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The Effect of Corporate Culture and Market Orientation on Iranian Industrial SMEs' Performance

Mehdi Ghanavati*

*MS in Business management Faculty of Social Science and Economics; Shahid Chamran University; Ahvaz, Iran
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Abstract

The purpose of this paper is to analyze the simultaneous effect of Corporate Culture and market orientation on the performance of small to medium-sized industrial manufacturing firms. To this end, a cross-sectional survey and variance based structural equation modeling was used for testing the hypotheses. The samples were selected based on a stratified sampling of commodity and specialty industries and consisted of 392 executives and marketing managers of Iranian industrial SMEs. The results show that the classical route among corporate culture- market orientation-customer performance- financial performance was significant and positive. The direct impact of market orientation and Corporate Culture on financial performance was not confirmed. The value of the paper is to provide unique knowledge about the effect of Corporate Culture and market orientation in small to medium-sized businesses against other larger organizations.

Keywords:

Corporate culture, Customer performance, Financial performance, Iranian SMEs, Market orientation.

* Corresponding Author Tel:+98-9173760594 Email: mehdighanavati@ymail.com

Introduction

Small to medium-sized enterprises (SMEs) are the lifeblood of modern economies. (Ghobadian & Gallear, 1996). Some scientists considered it to be the motor of economic growth and employment (Collinson & Houlden, 2005; Radas & Bozic, 2009). These organizations constantly meet challenges as they respond to changing environmental factors. It is well documented that SMEs have solitary features that differentiate them from marketing operation in large organizations (e.g. Ghobadian & Gallear, 1996; Raju *et al.*, 2011; Kumar *et al.*, 2012). These features may be determined by the inherent peculiarities and behaviors of the entrepreneur or owner/manager; or may be determined by the inherent size and stage of development of the enterprise. However, some restrictions like limited resources (e.g. finance, time, and marketing knowledge) and lack of specialist expertise (owner-managers tendency to be generalists rather than specialists) may confine their impacts in the marketplace. According to Gilmore *et al.* (2001) depending on how an owner/manager does the business, SMEs marketing activities are likely to be unplanned, informal, free, unstructured, automatic, reactive, built upon and matching to industry norms. In such a situation what is implemented and performed in larger companies may appear differently in other organizational forms.

Nonetheless, SMEs are often neglected in the context of business and society theory building (Elkrghli, 2013). Therefore, in order to encourage the marketing knowledge promulgation and the adoption of a marketing approach in Iranian SMEs, it is important to investigate whether and to what extent the marketing concept such as market orientation and cultural components affect financial and customer performance. On the other hand, understanding whether and how certain marketing and cultural factors influence the SMEs' intention to adopt a marketing approach is equally important. To answer the aforementioned questions, the present study tries to analyze the simultaneous effect of market orientation and corporate culture on the SMEs' performance. Then, it tries to identify the most important

routes impressing SMEs' performance components. There are several studies that investigated corporate culture and market orientation effects in large companies (Narver & Slater, 1990; Deshpande & Farley, 1998; O'Cass & Ngo, 2007a; Lee *et al.*, 2008) and at National level (Kirca *et al.*, 2009; Farley *et al.*, 2008); however, in SME manufacturing firm level, the issue is still understudied (Maritz & Lobo, 2009).

Literature review

Corporate Culture

Culture is a dynamic concept that almost everyone within an organization understands at some level. Scholarly definitions tend to fall into broad categories. All authors are of the same opinion that culture must be as a function of the cognitive apparatus (Brooks, 2008). Deshpande *et al.* (1993) define organizational Culture as "a set of common values and beliefs". The desire to create superior value for customers and obtain Sustainable Competitive Advantage (SCA) directs a business to create and maintain the culture that will produce the essential behaviors (Narver & Slater, 1990). The dominant cultures in SMEs and large organizations also differ because of the span of activities, geographical dispersion, the age of the organization, and existing precedence.

Few studies of cultural environments and subcultural components within SMEs have been done, from both theoretical and empirical viewpoint. Ghobadian and Gallear (1996) confirmed that implementing TQM in SMEs is easier than larger organizations. It is also specified that effective SMEs must have an organizational design and culture enabling them in responding to challenges created by changing technologies and markets (Gupta & Cawthon, 1996). Thus, there is some fundamental differences between larger and SME organizations (Welsh & White, 1971).

