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Corporate identity, customer orientation and performance of SMEs: Exploring the linkages

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Abstract This research aims to explore the impact of corporate identity (CI) on performance in B2C small and medium enterprises (SMEs) in food processing, with varying degrees of customer orientation (CO). The research is embedded in the positivistic paradigm. Based on a literature review, a conceptual model (consisting of five hypotheses) has been tested with 102 samples using PLS-SEM tool. This study establishes the mediating role of CO on the CI and performance linkage, it provides empirical evidence to CI and performance linkage, and makes an incremental contribution by extension of theory of CI and CO in the given context.

Introduction

In the era of globalization and integration of markets, both large corporations as well as small and medium enterprises (SMEs) have to face increased global competition. Organizations are thus seeking new ways to achieve competitive advantage. Marketing is one among such strategies, and it has the potential to make a useful and ongoing contribution to the performance of SMEs. It is accepted that the fundamental principles of marketing are universally applicable to large and small businesses (Reynolds, 2002; Siu & Kirby, 1998), but the empirical manifestations may vary. Researchers have been examining the role, function, relevance, and transferability of marketing principles and practices to SMEs (e.g., Berthon, Ewing and Napoli, 2008; Coviello, Brodie & Munro, 2000; Juntunen, Saraniemi, Halttu, & Tähtinen, 2010). The present work contributes to the existing body of knowledge by examining the applicability of two important marketing concepts (marketing of the organization and marketing the organization's offering) at the organization level in an integrated fashion in the context of food processing business-to-consumer (B2C) SMEs. Researchers consider making the company the ultimate product

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(i.e. marketing the entire organization) as one of the timeless fundamentals of success (Collins & Porras, 1994), and at the core of marketing of the entire organization lies corporate branding (Murphy, 1992). Corporate branding deals with corporate identity management, and has been well documented in the literature. For example, according to van Riel and Balmer (1997) establishing desired corporate identity involves corporate branding, or the "positioning" of the whole organization. Corporate brand represents all sets of association possible for an organization. Corporate identity represents the controllable subset of associations which encompasses the organization's notion of self, aiming to express relevance, uniqueness, and distinctiveness (Brown, Dacin, Pratt, & Whetten, 2006; Simões, Dibb, & Fisk, 2005). In other words, corporate identity "provides the grit around which the pearl of a corporate brand is made" (Balmer, 2001, p.5). According to Murphy (1992), corporate identity encompasses branding and packaging of the entire organization. Therefore several researchers (Knox & Bickerton, 2003; Schmitt & Pan, 1994) have considered corporate identity (CI) as synonymous with branding at the corporate (organization) level. Studies also suggest that every organization, regardless of size, has a CI (Abimbola and Kocak, 2007; Abimbola & Vallaster, 2007; Balmer, 2012, 2010). Similar views have been expressed by other experts (e.g., He & Mukherjee, 2009; Melewar & Karaosmanoglu, 2006; Simões et al., 2005).

The role of CI in providing competitive advantage to an organization is an important area in corporate marketing literature. Most scholars view the increased interest of organizations in CI as a response from companies to differentiate themselves in the increasingly competitive environment and a recognition of its potential to help them secure many benefits in the market place (Ackerman, 1984; Balmer & Gray, 2000; Melewar & Navalekar, 2002; Simões et al., 2005); on the other hand, the lack of a strong CI leads to many disadvantages (Ackerman, 1984). Therefore, the call for increased scholarly attention in CI is warranted (van Tonder, 2006).

Marketing of an organization's offering has a significant role in organizational success, and at the core of marketing an organization's offerings lies customer orientation (CO). Strategic marketing management literature reflects upon the significance of customer orientation in gaining competitive advantage (Appiah-Adu & Singh, 1998; Piercy, Harris, & Lane, 2002). However, it may not be feasible or viable for an organization to offer everything a customer wants. Customer orientation has to be synchronized with the identity of the organization.

The two views discussed above apply at the organization level: CI with reference to the organization as the ultimate offering, and customer orientation with reference to the organization's offering, respectively. While there has been some interest in a synchronized study of the influence of these two concepts on organizational performance, with the exception of Beckman and Harris (2007), there have been few such integrated studies. Beckman and Harris (2007) contend that CO is directly influenced by CI and this has a positive impact on firm performance. However, their contention is based upon a single case study, that of the well known and established organization, Apple Inc. The interaction between CI and CO has significant strategic importance, and other researchers such as He and Mukherjee (2009) have called for further investigation to assess the impact of CI on CO.

The gaps pointed out by He and Mukherjee (2009) and Beckman and Harris (2007) have served as the springboard for the current research. Further, the literature review reveals lack of empirical support for CI and performance linkage (Cornelissen & Elving, 2003; Dacin & Brown, 2002; Melewar & Karasmongolu, 2006; van Tonder, 2006; van Tonder & Lessing, 2003). Empirical studies on corporate identity and customer orientation as performance enabler are rare among large organizations (Melewar, Saunders, & Balmer, 2001; van Tonder, 2006) and more so in the context of SMEs.

A review of SME literature suggests that SMEs vary significantly according to their growth mode and strategies. Pasanen (2003) empirically established three distinct types of SMEs, namely (1) stable independent survivors; (2) innovators with continuous growth; and (3) networkers with leapwise growth; he articulated and classified the factors of success affecting the performance of all three categories of firms into most important, fairly important and least important.

According to Pasanenn (2003) the "most important" factors of success were good knowledge of customers and their needs, ability to find quick solutions for changing customer needs, customer feedback, long-term customer relations, good reputation of the firm, clear-cut identity of the firm, good financial base and adequate cash resources, continuity of personnel, quality of raw materials and reliable suppliers, cooperative personnel, fast and reliable delivery, continuity of key persons, good inter-personal relations with customers and suppliers, simple and flexible organization, high-quality products, quality of management, availability of skilled staff, good marketing skills, environmental scanning, and anticipation of new business opportunities. The "fairly important" success factors were personnel training, strong inter-dependency with customers, simple and low-cost production technique, small number of owners, and difficult-to-imitate product. The "least important" success factors were good terms of payment, weak competition, and external owners.

The independent variables selected for investigation in our study are from among the "most important" factors of success. For example, the CO concept encompasses issues such as good knowledge of customers and their needs, ability to find quick solutions for changing customer needs, customer feedback, and long-term customer relations. The CI component refers to the issue of identity of the firm/organization and corporate identity management lies at the heart of the concept of the reputation of the organization.

In view of the above, the present work examines the role CI and CO as enablers of performance (market performance and financial performance) in SMEs. The study also examines the impact of customer orientation on the performance of SMEs. By assessing the direct and indirect effects of CI of SMEs, this study aims to reveal the importance of the synergy between CI and CO for better performance.

The paper has been divided into five sections. The first section presents the conceptualization/definitions of various constructs. The next section presents a conceptual model integrating CI, CO, and performance; and the hypotheses. In the third section, the methodology used has been analysed, followed by the results in the fourth section. The paper concludes with the discussion about implications to theory and practice along with the limitations and future research directions in the fifth section.