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How organizational culture influences market orientation and business performance in the restaurant industry

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ABSTRACT

This study contributes to the hospitality literature by examining the direct and indirect effects of organizational culture types on market orientation (MO) and performance in the context of the restaurant industry. A structured questionnaire was used to survey owners/managers of independent restaurants in the U.S. The direct influence of supportive and innovative cultural types on firm performance was confirmed. In addition, MO partially mediated the direct positive effect of innovative organizational culture on firm performance. Our results also confirm that innovative and supportive organizational culture types are important predictors of MO and that they are better predictors of performance than MO. The findings should enhance organizational design and marketing options available to restaurant businesses and offer guidance to managers attempting to shape and mold organizational culture and the behaviors associated with the implementation of MO in order to improve performance.

1. Introduction

Both organizational culture and market orientation (MO), have been held up as key determinants of business success (Joseph & Francis, 2015; Yaprak, Tasoluk, & Kocas, 2015). Moreover, while organizational culture may be an important predictor of MO (McClure, 2010; O'Cass and Viet Ngo, 2007) it may also be a better indicator of firm performance than MO (Deshpandé & Farley, 2004; O'Cass and Viet Ngo, 2007). Though there are different perspectives on the nexus of these two variables, one view is that market-oriented behaviors are a response derived from a firm's organizational culture (Leisen, Lilly, & Winsor, 2002; O'Cass and Viet Ngo, 2007). Accordingly, organizational culture is viewed as playing an instrumental role in driving market-oriented behaviors as well as diffusing MO throughout the firm (Deshpande, Farley, & Webster, 1993; Deshpandé & Farley, 2004; Leisen et al., 2002; O'Cass and Viet Ngo, 2007).

Following the pioneering work of Kohli and Jaworski (1990) and Narver and Slater (1990), a rich body of empirical research has found general support for a positive association between market orientation (MO) and business performance (e.g. Campo, Díaz, & Yagüe, 2014; Joseph & Francis, 2015; Lee, Kim, Seo, & Hight, 2015; Yaprak et al., 2015). However, and despite theoretical generalizations, empirical examination of how internal organizational variables such as organizational culture (or corporate culture) influence MO and subsequent performance is scarce (Kirca, Jayachandran, & Bearden, 2005; McClure, 2010). Researchers have argued that the lack of research on internal organizational variables limits both our understanding of MO and how it should be implemented (Gebhardt, Carpenter, & Sherry, 2006; Gao, 2017).

Given that MO and organizational culture appear to be inextricably entwined (Deshpandé & Farley, 2004; O'Cass and Viet Ngo, 2007), researchers have called for the investigation of a model that describes how market orientation mediates the relationship between organizational culture and business performance (Kirca et al., 2005; McClure, 2010). Yet, with a few exceptions (Appiah-Adu & Blankson, 1998; Joseph & Francis, 2015; McClure, 2010), research examining the mediating effect of MO on the interrelationship between organizational culture and firm performance is scarce. Furthermore, there is limited evidence of research that has investigated the indirect effect of organizational culture on performance via MO (Joseph & Francis, 2015). This study contributes to the hospitality literature by examining the mediating role of MO in the link between the dimensions of organizational culture and firm performance.

The primary purpose of this research is to provide insights into the interrelated effects of organizational culture and MO on firm performance. In particular, this research addresses the following questions: Do the a priori dimensions of organizational culture

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influence the adoption of a market orientation in the context of restaurants operations? Do the a priori dimensions of organizational culture directly influence firm performance, or does market orientation influence the link between the dimensions of culture and firm performance? And if so, what is the intervening mechanism by which they affect this link? This study contributes to the hospitality literature by investigating small restaurant businesses' ability to effectively exploit organizational culture and market orientation in order to improve firm performance. The findings should: 1) provide insight into how internal firm characteristics such as organizational culture combine with and influence the adoption and implementation of market orientation and their subsequent effect on performance, and 2) inform owners/managers about the need to effectively employ a combination of organizational capabilities to achieve superior performance. Evidence that particular types of organizational culture support market orientation will provide managers the motivation to shape organizational culture in an effort to effectively deploy the behaviors associated with a market orientation and thereby obtain superior performance.

This research is important to the hospitality sector comprised of restaurant businesses because these operations compete in a crowded and often undifferentiated market (Morgan, Rapp, Richey, & Ellinger, 2014). Moreover, research suggests that the hospitality industry is exposed to higher levels of risk and higher competitive rivalry than other industries in the U.S (Singal, 2015). The restaurant industry is characterized by fragmentation, low barriers to entry (Porter, 1980), low levels of access to both tangible and intangible resources, and imitation (Barney, 1991). Although major players appear to dominate the marketplace, a good proportion of the industry can be characterized as businesses that are managed by individual owner/operators. According to the National Restaurant Association (2015), more than seven in 10 restaurants are single-unit operations, and more than nine in 10 have fewer than 50 employees. These restaurant businesses must achieve competitive advantage not solely on the basis of their access to better resources, but because they are able to coordinate and combine their resources in superior ways (Kraaijenbrink, 2011). Among these restaurant businesses, the manager's strategic ability to shape and mold organizational culture and market orientation may determine their capacity to generate sustainable competitive advantage and enhance firm performance.

