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The mediating role of alliance marketing program creativity on the relationship between alliance orientation and market performance in the services industry
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The mediating role of alliance marketing program creativity on the relationship between alliance orientation and market performance in the services industry

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Abstract

Purpose – The purpose of this paper is to examine the validity of the already suggested positive relationship between marketing alliance orientation and market performance in a service context, and to investigate the mediating role of alliance marketing program creativity (AMPC) in the relationship in detail.

Design/methodology/approach – To empirically test the hypotheses, a mail survey was conducted among firms with experience of service alliances in South Korea. A 725 research sample was selected (128 responded) from a database compiled by the Korea Investors Service-Financial Analysis System which provides comprehensive corporate and financial information on firms listed on the Korea Stock Exchange. Partial least squares analysis was performed to test the hypotheses.

Findings – Alliance orientation positively associated with market performance (H1), alliance orientation had a significantly positive effect on alliance marketing program meaningfulness and novelty (H2), and in turn, alliance marketing program meaningfulness and novelty had a significantly positive effect on market performance (H3). In terms of the determination of mediation type, full, or partial, the authors confirmed that the relationship between alliance orientation and market performance was fully mediated by AMPC (novelty and meaningfulness), by finding that the significantly reduced direct effect from alliance orientation to market performance in the mediation model.

Research limitations/implications – Alliance marketing program meaningfulness and novelty perform the role of full mediators, implying that the meaningfulness, and novelty of AMPC are absolutely indispensable conditions in order for alliance orientation to lead market performance. Moreover, different from the previous studies, the research suggests that alliance marketing program meaningfulness and novelty are equally important antecedents of market performance.

Originality/value – The positive relationship between alliance orientation and market performance in the service context was empirically tested, and the full mediating role of AMPC was confirmed. The importance of AMPC in the service context is highlighted.

Keywords Marketing, Services marketing, Service industry, Alliance marketing program creativity, Alliance orientation, Program novelty and meaningfulness, Services market performance

Paper type Research paper

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Introduction
Marketing alliance representing cooperative agreements between firms that involve the exchange, sharing, and co-development of marketing resources, play an important role in today's marketplace, and have thus been identified as a key component of service marketing strategy (Gonçalves and Gonçalves, 2011). Carefully arranged marketing alliances, from simple co-branding to complex marketing networks, can bring several benefits, such as sharing, learning, and accessing new marketing knowledge and skills (Tsantoulis and Palmer, 2008; Swaminathan and Moorman, 2009) from outside of the firms. Although many service organizations are interested in receiving these benefits and accordingly try to plan and implement marketing alliances, these service organizations often fail in their endeavor (Das and Teng, 2000). The reason for the failure of marketing alliances in the service industry is due to the fact that the marketing knowledge or skills being shared by service alliances cannot be protected by patent and are easily imitated by competitors (Lee et al., 2011). For this reason, many marketing alliance studies have focussed on the internal capabilities (e.g. alliance management capability and alliance competence) which are difficult for competitors to imitate in the alliance context (Lambe et al., 2002; Kenney and Gudergan, 2006; Makadok, 2001; Gonçalves and Gonçalves, 2011). In particular, Kandemir et al. (2006) presented an alliance orientation based on a unique internal alliance marketing capability (resources), and investigated its impact on market performance. Although their study contributed to the empirical evidence for the relationship between alliance orientation and market performance, the study did not reveal an underlying mechanism which explains how and why alliance orientation affects market performance.

To understand the mechanism or structural relationship between alliance orientation and market performance, we used Day and Wensley's (1988) resource – positional advantage – performance framework. That is, two constructs presented in this study, namely marketing alliance orientation and alliance marketing program creativity (AMPC), are matched with resource and positional advantage, respectively. In this framework, AMPC would act as a mediator between alliance orientation (i.e. resources) and market performance (i.e. performance). Many researchers have noted that marketing creativity is a means of obtaining an extra competitive edge (Willoughby et al., 2013) and delivers a sustainable competitive advantage to a company as a valuable, flexible, and imperfectly imitable or substitutable strategic resource (Im and Workman, 2004). In particular, marketing programs in the service sector often signify the service product itself due to the inseparability of production and consumption (Zeithaml et al., 1985). Thus marketing program creativity based on service alliance orientation tends to result in service differentiation, which is an important determinant of a firm’s performance.