There are a large number of typologies, categorizations, and instruments for measuring organizational culture; however, there is little agreement on which ones are more appropriate or superior to the

others. For the purpose of this study, Wallach's (1983) Organizational Culture Index (OCI) has been used. Wallach (1983) classified Corporate Culture profiles as bureaucratic, innovative, and supportive. According to Wallach (1983), a bureaucratic culture is hierarchical and compartmentalized. An innovative culture refers to a creative, results-oriented, and challenging work environment. However, a supportive culture exhibits teamwork and a people-oriented, encouraging, and trusting work environment.

Market Orientation

Market orientation is the central point of a firm that deals with marketing as a cross-functional responsibility (Narver & Slater, 1990). Different perspectives have been proposed on the role and functions of Market Orientation in marketing firms. There is no general agreement between authors in interpreting this concept. For example, some marketing researchers suggest that market orientation is a set of specific behaviors and activities (Kohli & Jaworski, 1990), as a resource (Hunt & Morgan 1995), a basis for decision-making (Shapiro, 1988), or an aspect of Corporate Culture (Deshpande, Farley *et. al*, 1993; Slater & Narver, 1995).

According to the behavioral theory of Narver and Slater (1990), market orientation consists of three behavioral components: customer orientation, competitor orientation, and inter-functional coordination and two decision criteria including profit objective and long term focus. Customer orientation and competitor orientation include all of the activities involved in acquiring information about the buyers and competitors in the target market and disseminating it throughout the business(es). Inter-functional coordination refers to the integration of all firm members in meeting customer needs.

Hypotheses

The two SMEs critical success factors are market orientation and the culture of corporate (Maritz & Lobo, 2009). Market orientation is a part of organizational culture that emphasizes standpoints such as customer orientation, competitor orientation, inter-functional

coordination, and responsiveness as keys to organizational success (Kohli & Jaworski, 1990; Narver & Slater, 1990). Traditionally, the marketing literature has considered market orientation to be a key part of organizational culture, and two rival viewpoints exist regarding the relationship between these concepts. Unlike Kohli and Jaworski (1990), Slater and Narver (1995) clearly announce that market orientation: 1. is an aspect of organizational culture, 2. is inherently a learning orientation, and 3. requires more research to understand the norms and values that enhance both of them.

The relationship between Market orientation component and Culture typology, albeit little investigated, was confirmed in previous studies. For example, Yam *et al.* (2011) emphasize that change for market orientation involves the adoption of market oriented behavior that relies on the availability of a supportive culture and climate. It is confirmed that market orientation impacts the innovative capability of SMEs (Akman & Yilmaz, 2008; Laforet, 2008). The positive relationship between market orientation and Innovative Culture is also verified in large companies at micro Brand level (Ocass & Ngo, 2007a,b). Singh and Ranchhod's (2004) findings show that it is necessary for a company to produce a culture required to achieve and maintain superior performance by developing high-quality products that are specific to customer needs. Also, Martin and Grbac (2003) illustrated that having information is not enough to drive supplier relationships, and Supply Chain Management depends on having a culture that fosters inter-functional sharing of information. Other contributions have paid attention to the role of corporate culture in creating and implementing market orientation (e.g. Tajudin *et al.*, 2012; Megicks & Warnaby, 2008; Pelham, 2009; Deshpande *et al.*, 1993). Hence,

Hypothesis 1: Corporate Culture has a significant effect on market orientation.

Market orientation is the implementation of market culture which emphasizes on the market's superiority and competitiveness (Deshpande *et al.*, 1993). Narver and Slater (1990) and Kohli and

Jaworski (1990) have shown that market orientation affects customer performance and financial performance. It seems that the advantage of market orientation is that it creates a potential foundation for higher performance of a company compared to its competitors.