2. Theoretical background and hypotheses

2.1. Market orientation

The concept of market orientation lies at the heart of marketing theory (Levitt, 1960). According to the marketing concept, an organization's purpose is to determine the needs and wants of its customers and to satisfy those needs more effectively and efficiently than the competition (Slater & Narver, 1998). Market oriented organizations aim to satisfy their customers by organizing and coordinating their activities and efforts around the needs of the customer (Levitt, 1960). In essence, a market oriented approach focuses primarily on improving the customer-provider relationship and, it is reflected in an organization's culture, shared values, and beliefs about focusing first on the customer's interests (Deshpande & Farley, 1999). MO has been examined in terms of both behavioral as well as cultural perspectives. Kohli and Jaworski (1990) described MO as being associated with three behavioral components, namely, intelligence generation, intelligence dissemination, and responsiveness. Narver and Slater (1990) on the other hand, conceptualized MO as consisting of three cultural dimensions including, customer orientation, competitive orientation, and interfunctional coordination. This study views MO as a behavioral construct and adopts the Kohli and Jaworski (1990) conceptualization of MO because it is better suited to the focus of this study and its intent to examine the effect of an organization's cultural dimensions on the behavioral perspective of market orientation.

2.2. MO in the hospitality industry

In the hospitality industry, market orientation has been studied in relation to a variety of related variables including business strategy (Lee et al., 2015; Wu, 2004), information and communications technology (Peña, Jamilena, & Molina, 2013), tourist behavior (Peña, Jamilena, & Molina, 2012), total quality management (Wang, Chen, & Chen, 2012), and competitive advantage (Zhou, Brown, & Dev, 2009). In general, hospitality managers have been urged to become more market oriented to better satisfy customer needs and achieve their business performance objectives (Lee et al., 2015; Wang et al., 2012). The dominant view is that market orientation is positively related to performance (Jaworski & Kohli, 1993; Slater & Narver, 1994). Though the greater emphasis on market orientation may be an intuitively attractive response to rapidly changing market conditions, empirical findings pertaining to the relationship between MO and performance in the hospitality services industry is mixed. While some studies have found general support for a positive association between market orientation and business performance as it applies to a range of hospitality businesses (Campo et al., 2014; Lee et al., 2015; Peña et al., 2012; Wang et al., 2012), others have found no evidence that MO is directly related to firm performance (Au & Tse, 1995; Sargeant & Mohamad, 1999). It also appears that the link between MO and performance may be mediated by factors such as innovation (Agarwal, Erramilli, & Dev., 2003; Sandvik & Sandvik, 2003). Besides, according to a meta-analytic study by Kirca et al. (2005), the magnitude of the relationship between MO and performance varies broadly from a high correlation of $r = 0.37$ in manufacturing firms to a low of $r = 0.26$ in service firms.

The restaurant business, like many other services, is people intensive, and characterized by intangibility, simultaneity of production and consumption, heterogeneity of service performance, and perishability (Parasuraman, Zeithaml, & Berry, 1985). These characteristics along with the critical need for direct person-to-person interactions imply that the gratification of customer needs in the restaurant industry involve a higher level of customization relative to manufacturing firms (Anderson, Fornell, & Rust, 1997). Yet, there appears to be a lack of consensus in the literature regarding the extent to which the concept of market orientation is practiced (Becherer & Maurer, 1997; McLarty, 1998) and/or appreciated by small businesses (Stokes, 2000; Becherer, Halstead, & Haynes, 2003). Many small firms, including those in the restaurant industry, may be constrained by their meager access to resources (e.g. time, labor, expertise, finance) (Didonet, Simmons, and Diaz-Villavicencio, and Palmer, 2012) and therefore limited in their ability to adopt the behaviors associated with a market orientation (Becherer et al., 2003; Harris & Watkins, 1998). The lack of access to key resources, for instance, may restrict small restaurant business' ability to adopt the traditional view of marketing that is characterized by a reliance on deliberate and complex processes, the adoption of formal research to identify market needs, and the purposeful development of new products and services (Stokes & Blackburn, 1999). Harris and Watkins (1998) argued that factors such as an unclear view of the customer, satisfaction with the status quo, ignorance of market orientation, and lack of competitive differentiation may inhibit the ability of small hotels to focus on market trends and customer needs. Yet, as Hills (1999) remarked, it is marketing and entrepreneurship that largely determine the

success or failure of small businesses such as those making up much of the restaurant industry.