The purpose of this study is to examine the validity of the already suggested positive relationship between marketing alliance orientation and market performance in a service context, and to investigate the role of AMPC in the relationship. More specifically, this study has the following three goals. First, we examine the impact of alliance orientation on market performance in a service alliance context. Most of the existing studies focus on alliances in the manufacturing context (e.g. Im and Workman, 2004; Carlson et al., 2011), while very little research has empirically tested the relationship between alliance orientation and capabilities in the service alliance context (Kandemir et al., 2006). Accordingly, this study contributes to the existing knowledge on alliance orientation and market performance in a services
alliance context. Second, we seek to examine the mediating effect, full or partial, of AMPC in the relationship between alliance orientation and market performance within the context of a service alliance. The result of full mediation is expected to heighten the importance of AMPC leading service companies’ successful market performance. A high level of alliance orientation produces stable relationships between alliance partners (Kandemir et al., 2006). These stable alliance relationships tend to increase uncertainty avoidance, which may impede innovation and creative decision making often strongly associated with marketing program creativity (Eisingerich and Bell, 2008). In contrast, organizations with a high level of alliance orientation may have greater access to non-redundant resources (Rodan and Galunic, 2004) which result in the promotion of innovation as an outcome of creativity. In line with this argument, it is possible to infer the mediating role of AMPC on alliance orientation and the market performance relationship. Finally, this study identifies and presents two underlying dimensions of AMPC: novelty and meaningfulness. In an empirical sample of high-technology firms, Im and Workman (2004) showed that marketing program meaningfulness positively affects market performance but novelty did not. However, their study primarily focused on manufacturing firms involved in generating new ideas, so it is difficult to extrapolate their findings to other industries, including the service sector. For greater external validity, this study aims to extend this research to other industries and managerial situations, and specifically service alliance settings.

Theoretical background and research hypotheses

Dynamic capabilities view

The dynamic capabilities view suggests that a firm’s competitiveness originates with the organization’s ability to relocate its set of resources to respond properly to rapidly changing environments (Teece et al., 1997). The dynamic capabilities view parallels the resource-based view (Barney, 1991), although the latter cannot explain fully the dynamic mechanism by which resources transform into competitive advantages or prove causal effects. To increase dynamic capabilities, a firm must conduct continuous collective learning exercised through organizational processes and a firm’s systematic methods for revising its operating routines (Zollo and Winter, 2002). It is essential to have not only learning capabilities from internal organization, but also capabilities obtaining suitable resources from external organization in order to enhance dynamic capability, since the rapidly changing environment encourages firms to increase the levels of a variety of resources. Accordingly, alliances can be represented as a means of obtaining dynamic capability to compete more efficiently by integrating partners’ resources (Anderson et al., 2011). Alliances can create competitive advantages for a firm, which can come from the firm’s ability to assemble and to manage their alliance portfolios (George et al., 2001) and the resulting mobilization of resources and capabilities (Makadok, 2001; Gonçalves and Gonçalves, 2011). Given the presumed asymmetric distribution of alliance-driven capabilities of partner firms, a firm’s skills in configuring and deploying these portfolios of capabilities, which we call an alliance orientation, could enable the firm to outperform its rivals in many aspects of alliance management (Kandemir et al., 2006).