Thirteen of the sixteen studies which Raju *et al.* (2011) considered in the relationship between market orientation and Performance in the SME context support a direct and positive relationship between them. The First studies concentrated on the relationship between the market orientation concepts and financial performance. Dawes (2000) stated that 33 of 36 scholarly studies have found a significant relationship between market orientation and firm performance. Moreover, Ellis (2006) concluded that around 10% of the U.S. firms' performance change could be chalked up to market orientation (see Raju, 2011). Findings of the initiative Singh and Ranchhod's (2004) tool demarcated that out of four latent dimensions underlying the market orientation customer orientation and customer satisfaction orientation have a stronger impact on performance. The findings of a major study in small UK retailers indicate that market orientation and performance are positively related (Megicks & Warnaby, 2008). Similar to other studies (such as Taleghani *et al.*, 2013; Lee *et al.*, 2008) we break performance into two distinct constructs namely customer and financial performance. Therefore,

Hypothesis 2: Market orientation has a significant effect on customer performance.

Hypothesis 3: Market orientation has a significant effect on financial performance.

The basic paradigm underlying the notion that culture affects performance is based upon a few key ideas. The first idea is that culture affects goal attainment, so companies with 'strong' cultures are more likely to achieve their goals than those with relatively 'weak' cultures. The other performance-based idea that is affected by corporate culture is organizational effectiveness (Deshpande & Farley, 1998; O'Cass & Ngo, 2007b). Some authors found that high performing firms had stronger and more defined leadership, culture

styles, and entrepreneurial orientation compared with low performing ones (Laforet, 2008, 2009; Baker & Sinkula, 2009). Kotter and Heskett (1992) found that corporate culture has a significant impact on the firm’s long-term financial performance. Flamholtz and Kannan-Narasimhan (2005) provided empirical evidence that some elements of an organization’s culture have a differential impact on the firm’s financial performance. Therefore, it will be a very unique study if we can differentiate between Wallach Cultural Component in effecting financial performance. The effect of innovative culture on financial performance has been proven in some studies in large organizations (O’Cass & Ngo, 2007a,b); however, a little attention is paid to relate Corporate Culture and financial performance especially in SMEs. Therefore,

Hypothesis 4: Corporate Culture has a significant effect on financial performance.

SMEs should be encouraged to use performance indicators for purely environmental reasons (Williamson & Lynch-wood, 2001). In this study, performance has been measured by two constructs: financial performance and customer performance. Previous studies reveal that customer performance is positively related to the financial performance (Renko *et al.*, 2009; Lee *et al.*, 2008). Hence,

Hypothesis 5: Customer performance has a significant effect on financial performance.

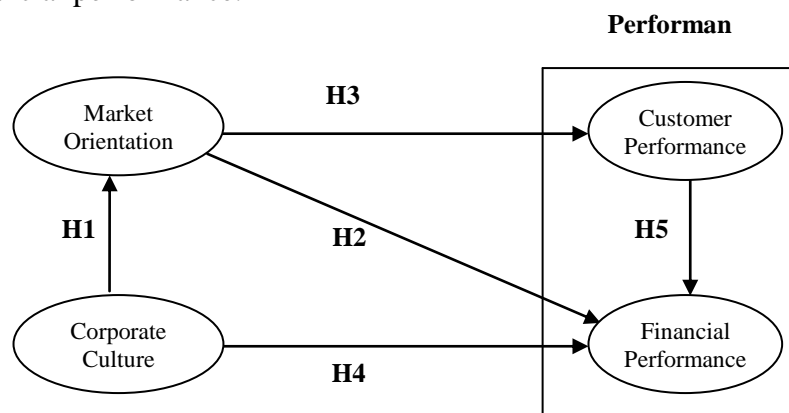


Fig.1. Conceptual framework of the study with Hypothesized Relationships

Considering the above-mentioned criteria, the conceptual model of the study can be expressed as follows (Figure 1). It should be mentioned that some variables were not included in the model, because of the 1. number of parameters which would have to be estimated, 2. size of our sample and 3. relatively homogeneous nature of the sampling frame of small to medium-sized industrial manufacturing firms.

Methodology

The study was based on a survey of organizations in Iran. Questionnaire protocol was used as the primary means for data collection. The Data collection procedure was limited to industrial SMEs. The analysis unit of this study is industrial manufacturing SMEs, and the research population consisted of all SMEs located in Tehran province. Based on the definition of the Statistical Information Center, small industries are defined as those having less than nine members; industries having fewer than 50 personnel can be called SMEs (Talebi *et al.*, 2007). According to the Ministry of Commerce (<http://www.sme.ir>), there are 8614 SMEs in this region. However, contrary to the definition of SMEs in other studies (Elkrgli , 2013; Raju *et al.*, 2011; Collinson & Houlden, 2005; Pelham, 1997), we consider all the firms having fewer than 500 members as SMEs; furthermore, other financial considerations like Revenue and amount of sale is not directly relevant to the conceptual framework in the paper.