2.3. Organizational culture

Organizational culture encompasses the values and norms that are shared by an organization's members and refers to the way things are done in a social unit (Kotter & Heskett, 1992; Rousseau, 1990; Schein, 1997; Deshpandé & Farley, 2004). Organizational or corporate culture provides individual employees with norms for behavior in the firm and serves as a tool utilized by management to shape the direction of their firms (Fiol, 1991; Smircich, 1983). Culture influences how firms adapt to both internal and external exigencies, helps motivate employees, enhances productivity, and exerts considerable influence on the overall functioning of organizations (Deal & Kennedy, 1982). As such, organizational culture may be a critical element by which strategic managers influence the course and direction of their firms (Naranjo Valencia, Sanz Valle, & Jiménez Jiménez, 2010; Øgaard, Larsen, & Marnburg, 2005). Thus it appears, strategic managers should shape and mold organizational culture in order to mobilize and direct the energies of employees to achieve managerial objectives (Asree, Zain, & Rizal Razalli, 2010; Morgan, Rapp, Richey, & Ellinger, 2014; Øgaard et al., 2005; Smircich, 1983).

Although various schemes, dimensions, and levels have been proposed for the study of organizational culture (Ouchi, 1980; Wallach, 1983; Weber, 1947), three recurring dimensions appear to have been identified across these cultural typologies (Berson, Oreg, & Dvir, 2008). McClure (2010; 515) has commented that "although the labels they use differ, the phenomena they describe are remarkably similar." Wallach (1983) suggests that an organization's culture is a combination of three types – bureaucratic, innovative, or supportive. While these types are considered to be modal or dominant rather than mutually exclusive, the flavor of an organization can be determined from the amalgamation of these three dimensions (Wallach, 1983). Although, over time, one type may emerge as dominant, at any given time, a firm may have elements of several types of culture, and may exhibit characteristics associated with the different culture types to different degrees (Deshpande et al., 1993).

According to Wallach (1983), a bureaucratic culture refers to an organized, systematic, procedural, and regulated work environment. Organizations high on this dimension lack flexibility and emphasize efficiency, predictability, and consistency (Wallach, 1983; Berson et al., 2008). An innovative culture is represented by a work environment that is creative, results-oriented, and challenging. This dimension involves an enterprising and opportunity-seeking environment that attracts employees seeking challenge and risk (Ireland, Hitt, & Sirmon, 2003; Berson et al., 2008). A supportive culture is manifested in a work environment that is trusting, people-oriented, and encouraging. Such cultures facilitate open relationships among employees and provide a workplace that is equitable, friendly, and helpful (O'Reilly, Chatman, & Caldwell, 1991). The Wallach (1983) framework is adopted for the purposes of this study because the three cultural types addressed here are widely researched and appear consistently across a broad range of culture studies (Berson et al., 2008; Chen, 2013; McClure, 2010).

2.4. Performance

Traditionally, organizational researchers have focused on the overall concept of organizational effectiveness while most business strategy researchers have focused on a narrower domain reflecting business economic performance (Venkatraman & Ramanujam, 1986). In its narrowest form, business economic performance adopts the perspective of modern financial theory which assumes a normative wealth and utility maximizing framework (Bettis, 1983). On a theoretical basis, business performance is considered to be a time test of any business strategy (Hofer and Schendel, 1978). Business performance has also been employed to test a variety of management process issues and its managerial significance is evident in the many prescriptions offered for improved performance through effective execution of operations (Hofer, 1980). Business performance, which reflects the perspective of management researchers has traditionally been operationalized in terms of economic criteria such as profitability or market based measures of financial performance (Venkatraman & Ramanujam, 1986).