Alliance orientation

Borrowing from previous market orientation research, Kandemir et al. (2006) developed ‘alliance orientation’ as a construct, defined as, “a firm’s skill portfolio of
superior capabilities that help it scan its environment for partnering opportunities, coordinate its alliance strategies, and learn from its alliance experiences,” and presented three dimensions: scanning, coordination, and learning (Kandemir et al., 2006). First, alliance scanning refers to the degree of effort and capability the firm exhibits in monitoring and finding alliance opportunities (Kandemir et al., 2006; Carlson et al., 2011). This type of capability acts as a competitive advantage and then becomes a successful resource for the firm, which leads to superior financial performance in a marketplace (Bicen and Hunt, 2012). Firms that are more proficient in alliance scanning can also select the most suitable alliance partners. Furthermore, successful alliance scanning increases the likelihood of securing a partner with complementary assets (Lambe et al., 2002). Second, alliance coordination entails a firm’s effort and capability to unify its business strategy, drive its operations in a consistent direction, and expand knowledge of alliance relations (Kandemir et al., 2006). Working with the assumption that firms work to find successful alliance relations, Lorenzoni and Lipparini (1999) proposed that coordination between alliance partners is a primary technique to leverage the alliance network environment by unifying necessary resources and creating new abilities. Allied firms with a high level of coordination share information and opportunities, so interested parties can use the resulting superiority more effectively in competitive markets. Moreover, alliance coordination increases a firm’s ability to maintain relationships with network partners (Jap, 1999). Alliance coordination, however, is not viable without the proper level of motivation to learn from and together with the partner firms to upgrade their knowledge stores, which leads to collateral learning through strategic integration (Lee et al., 2008). Finally, alliance learning represents a firm’s effort and capability to acquire, interpret, and leverage know-how about forming alliance relations (Kandemir et al., 2006). The management process for alliance activities is naturally a complicated one, making the ability to handle the organizational learning process a significant source of competitive advantage, particularly when regulations are unable to completely legislate for the circumstances and procedures which are fundamental to allied business operations. In this situation, firms must learn by accumulating and leveraging know-how from past alliance experience (Anand and Khanna, 2000) which could act as alliance competence, for instance in the form of skills to perform the specialized tasks required in an alliance relationship, inter-firm cooperation capabilities, and confidence in role fulfillment in an alliance relationship (Gammoh and Voss, 2013). In this way, alliance learning allows companies to augment alliance knowledge by obtaining, exchanging, and distributing information gleaned from previous successful and unsuccessful experiences with partner firms. Thus, from a dynamic capabilities view, alliance orientation is an organizational capital resource that allows a firm to be both more efficient and more effective in alliance partnerships (Carlson et al., 2011).

**AMPC in services industries**

Creativity concerns the production of ideas for products/services, practices, or procedures that are new and potentially useful to an organization (Amabile, 1983). Since creativity has been viewed as a construct that precedes innovation, it is an essential and integral part of service development (Zeng et al., 2009). In general, to be perceived as a creative service by customers, the service must show some level of novelty and a certain degree of meaningfulness (Horn and Salvendy, 2006).
AMPC can be defined as the degree to which alliance marketing programs are considered to possess unique differences from competitors’ marketing programs in ways that are meaningful to target customers (Im and Workman, 2004). This type of willingness to adopt competitive resources from outside of the firm is viable only when there is mutual trust between the allied partners, the significant role of trust being particularly important for highly ambiguous creativity-oriented tasks (Bidault and Castello, 2009). In line with Im and Workman (2004), we employed the output understanding of creativity, which recognizes two distinct parts of AMPC: unique differences (i.e. the novelty dimension, namely the extent to which alliance marketing programs are perceived as being uniquely different from a competitor’s) and meaningfulness to target customers (i.e. the meaningfulness dimension, regarded as the degree to which alliance marketing programs are seen as relevant and beneficial to consumers).

Considering that Im and Workman’s (2004) study dealt with New Product Development (NPD) project teams and their activities in manufacturing companies, there are clear differences with the current study which deals with alliances in service companies. In spite of this, however, this study adopted the novelty and meaningfulness dimensions already empirically tested in Im and Workman (2004) for the following reasons. First, alliances and NPD projects are both inter-organizational cooperative activities and provide relatively new and potentially useful values to consumers. Therefore it is interesting and reasonable to investigate the roles of the novelty and meaningfulness dimensions in a service alliance context to gauge the possibility of external validity for the roles of these constructs. Second, several studies (Sundbo and Gallouj, 1999; van Ark et al., 2003) have suggested that meaningful creativity is more relevant to service companies than the novelty dimension. However, the recent study of Pires et al. (2008) showed that the role of information technologies in shaping services is becoming more important, and that advanced technologies serve to strengthen the effect of novelty in service companies. Therefore, for the purposes of this study, the decision was taken to use both dimensions in investigating the roles of AMPC in the model.