5030 industrial manufacturing firms were selected from Iranian Ministry of Commerce Directory to receive mail and fax survey. These firms were selected in accordance with Pelham's (1997) methodology. This selection has been on the basis of personnel number (under 500), ownership (wholly owned), and industry environment (50% commodity and 50% specialty). A stratified sampling of commodity and specialty industries was used to provide sufficient variance for market and cultural variables. Out of 535 received questionnaires, 87 were excluded because of not being

manufactured and being service one, 41 because of being useless, and 15 because of multiple responses. Ultimately, 392 questionnaires were left that could be used for statistical data analysis. The respondent characteristics can be seen in Table 1. Examination of responding firms' composition revealed that non-response bias was not such a problematic issue.

Data Collection Tools (Questionnaire Development)

The Narver and Slater index was used to measure market orientation in formative manner (Coltman *et al.*, 2008). The popular 24-item Organizational Culture index (OCI) by Wallach (1983) has been used for the purpose of this study. Wallach (1983) classified organizational culture to three profiles, and each of them was assigned 8 items. Customer performance is conceptualized as a performance which can be enhanced through continuous relationship between a customer and an enterprise. Financial performance is conceptualized as evaluating financial ratios related to sales growth, profit, market share, and return on investment (ROI). In addition to the items above, two subjective organizational measures were used (the ability to serve customers better and the ability to achieve goals) in order to confirm the formative entities validity at the construct level.

Formative against Reflective Measurement Models

Totally, two different measurement models using multiple indicators of latent constructs have been stated in the SEM literatures. The most commonly used measurement model is the reflective Measurement model, where covariation among the measures is caused by and reflects variation in the underlying latent factor (Jarvis *et al.*, 2003). Another measurement models is the formative one. In these kinds, the direction of causality is from measures to construct (adverse to former models) and there is no reason to expect measures correlated with each other (see Figure. 2).

Four steps have been recognized in formative scales developments, which are content specification, indicator specification, indicator collinearity, and external validity (Diamantopoulos & Winklhofer, 2001; Jarvis *et al.*, 2003; Diamantopoulos *et al.*, 2008). The first two

steps were met by extensive literature review and great application of Corporate Culture and market orientation scales in previous studies. The second two will consider forward. This framework is consistent with the Henseler *et al.* (2009) pattern.

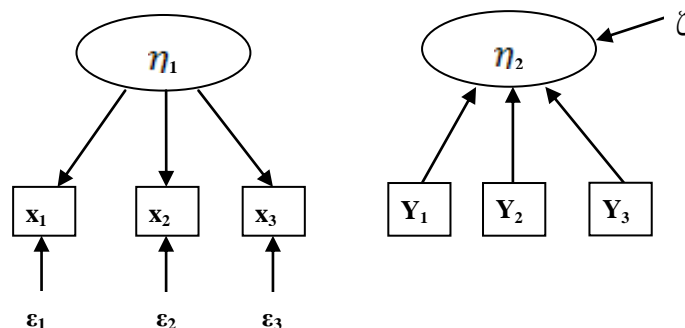


Fig. 2. Two simple Measurement models

Right: Formative Measurement Model

Left: Reflective Measurement Model

The third measurement model is called multiple indicators and multiple causes model (MIMIC), which is also used in establishing External and Nomological validity (Jarvis *et al.*, 2003; Henseler, 2010; Diamantopoulos & Winklhofer, 2001).

Results

Assessing the Measurement Constructs

In this paper, Variance-based SEM techniques by PLS Methodology with SmartPLS 2.0 M3 software were used. PLS was selected because it runs with small samples; also when assumptions regarding indicator distribution are not met and the focus of the study is prediction and theory development and not empirical confirmation, it is a good choice.

In total, 392 useable questionnaires were returned. Descriptive statistics (Table 1) show 83% respondents are men, and also a big proportion of the study sample had an associate degree or lower (48.2%). It is also clear that most of the participants were medium-sized enterprises (85%).