2.5. Organizational culture, MO and performance

The existing culture of an organization may play a prominent role as an antecedent of MO (Jaworski & Kohli, 1993; McClure, 2010; Pulendran, Speed, & Widing, 2000). Just as much as the likelihood of a firm embracing a market orientation is deeply rooted in its culture (Gebhardt et al., 2006), culture may also be a critical factor that influences a firm's ability to become market oriented (McClure, 2010; O'Cass and Viet Ngo, 2007). Furthermore, the dimensions or types of culture are expected to have differing effects on a firm's market orientation as well as performance (Appiah-Adu & Blankson, 1998; Gao, 2017; Leisen et al., 2002; McClure, 2010; Yaprak et al., 2015). Certain cultural types may support MO while others can act as an impediment to MO. For instance, prior research has found that hierarchical cultures were negatively associated with a market orientation, while market (or entrepreneurial) cultures (Appiah-Adu & Blankson, 1998; Gao, 2017) and innovative (or adhocracy) cultures (Gao, 2017; O'Cass and Viet Ngo, 2007; Yaprak et al., 2015) were positively linked with market orientation. O'Cass and Viet Ngo (2007) also found that an innovative culture was an antecedent to MO that was relatively more important than MO as a predictor of performance. Gebhardt et al. (2006) noted that organizational culture significantly influences MO. In their research, firms with lower levels of MO were characterized as having a bureaucratic approach, an internal focus, a reliance on traditional approaches and structured routines. On the other hand, firms with higher levels of MO were associated with environments that created a culture of trust, supported organization-wide collaboration, and leveraged the experiences and capabilities of all members. Despite research suggesting the associations between culture types and MO identified here, there is evidence that particular types of culture (e.g. competitive and entrepreneurial) may not necessarily be associated with higher levels of MO, and that given types of organizational culture may not necessarily support the behaviors associated with MO (Deshpande et al., 1993; Gao, 2017).

Following the inconsistencies observed in the literature, we propose to empirically examine the relationships between types of culture and MO within the context of small restaurant businesses. It can be argued that particular types of organization culture may enable or impede the adoption of market-oriented behaviors. A bureaucratic culture that emphasizes predictability, organizational systems, procedures, and regulations may act to inhibit the key behaviors needed to pursue a market orientation. On the other hand, innovative and supportive organization cultures may be better suited to the adoption of market oriented behaviors such as the ability to disseminate and respond to information. Moreover, though a handful of studies have examined the concurrent, yet independent main effects of MO and organizational culture (Pinho, Rodrigues, and Dibb, 2014; Deshpande et al., 1993; Farley, Hoenig, & Ismail, 2008; Leisen et al., 2002) on firm performance, as well as organizational culture on MO (Gao, 2017; McClure, 2010) such approaches are considered too simplistic as they may not provide

us with an appropriate understanding of the drivers of MO (Kirca et al., 2005). Proponents of alternate perspectives argue that key variables such organizational culture may account for the ostensible effect of MO on performance, and on this basis, have called for research to clarify the mechanism by which variables such as organizational culture affect MO and subsequent performance (e.g. Han, Kim, & Srivastava, 1998; Kirca et al., 2005; Matear, Osborne, Garrett, & Gray, 2002). On the basis of the literature reviewed, we hypothesize the following:

H1. In the context of restaurant operations, innovative organizational culture will positively influence a) performance and b) market orientation

H2. In the context of restaurant operations, supportive organizational culture will positively influence a) performance and b) market orientation

H3. In the context of restaurant operations, bureaucratic organizational culture will negatively influence a) performance and b) market orientation

H4. In the context of restaurant operations, market orientation will mediate the link between each of the culture types and performance

3. Research methodology

3.1. Measurement

3.1.1. Organizational culture

Following Wallach (1983), organizational culture was measured in terms of three distinct dimensions: bureaucratic, innovative, and supportive. The organizational culture index (OCI) developed by Wallach (1983) has 24 items (8 for each dimension) and uses a 4-point Likert-type scale ranging from three (describes my organization most of the time) to zero (does not describe my organization). The OCI has been widely adopted and validated by other researchers (Berson et al., 2008; Chen, 2013; Lok & Crawford, 2004; McClure, 2010), who find reliability estimates ranging from 0.71 to 0.87. The reliability coefficients obtained in this study fall within this range (see Table 1).

Table 1
Sample and respondent characteristics.

	# of Responses	Percentage
Number of employees		
≤10	52	30.37%
11–20	53	31.11%
21–40	48	28.15%
≥41	39	22.96%
Respondent Title		
Owner	113	65.93%
Manager	58	34.07%
Type of Restaurant		
Fine Dining	42	24.44%
Casual Dining	129	75.56%
Average Guest Check		
≤$ 15	34	20.00%
>$15 but ≤ $20	44	25.93%
>$20 but ≤ $25	33	19.26%
>$25	60	34.81%
Respondent tenure in Industry		
≤10 years	52	30.37%
>10 years but ≤20 years	48	28.15%
>20 years, but ≤30 years	47	27.41%
>30 years	24	14.07%

3.1.2. Market orientation

Market orientation has been defined as "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it" (Kohli & Jaworski, 1990, p. 6). Adopting this widely accepted definition, MO was measured using the 10-item MORTN scale developed by Deshpande and Farley (1998). According to Baker and Sinkula (2009), this scale is more parsimonious and employs the most powerful indicators from the Kohli, Jaworski, and Kumar (1993), Narver and Slater (1990), and Deshpande et al. (1993) scales. The items were measured on seven-point scales anchored by "strongly disagree" and "strongly agree".