The impact of alliance orientation on market performance in service alliance contexts

We propose that the three dimensions of alliance orientation, namely alliance scanning capabilities, alliance coordination, and alliance learning, would improve market performance. First, a firm with superior alliance scanning capabilities is in a better position to collect reliable information about potential alliance partners at the right time. Therefore it should have better opportunities to cooperate with another firm with complementary resources, which will increase market performance.

Second, when alliance coordination is increased, greater consistency is achieved between alliance activities and a firm’s business strategies, which is achievable through the effective delivery of information through a communication system. Firms with improved coordination capabilities should be able to develop more integrated strategies, engage in more synchronized activities, and ensure timely and meaningful dissemination of knowledge across the alliance (Anderson and Narus, 1990). This situation decreases the chances of conflict when the parties negotiate on resources and strategies.

Finally, alliance learning increases the chances of integrating know-how into a firm’s knowledge base and developing a systematic mechanism to exploit that intelligence better than its competitors (Lee et al., 2008). A firm also appears to be a
more attractive alliance partner if the integrated alliance process reflects the prior acquisition of alliance know-how. Therefore, a firm with a high level of alliance orientation, incorporating all three dimensions, benefits from an effective search for alliance opportunities, harmonized decision making, and more profitable market performance:

\[ H1. \] Alliance orientation is positively related to market performance in service alliance contexts.

**The mediating role of alliance marketing programs’ creativity**

Bicen and Hunt (2012) suggested that alliance-oriented organizations have the capabilities to proactively monitor their marketplace, seek meaningful information about prospective partners, and analyze potential alliance opportunities. Considering that “service delivery,” “responsiveness,” and “customer retention” are the most highly regarded competitive dimensions in the service sector (Prajogo and McDermott, 2011), such monitoring and collecting of information about customers, markets, and competitors allows these organizations to better satisfy customers’ needs and to develop marketing campaigns which respond quickly to the competitive demands of the market. Alliance orientation may also promote the harmonization of activities and strategies through effective knowledge transfer across an organization’s alliance network. This enhanced information sharing should lead to activities which are essential to the development of alliance marketing programs (Kandemir et al., 2006; Carlson et al., 2011). In addition, the harmonized communication resulting from increased alliance orientation stimulates the open generation and sharing of new ideas, as well as the resolution of conflict and disagreements by utilizing non-routine communication processes and different frames of references, which are creative in nature (Carlson et al., 2011; Im and Workman, 2004; Bicen and Hunt, 2012; Lambe et al., 2002). As a result of this type of communication across the alliance network, individual firms in the network should be more responsive to managerial environmental changes and feel that the alliance marketing program in which they are taking part is beneficial and meaningful. In this regard, it is assumed that alliance orientation will positively affect the meaningfulness dimension of AMPC.

Alliance marketing program meaningfulness may also be associated with an increased level of market performance, since a firm which perceives the benefits of an alliance marketing program it is more likely to enhance its capacity to respond to shifting customer needs in a more effective way (Merlo et al., 2006). This superior responsiveness, in turn, stimulates positive customer experiences, heightens customer satisfaction, and strengthens customer relationships, which results in better market performance. Therefore, we propose the following:

\[ H2. \] The relationship between alliance orientation and market performance is mediated by alliance marketing program meaningfulness.

An organization’s ability to produce novel ideas is dependent upon the scope of the alliance information available to it (Sethi et al., 2001). Service organizations with diverse exchange partners are likely to have greater access to useful information (Rodan and Galunic, 2004), placing these organizations in a better position to recognize unique service innovation opportunities (Eisingerich et al., 2009). In short, an
organization’s capacity to collect diverse information about customers, markets, and competitors becomes a precondition to produce novel ideas. At the same time, the information provided by a wide number of sources within the service alliance often increases information overload, hindering speedy, and responsive decisions in situations of uncertainty (Krishnan et al., 2006). In this context, alliance orientation produces a higher level of uniqueness through managing the uncertainty and unconstrained communication (Sin et al., 2002). The role of market orientation in generating, disseminating, and utilizing market intelligence by partner firms has also been comprehensively investigated in knowledge-based asset strategies (Bicen and Hunt, 2012). Since these organizations can actively absorb, analyze, and leverage alliance management know-how internally more efficiently than their competitors, which is constructed as collateral learning by Lee et al. (2008), the resulting knowledge should be unique to the alliance and be constantly evolving, and therefore should help the alliance become more durable and their resource advantage less imitable. Lambe et al. (2002) called this an example of an idiosyncratic resource. Considering that the novel ideas generated by an organization’s ability to focus on innovations (Eisingerich et al., 2009) and to acquire diverse competitive capabilities (Rodan and Galunic, 2004) are idiosyncratic in nature, alliance marketing program novelty seems to link allied firms’ alliance orientation and successful market performance.

