EO.

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