3.1.3. Performance

Given that this study sampled independent restaurant operations, it was acknowledged that objective financial data would be difficult to obtain. Even if accurate, objective, performance-related data were available they may not be comparable due to the use of different accounting systems (Jogaratnam, Tse, & Olsen, 1999). As such, and while acknowledging the limitations associated with such an approach, we used self-reported subjective interpretations of performance. Previous studies provide strong support for the adoption of subjective measures of performance. Research has established that subjective measures correspond closely to objective performance indicators (e.g. Jaworski & Kohli, 1993; Slater & Narver, 1994). Performance is a multidimensional concept and was measured using seven items that reflect aspects of both financial and marketing outcomes. Seven-point scales anchored by "well below industry average" and "well above industry average" were used to elicit managerial assessments of firm performance. Respondents were asked to indicate their firms' "Average performance over the past three years." The items measuring performance were ROI, profit, profit growth, ROS, market share growth, sales volume growth, and sales (in dollars) growth.

3.1.4. Control variables

Based on theoretical evidence, firm size and firm age were included in the analysis to control for potential interpretational confounds. Firm size, measured in terms of the number of employees, was included because this could affect a firm's MO as well as performance (Kohli & Jaworski, 1990; Slater & Narver, 1994). The log of number of employees is used to minimize issues relating to skewness of data. Firm age was included because older firms may be less market oriented, slower to respond to change and thus associated with lower performance. Firm age was measured in terms of the number of years in existence.

3.2. Sample and data collection

The sampling frame consisted of a commercial database of independent restaurant operators in the United States. Westland's (2010) algorithm was adopted to estimate the lower bounds for sample size while giving consideration to the minimum effect, power, and significance. To ensure unbiased responses, we assured respondents of their anonymity and the confidentiality of their responses. Considering the low cost and time efficiency of the online survey method, the questionnaires were uploaded online through a commercial online survey service. An email containing an invitation to respond was sent to each identified contact and followed-up with a reminder email a week later. A questionnaire comprised of scales adopted from prior research are employed in this research. The instrument was pre-tested in two stages with the initial stage involving a group of graduate students and the second stage including a pre-test of ten restaurateurs. At each stage, the

Table 2
Items, fit indices, composite reliability (CR), average variance extracted (AVE) and standardized loadings.

	Standardized Factor Loading
Innovative Culture (Cronbach's Alpha = 0.85, CR = 0.86/AVE = 0.54)	
Challenging	0.81***
Creative	0.73***
Enterprising	0.76***
Stimulating	0.71***
Driving	0.68***
Risk taking	–
Results-oriented	–
Pressurized	–
Bureacratic Culture (Cronbach's Alpha = 0.80, CR = 0.80/AVE = 0.51)	
Procedural	0.57***
Ordered	0.78***
Regulated	0.78***
Structured	0.70***
Hierarchical	–
Established, solid	–
Cautious	–
Power-oriented	–
Supportive Culture (Cronbach's Alpha = 0.73, CR = 0.72/AVE = 0.57)	
Safe	0.59***
Trusting	0.89***
Encouraging	0.76***
Collaborative	–
Relationship-oriented	–
Sociable	–
Personal freedom	–
Equitable	–
Market Orientation (Cronbach's Alpha = 0.92, CR = 0.92/AVE = 0.54)	
Our business objectives are driven primarily by customer satisfaction	0.74***
We are more customer focused than our competitors	0.78***
Our strategy for competitive advantage is based on our understanding of customer needs	0.77***
We believe this business exists primarily to serve customers	0.72***
We freely communicate information about successful and unsuccessful experiences	0.73***
We continually monitor our customers and competitors to find new ways to improve	0.69***
Data on customer satisfaction are disseminated at all levels of the on a regular basis	0.71***
We have routine and regular measures of customer service	0.87***
We survey our customers at least once per year to assess the quality of our services	0.71***
We measure customer satisfaction systematically and frequently	0.72***
Performance (Cronbach's Alpha = 0.93, CR = 0.94/AVE = 0.67)	
Average Return on Sales	0.98***
Profit Growth Percent	0.96***
Average Profit	0.82***
Average Return on Investment	0.83***
Average Growth in Sales $$	0.96***
Average Growth in Sales Units	0.96***
Average Growth in Market Share	0.80***

*** Significant at $p < 0.001$ (two - sided).
Fit statistics: chi square/df = 1.49; GFI = 0.92; NFI = 0.90; TLI = 0.95; CFI = 0.96; RMSEA = 0.06.

questionnaire was refined with respect to clarity and formatting. The link to the questionnaire was emailed to a random sample of 1000 restaurateurs. Following two reminder emails, 171 responses were obtained for an effective response rate of 17%. This is similar to response rates approximating 20 percent obtained in previous research adopting samples of restaurant managers (Choi & Parsa, 2007; Jogaratnam et al., 1999). Sample and respondent characteristics are presented in Table 1.