Table 1. The descriptive data of samples

	Characteristics	number	percent
Gender	men	325	83
	women	67	17
Education level	Associate degree or lower	190	48.2
	Bachelor's degree	119	30
	Master's degree	79	20
	PhD	4	0.8
SMEs	Small enterprises	56	15
	medium-sized enterprises	336	85

In terms of Domain Sampling Theory, reflective measurement models should be assessed with regard to their reliability and validity. Usually, the first criterion that is checked is internal consistency reliability (i.e. Cronbach α). An internal consistency reliability value above 0.7 is satisfactory (Nunnally & Bernstein, 1994). Cronbach α for customer and financial performance in this research were 0.93 and 0.88, respectively. For the assessment of convergent validity, we used Fornell and Larcker's (1981) criterion. An AVE value of at least 0.5 indicates sufficient convergent validity, meaning that a latent variable is able to explain more than half of the variance of its indicators on average. In this study customer and financial performance AVE were 0.65 and 0.74, respectively. To assess discriminant validity, the cross loading method was selected. If an indicator has a higher correlation with another latent variable than it does with its respective latent variable, the appropriateness of the model should be reconsidered. As shown in Table 2, discriminant validity is also confirmed.

Bollen (1989) and Bagozzi (1994) emphasize that traditional validity assessments and classical test theory could not be applied in formative measurement models. Therefore, the concepts of reliability (i.e. internal consistency) and construct validity (i.e. convergent and discriminant validity) are not meaningful when a formative model is employed. Hence, in order to analyze the formative specification of the study model, Hensler *et al.*'s (2009) approach was applied. In this approach, a first examination of the validity of formative indicators

should use theoretic rationale (as mentioned before) and expert opinion (by using two marketing associate professor and two executive managers). A second assessment of the formative constructs validity is analyzing the statistical results at two Construct and Indicator levels.

Table 2. Cross Loading Results

Items	Customer Performance	Financial Performance	Market Orientation	Corporate Culture
Bureauc	0.444044	0.361549	0.450262	0.889126
Innovative	0.471099	0.381233	0.467268	0.928519
Supportive	0.313047	0.277046	0.332941	0.666808
COMO	0.469142	0.131005	0.486245	0.224816
CUSO	0.714105	0.415892	0.893381	0.453567
INTERFC	0.753827	0.524138	0.993702	0.501523
CP1	0.761967	0.312602	0.572217	0.439095
CP2	0.690730	0.452427	0.610433	0.457657
CP3	0.776955	0.402605	0.481559	0.309038
CP4	0.865703	0.521305	0.600827	0.453837
CP5	0.898272	0.597524	0.717585	0.489157
CP6	0.913156	0.507904	0.713844	0.508806
CP7	0.885031	0.435024	0.706644	0.372268
CP8	0.796562	0.544988	0.548209	0.339742
CP9	0.682439	0.390429	0.544892	0.382586
Sales Growth	0.443431	0.841785	0.413755	0.279474
Margin	0.521955	0.873159	0.491887	0.351798
Market Share	0.570418	0.904973	0.539745	0.395508
ROI	0.443954	0.836371	0.338893	0.370766

At the indicator level, Variance Inflation Factor was used. Non-collinearity is reflected in the VIF with values of less than 5 (Moliner, 2009). For Corporate Culture and market orientation, the VIF value was between 1.9 - 2.38. It means multicollinearity is not a problem in this case. At the construct level, each of the formative constructs link with two general reflective measures in order to establish nomological validity (coltman *et al.*, 2008; Diamantopolous & Winklhofer, 2001).

Nomological validity assesses the relationship between theoretical constructs. Nomological validity involves identifying theoretically supported relationships from prior research and then assessing whether the scale has corresponding relationships. Thus, the multiple regressions of the two new subjective organizational performances (y) with the formative entities (x) will be assessed (Ewing & Napoli,

2005). Given the significant relationship between Corporate Culture and market orientation with organizational performance, it can be assumed that nomological validity of Corporate Culture and market orientation has been established (Tables 3 and 4a,b).

Table 3a. Nomological Validity of Market Orientation components (x) against ability to serve customers better (y).