3.3. Common methods and non-response bias

A *t*-test comparison of early-respondents and late-respondents showed that these groups did not differ on any of the key variables studied. Because non-respondents have been found to resemble late respondents the insignificant difference between early and late respondents suggests that non-response bias does not pose a serious concern (e.g. Armstrong and Overton, 1977). Following Podsakoff and Organ (1984) we used Harmon's one factor test to assess if common-method bias was a potential threat. Given that the first factor accounted for 18% of the variance, and that there wasn't one general factor in the un-rotated factor structure that accounted for the majority of variance, we were able to conclude that common-method bias did not pose a serious threat.

3.4. Assessments of normality, multi-collinearity, and missing values

Skewness and kurtosis values were examined to see if the data would meet assumptions of normality. The results showed that all of the indicators ranged between −0.91 and 0.13 for skewness values and between −0.75 and 0.94 for kurtosis values, which meant the normality assumption was reasonable based on the recommendation that both values do not exceed an absolute value of 3 and 10, respectively (Kline, 1998. p: 82). The variance inflation factor (VIF) was used to examine multicollinearity between constructs. All VIFs ranged between the values of 1.29 and 2.86 well below the common cutoff threshold of 10.0 (Mason & Perreault, 1991) suggesting that multicollinearity was not of concern (Kline, 1998). Based on these tests, it is reasonable to conclude that the

data do not violate normality or multicollinearity assumptions. Lastly, approximately 10 missing values were replaced with the grand mean scores of each indicator.

4. Results

4.1. Reliability and validity

Initial measurement model analysis resulted in the retention of all seven items representing performance and the ten items representing MO. At the same time, the exclusion of some items from the cultural type scales left five items for innovative culture, four items for bureaucratic culture, and three items for supportive culture (see Table 2). The remaining items were reviewed with respect to their theoretical basis and considered to adequately embody the theoretical constructs they represented. The scale's three-factor model was supported by confirmatory factor and reliability analyses. The measurement model was then examined and exhibited acceptable fit statistics (Hu & Bentler, 1999) with *chi square/df = 1.49; GFI = 0.92; NFI = 0.90; TLI = 0.95; CFI = 0.96; RMSEA = 0.06.* These values suggest that the model represented the data fairly well.

Reliability was assessed on the basis of both Cronbach's alpha and composite reliability (Fornell & Larcker, 1981). All alpha coefficients exceeded the 0.70 threshold suggested by Nunnally (1978) and composite reliabilities ranged from 0.72 to 0.94 thus satisfying the acceptance level (Bagozzi & Yi, 1988) for the reliability of study constructs (see Table 2). Convergent validity was established by examining the Average Variance Extracted (AVE) for each construct against its correlation with the other constructs. The standardized factor loadings for each item were also examined. All items loaded significantly ($p < 0.001$) on their corresponding factor with factor loadings ranging from 0.57 to 0.98. The AVEs exceeded 0.50 suggesting that the majority of variance was explained by the constructs and not by measurement error. This satisfies the threshold recommended by Bagozzi and Yi (1988) and is indicative of the convergent validity of constructs (see Table 3). In addition, the square root of the AVE for each construct was larger than the inter-construct correlations thus confirming discriminant validity among constructs (Fornell & Larcker, 1981; Hair et al., 1998). In sum, these tests support the use of our scales.

4.2. Test of hypotheses

Regression analysis was used to estimate the effects of the cultural types and market orientation on business performance. Regression analysis rather than the structural equations approach was adopted due to sample size considerations. Performance was designated as the dependent variable and the types of organizational culture and market orientation were treated as the independent variable in examining hypotheses 1a, 2a, and 3a. The composite scores determined on the basis of the items loading on each factor representing the culture types as well as market orientation were regressed against the performance measure. Firm size (number of employees) and firm age were modeled as control variables in all the analyses.

Table 3
Descriptive statistics with square root of AVE on diagonal.

N = 171	1	2	3	4	5
1. Bureaucratic Culture	**0.713**				
2. Innovative Culture	0.498**	**0.737**			
3. Supportive Culture	0.487**	0.715**	**0.757**		
4. MO	0.296**	0.523**	0.491**	**0.730**	
5. Performance	0.103	0.347**	0.193*	0.313**	**0.820**
Mean	1.98	2.06	2.05	5.54	4.61
S.D.	0.69	0.66	0.58	1.12	1.02

Square root of AVE in bold on diagonals; **$P < 0.01$; *$P < 0.05$.

Table 4
Regression results.

Independent Variables	Dependent Variables			
	Performance		Market Orientation	
	Beta	t-value	Beta	t-value
Bureaucratic Culture	−0.012	−0.141	0.127	1.005
Innovative Culture	0.444***	4.173	0.244*	2.629
Supportive Culture	0.260**	2.452	0.232*	2.485
Market Orientation	0.243**	2.669		
Control Variables				
Firm size	0.072	0.846	0.127	1.169
Firm age	−0.014	−0.156	−0.155	−1.939
R^2	0.22		0.31	
Adjusted R^2	0.19		0.28	
F-value	8.649***		11.33***	
All VIFs <	2.86		1.67	

N = 171, ***$p < 0.001$; **$p < 0.01$; *$p < 0.05$ (two-tailed test).

Table 4 reports the main effect results of regressing performance on the culture types and market orientation. The value of F is highly significant ($p < 0.001$) and the adjusted R-square suggests that 18% of the variance in the composite performance measure can be explained by the overall model. The innovative ($b = 0.44$, $p < 0.001$) and supportive ($b = 0.26$, $p < 0.01$) culture types are related significantly to the composite measure of performance, as is market orientation ($b = 0.24$, $p < 0.01$). However, the effect of bureaucratic culture on performance was found to be insignificant.

These results support the proposition that the innovative and supportive cultural types as well as market orientation have an independent effect on performance. The inclusion of multiple dimensions in the model allows one to examine the relative explanatory power of each in the presence of others. With respect to this particular model, the standardized regression coefficients suggest that an emphasis on innovative culture has the largest positive effect on performance followed by supportive culture and market orientation.

Regression analysis was also used to estimate the effect of the culture types on market orientation. Market orientation was designated as the dependent variable and the types of organizational culture were treated as the independent variable in examining hypotheses 1b, 2b, and 3b. The composite scores representing the culture types were regressed against market orientation. Table 4 reports the main effect results of regressing market orientation on the culture types. The value of F is highly significant ($p < 0.001$) and the adjusted R-square suggests that 28% of the variance in market orientation can be explained by the overall model. The innovative ($b = 0.24$, $p < 0.05$) and supportive ($b = 0.23$, $p < 0.05$) culture types are significantly related to market orientation. However, the effect of bureaucratic culture on market orientation was found to be insignificant.

4.3. Post-hoc analysis: mediation

Hypothesis 4 was examined by modeling market orientation as a mediating variable. Mediation represents the generative mechanism through which the independent variable influences the dependent variable (Baron & Kenny, 1986). A mediator is considered to be an internal, intervening variable that enables the antecedent variable to affect a criterion variable. In doing so, mediation addresses the questions *how* or *why* certain effects occur. Mediation

tests help identify the existence of a significant intervening mechanism (market orientation) between an antecedent variable (organizational culture) and the criterion or dependent variable (firm performance). As such, mediation tests are able to decompose the effect that a set of independent and mediator variables has on the criterion variable into direct and indirect effects. Mediation can be partial or complete. In partial mediation, a direct relationship exists between the independent variable and criterion variable, in addition to an indirect relationship via the mediating variable. In complete mediation, the presence of the mediating variable is essential for the independent variable to significantly affect the criterion variable.

As suggested in hypothesis 4, it was expected that MO would mediate the relationship between the types of organizational culture and performance. According to Baron and Kenny (1986), to establish mediation, the following four conditions must be met:

1. Organizational culture should have a significant effect on MO
2. MO should have a significant effect on performance
3. Organizational culture should have a significant effect on performance
4. MO should have a significant effect on performance when performance is regressed against both organizational culture and MO

Mediation analysis was performed following the procedure described by Baron and Kenny (1986). Multiple regression analyses were conducted to assess each of the conditions with respect to the proposed mediation model. While all four conditions were met with respect to innovative culture, there was no evidence of mediation with respect to supportive and bureaucratic cultures. The results with respect to innovative culture are detailed below. First, it was found that innovative culture was positively related to market orientation ($B = 0.45$, $t\,(171) = 5.80$, $p = 0.001$). It was also found that the mediator, market orientation, was positively associated with performance ($B = 0.31$, $t\,(171) = 3.78$, $p = 0.001$). Lastly, results indicated that innovative culture was positively associated with performance ($B = 0.38$, $t\,(171) = 4.73$, $p = 0.001$). Because the first three conditions were met, mediation analysis was tested using the bootstrapping method with bias-corrected confidence estimates (MacKinnon, Lockwood, & Williams, 2004; Preacher & Hayes, 2004). In the present study, the 95% confidence interval of the indirect effects was obtained with 5000 bootstrap resamples (Preacher & Hayes, 2008). Results of the mediation analysis confirmed the mediating role of market orientation in the relation between innovative culture and performance ($B = 0.09$; CI = 0.01 to 0.15). In addition, results indicated that the direct effect of innovative culture on performance was still significant ($B = 0.29$, $t\,(171) = 3.33$, $p = 0.001$) when controlling for market orientation, thus suggesting partial mediation (Table 5).