Model Summary ^a					
Model	R	R ²	Adj. R ²	Standard error of estimate	Durbin-Watson
1	0.552	0.305	0.299	1.298	1.588
ANOVA ^b					
Model	Sum of Squares	df	Mean Square	F	Significance
1 Regression	286.72	3	95.57	56.703	0.000
Residual	653.98	388	1.686		
Total	940.712	391			
Coefficients					
Model	Unstandardized Coefficients		standardized Coefficients	t	Significance
	B	S.E.	β		
1 (Constant)	0.96	0.406		2.366	0.018
COMO	0.015	0.026	0.030	0.601	0.548
CUSO	0.013	0.036	0.028	0.352	0.725
INTERFC	0.213	0.034	0.512	6.272	0.000

Table 3b. Nomological Validity of Market Orientation components (x) against against ability to achieve goals (y)

Model Summary ^a					
Model	R	R ²	Adj. R ²	Standard error of estimate	Durbin-Watson
1	0.55	0.308	0.302	1.380	1.547
ANOVA ^b					
Model	Sum of Squares	df	Mean Square	F	Significance
1 Regression	328.368	3	109.456	57.511	0.000
Residual	738.448	388	1.903		
Total	1066.816	391			
Coefficients					
Model	Unstandardized Coefficients		standardized Coefficients	t Significance	
	B	S.E.	β		
1 (Constant)	0.202	0.431		0.469	0.639
COMO	0.047	0.027	.086	1.733	0.084
CUSO	0.067	0.038	.139	1.749	0.081
INTERFC	0.169	0.036	.381	4.682	0.000

**Table 4a. Nomological Validity of Corporate Culture components (x)
against ability to serve customers better (y)**

Model Summary^a					
Model	<i>R</i>	<i>R</i> ²	<i>Adj. R</i> ²	Standard error of estimate	Durbin-Watson
1	0.390	0.152	0.146	1.527	1.711
ANOVA^b					
Model	Sum of Squares	<i>df</i>	Mean Square	<i>F</i>	Significance
1 Regression	162.447	3	54.149	23.231	0.000
Residual	904.370	388	2.331		
Total	1066.816	391			
Coefficients					
Model	Unstandardized Coefficients		standardized Coefficients	<i>t</i>	Significance
	<i>B</i>	S.E.	β		
1 (Constant)	2.010	0.350		5.742	0.000
Bureau C	0.066	0.027	0.214	2.425	0.016
Innovat C	0.092	0.033	0.263	2.830	0.005
Supportiv C	-0.023	0.027	-0.077	-0.852	0.394

**Table 4b. Nomological Validity of Corporate Culture components (x)
against ability to achieve goals (y)**

Model Summary^a					
Model	<i>R</i>	<i>R</i> ²	<i>Adj. R</i> ²	Standard error of estimate	Durbin-Watson
1	0.346	0.120	0.113	1.461	1.892
ANOVA^b					
Model	Sum of Squares	<i>df</i>	Mean Square	<i>F</i>	Significance
1 Regression	112.565	3	37.52	17.580	0.000
Residual	828.147	388	2.134		
Total	940.712	391			
Coefficients					
Model	Unstandardized Coefficients		standardized Coefficients	<i>t</i>	Significance
	<i>B</i>	S.E.	β		
1 (Constant)	2.516	0.335		7.513	0.000
Bureau C	0.070	0.026	0.241	2.686	0.008
Innovat C	0.067	0.031	0.203	2.147	0.032
Supportiv C	-0.027	0.026	-0.095	-1.030	0.304

As you see in these Tables (3 and 4a,b) the significance of the relationship between Market orientation and Corporate Culture with two external variables “ability to serve customers better” and “ability to achieve goals” are lower than .05. The R² amount in each model is also reasonable. It is important to note that this analysis is used primarily to determine the nomological validity of the scale, rather than the predictive powers of the independent variables. As such, given the significant relationship between Market Orientation (MO)-Corporate Culture (CC) and overall performance variables, it can be surmised that nomological validity of MO and CC has been established. The total, indirect, and direct effects between latent variables are presented in Table 5.