5. Discussion and managerial implications

The purpose of this study was to examine the effects of cultural dimensions on MO and performance in the context of restaurant businesses. Adopting arguments based on marketing research we hypothesized that restaurant businesses with innovative and supportive cultures would be better positioned to implement MO and thereby increase performance. The results of our study confirm the majority of these propositions. The findings should provide both theoretical and practical inferences. From a theoretical standpoint, the study contributes to marketing theory by examining the direct and indirect effect of cultural dimensions on performance transmitted through MO. Specifically, it was found that MO partially mediated the direct positive effect of innovative organizational culture on firm performance. According to the resource based view (RBV), competitive advantage results from an organization's ability to leverage resources. This study builds on this perspective and finds that certain cultural types can be regarded as resources that can be utilized to develop competitive advantage in restaurant businesses. Specifically, the results demonstrate that innovative and supportive culture types can serve as resources that enhance the competitive position of an independent restaurant business, and thereby improve its performance. In support of O'Cass and Viet Ngo (2007), our results also confirm that innovative culture is an important antecedent to MO and that it is a better predictor of performance than MO. Our study demonstrates the need to effectually deploy existing resources to facilitate the implementation of MO and thereby improve firm performance.

From a practical standpoint, the findings provide guidance to owners/managers of small independent restaurant businesses. While recognizing that the existing culture of an organization may not be easily manipulated, our results encourage restaurateurs to adopt characteristics associated with supportive and innovative organizational cultures (Øgaard et al., 2005). Similarly, innovative culture was found to be an important antecedent to MO that should play a noticeable role in preparing for the implementation or deployment of MO. Restaurant businesses similar to those sampled in this study should, to the extent possible, work to shape and mold supportive and innovative cultures (Øgaard et al., 2005) in order effectively implement the behaviors associated with a market orientation.

Our results further suggest that MO related behaviors may be facilitated by nurturing characteristics associated with innovative and supportive cultures. An innovative culture is characterized by a work environment that is creative, results-oriented, and challenging. Cultivating such a culture could inspire employee initiative and provide the impetus for organization-wide generation of new product or service ideas in an effort to satisfy customer needs and improve firm responsiveness. On the other hand, a supportive culture is characterized by a work environment that is trusting, people-oriented, and encouraging. Fostering such a culture, could for instance, enable organization-wide collaboration, build on the experiences and capabilities of all members, facilitate employee involvement in decision-making, boost intelligence gathering, and increase customer and competitor orientations (e.g. Deshpande et al., 1993; Seilov, 2015).

Table 5
Mediating effect of MO on the link between innovative culture and performance.

Independent Variables	Dependent Variable			
	Performance		Performance	
	Beta	t-value	Beta	t-value
Innovative Culture	0.38***	4.73	0.29**	3.33
MO			0.31***	3.78

N = 171, ***p < 0.001; **p < 0.01.

6. Conclusion, study limitations, and future research

As with all studies there are limitations to this study as well. The focus of this research effort was on restaurant businesses operating in a highly fragmented and mature industry. Future research could extend the results of this study and enhance its generalizability by undertaking a study of other hospitality sectors. As has been noted elsewhere, small restaurants are not just little big restaurants. Moreover, our study was restricted to the examination of two constructs, namely corporate culture and market orientation, as predictors of business performance. Future studies can expand

upon this study by exploring a more inclusive model with more resource and organizational orientation variables. This study also adopted a subjective measure of performance. Although prior research has established that subjective measures of performance correspond closely to objective measures, future studies might attempt to obtain objective measures in addition to subjective measures to increase the robustness of their findings. Our research also relies on answers from a single respondent at each firm. Future studies could increase the validity of their findings by including responses from multiple individuals at each firm and/or including archival indicators.

Despite these limitations, this study makes an important contribution to the hospitality business literature by highlighting the relationship between firm resources, marketing processes, and performance. The results emphasize the need for restaurant businesses to build upon and effectively exploit their internal organizational and managerial resources as they implement MO. Small restaurant businesses are more prevalent than their larger counterparts (National Restaurant Association, 2015). For the most part, these are small mom and pop restaurants that are exposed to higher levels of risk and operate in a business environment that is highly competitive (Singal, 2015). These businesses are traditionally resource-poor and face unique challenges in erecting strategic barriers to entry. The results of our study suggest that many of these challenges may be ameliorated by building on and developing internal resources available to the restaurateur. Shaping and molding their organizational culture to include aspects of innovation and support, and implementing a market orientation should help small restaurant operators positively influence their performance.

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