Table 5. The total, indirect, and mediating effects between latent variables

LV	Total Effect	Direct Effect	Indirect Effect
CP -> FP	0.388	0.388	----
MO -> CP	0.756	0.760	----
MO -> FP	0.464	0.170	0.294
CC -> CP	0.384	----	0.384
CC -> FP	0.354	0.121	0.233
CC -> MO	0.506	0.506	----

Assessing the Structural Model and Hypotheses Evaluation

Reliable and valid outer model estimations permit an evaluation of the inner path model estimates or the structural parts of the model. The essential criterion for this assessment is the coefficient of determination (R²) of the endogenous latent variables. R² value for Market Orientation, Customer, and Financial Performance are equal to 0.25, 0.57, and 0.36, respectively. The individual path coefficients of the PLS structural model can be interpreted as standardized beta coefficients of OLS regressions. In order to determine the confidence intervals of the path coefficients and statistical inference, resampling techniques such as bootstrapping (in parenthesis) were used (Henseler *et al.*, 2009). The structural assessment of the study model can be seen in Figure 3.

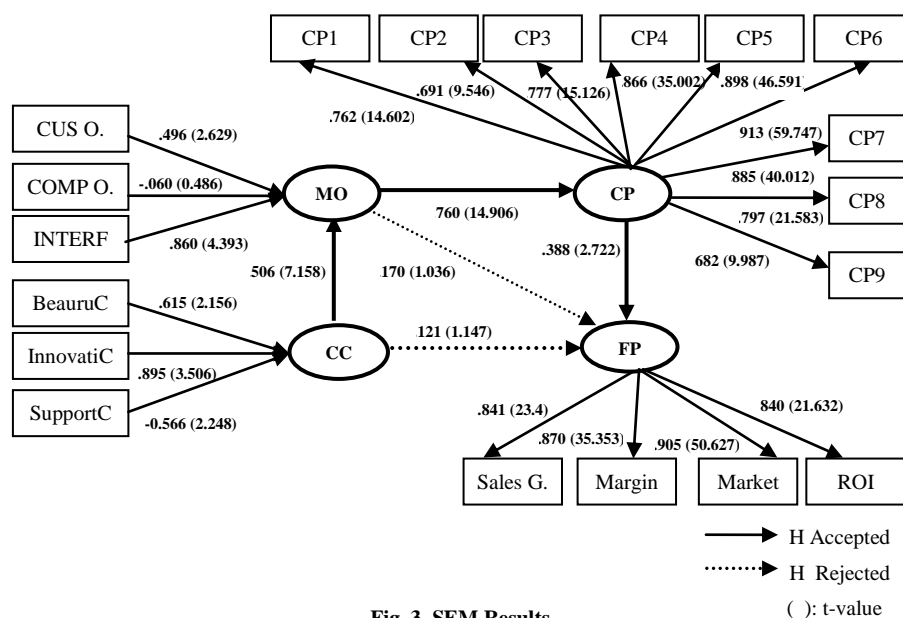


Fig. 3. SEM Results

The testing results are shown in Figure 3. In terms of statistical significance, sequential impacts are clearly revealed. For financial performance, Corporate Culture (H4) and market orientation (H2) are not the major direct predictors. For customer performance, however, market orientation is the crucial influencing factor. It can be understood from this result that financial performance was only influenced by customer performance in the classic path. In Corporate Culture components, the supportive one has insignificant weight. So, most of the Iranian SMEs' managers do not feel good about implementing supportive culture in their firms. The beta coefficient of innovative culture (0.895) also is greater than the bureaucratic ones (0.615). Similarly for market orientation, Corporate Culture plays an important role. This finding is consistent with some explanations that emphasize market-oriented culture in larger organizations (Tajudin *et al.*, 2012; Yam *et al.*, 2011; Singh & Ranchhod, 2004). Therefore, H1, H3, and H5 are supported. Other proposed hypotheses, H2 and H4, are not supported.

A direct contribution of market orientation to customer performance (H3) is supporting SMEs industrial firms ($\beta=0.760$,

$t=14.9$). This result is consistent with Lee *et al.*'s (2008) in B-C environment. The Additional analysis shows that paths between Corporate Culture and market orientation with financial performance (H2) are positive, but insignificant. This means that in SME industrial firms, market orientation and Corporate Culture do not play a direct role in the performance of the SMEs. And the only significant route is the classic (indirect) path standing between corporate culture-market orientation-customer performance-financial performances.

Furthermore, H5 is supported ($\beta=0.388$, $t=2.7$). This result is consistent with previous studies in larger organizations (Lee *et al.*, 2008) and in SME ones (Merrilees *et al.*, 2011; Renko *et al.*, 2009; Armario *et al.*, 2008).

Conclusion and Discussion

The results show that unlike other studies (Flamholtz & Kannan-Narasimhan, 2005; Kotter & Heskett, 1992) there is not a statistically significant relationship between corporate culture and financial performance in the SMEs Industrial Manufacturer and the important factor steering them to better performance is the classic route which starts with firm culture. Perhaps the reason may be the managers and owners' attitude towards delegating decisions and cooperating members in their firm's goal setting and strategy making. It may be also concluded that traditional and religious dominant cultures and innovation by managers did not allow any other supportive cultures to emerge. As Figure 3 illustrated, the dominant culture of small to medium-sized industrial manufacturer in Iran are bureaucratic and innovative cultures, and in these sub-cultures few supportive ideas could grow (Wallach, 1983).

These findings develop our understanding of the positive effect of market orientation on customer performance. Similar to some studies in larger organizations (Renko *et al.*, 2009; Armario *et al.*, 2008; Sen, 2010; Merrilees *et al.*, 2011), the relationship between customer performance and financial performance was confirmed. Therefore, it could be stated that market orientation influences performance

indirectly and through other constructs such as customer performance. Final consequence of market-oriented activities only depends on customer related efforts mediating role. Unlike some studies in larger organization (Raju *et al.*, 2011; Megicks and warnaby, 2008; Lee *et al.*, 2008; and Ranchhood, 2004), the relationship between market orientation and financial performance was not confirmed. Therefore, it can be stated that market orientation influences performance indirectly and through other constructs. This may be because of little consideration devoted to the competitors firms. It is evident that corporate culture is a vital prerequisite of market orientation. This conclusion is consistent with many studies that have confirmed the relationship between corporate culture and market orientation in larger organizations (Megicks & Warnaby, 2008; Grinstein, 2008; Pelham, 2009; Deshpande *et al.*, 1993; Yam *et al.*, 2011; Singh & Ranchhod, 2004). Therefore, corporate culture only facilitates market-oriented behavior of SMEs and does not impact financial performance. This finding confirms several early viewpoints regarding the relationship between corporate culture and market orientation which assumed market orientation as a culture-related construct (Narver & Slater, 1990; Kohli & Jaworski, 1990; Slater & Narver, 1995).

The results of this study suggest that in industrial manufacturing SMEs, where persuading a niche strategy, market orientation is a very important ingredient to meet customer needs and ultimately financial performance (in an indirect manner). The direct route between corporate culture and market orientation was confirmed. Accordingly, SMEs should treat investments in efforts designed to increase the market orientation and corporate culture supporting market orientation as investments, realizing that it will take time to realize the ultimate return on those investments, namely improved performance variables. Results show that Iranian SMEs are not familiar with some concepts of market orientation like how to pursue competitors, how to introduce their firms against others, how to build a good brand and other promotional activities because they are not competitor oriented firms. So, these areas are new domains for further research in future.

With respect to the specific relationships proposed in the conceptual framework, the exploration of the following types of issues would be quite useful: first, how do structural antecedents and other cultural variables impact the market orientation in SMEs? How can SMEs create a corporate culture that facilitates market orientation? Second, how are other mediating variables such as innovation, quality, entrepreneurship, and moderating environmental condition effecting market orientation and corporate culture used by small and medium enterprises? Third, what is the difference between the results of retesting the model in the heterogeneous industrial firms or different cultural situations in other countries and cultures? Kirca *et al.* (2009) present a set of propositions regarding the effects of national culture on the internalization of market-oriented values and norms, which in turn positively affect the implementation of market-oriented behaviors. Future studies should investigate the measures and dimensions of market orientation, national - corporate culture and the relationship of culture - market orientation - performance in large and small consumer goods manufacturing, service, and retail firms.

Limitations of the Study

One of the limitations of this study is that it is cross-sectional; therefore, the results cannot be generalized. The use of cross-sectional data does not assist us in interpreting the time sequence of the relationships between market orientation, corporate culture, and performance. The other limitation of this study is the use of subjective scales for measuring performance. Moreover, acquiring data from managers (due to their different opinions compared to other stakeholders) limits the generalization of our study results. Future studies should assess the reliability of internal judgments of the firm's level of market orientation and corporate culture in comparison with the judgments of outsiders such as distributors and customers.

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