In addition, the differentiated service based on novel ideas or characteristics is likely to provide a competitive advantage by enhancing various dimensions of customers’ perceptions of service value, which in turn provides a positive impact directly or indirectly on loyalty (Pura, 2005), and ultimately improves the organization (Song and Montoya-Weiss, 2001). Furthermore, marketing program creativity that is accumulated through organizational intelligence about novel ideas can lead to competitive advantage by meeting unique market demands, which in turn results in superior market performance (Im et al., 2013). Therefore, we propose the following:

**H3.** The relationship between alliance orientation and market performance is mediated by alliance marketing program novelty.

**Research method**

**Data collection and participant characteristics**

To empirically test our hypotheses, a mail survey was conducted among firms with experience of service alliances in South Korea. The present study utilized data obtained mainly from a database compiled by the Korea Investors Service-Financial Analysis System which provides comprehensive corporate and financial information on firms listed on the Korea Stock Exchange (Alexeev and Kim, 2008). A study population comprising 2,000 South Korean firms was obtained from this database, from which we selected 725 professional service providers whose service sales exceeded 50 percent of total sales. The selection of professional service companies in the database was not a simple process because most of the companies in the database offer a combination of physical products and intangible services, making it hard to classify them as one of either a manufacturing or service company. In this situation, a number of studies (e.g. Nayyar, 1992) use the “above 50 percent” criterion to classify companies in the sampling process.

The data collection was carried out in two stages. The first stage introduced the study objective to the CEOs of the companies selected, who were then asked whether their firms had experience of service alliances and if so, supply the names of
representatives or representative divisions that had familiarity with alliance relations. Of the 725 companies contacted, 185 firms agreed to participate and provided the names and key informant details as requested, representing a response rate of 25.5 percent. In the second stage, questionnaires were sent to the managers in charge of the alliances, as identified by their CEOs. Over a six-week research period, 128 questionnaires were collected from these managers, providing a response rate of 17.7 percent.

A preliminary analysis of the respondents’ demographic profile revealed that 69.5 percent of the participant firms employed over 1,000 workers, with 30.5 percent employing less than 1,000. Of the respondents, 82.0 percent were general managers and above. In addition, 68.8 percent of the sample comprised managers who had worked for their company for more than five years (see Table I). Most of the respondents not only had an in-depth understanding of their firm’s operation and management routines, but were also likely the best qualified to provide information on this topic.

**Measurement scales**

Existing scales were used in the questionnaire. The scales selected were English-based and required double translation. Translation of the English questionnaire into Korean followed the process recommended by Brislin (1970). Seven-point Likert-type scales were used to measure the constructs (see Table II). The use of latent variables evaluated using different indicators requires the definition of the type of relationship between the construct and the observed variables that define it. Two measurement scales are available, either reflective or formative. In the marketing field, the tendency has been to use reflective measurement scales (Diamantopoulos, 2008), as summing the indicators varies depending on the variations in the latent variable (Edwards and

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service context</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailing</td>
<td>28</td>
<td>21.9</td>
</tr>
<tr>
<td>Wholesaling</td>
<td>27</td>
<td>21.1</td>
</tr>
<tr>
<td>Finance</td>
<td>23</td>
<td>18.0</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>9</td>
<td>7.0</td>
</tr>
<tr>
<td>Physical distribution</td>
<td>4</td>
<td>3.1</td>
</tr>
<tr>
<td>Hotel</td>
<td>11</td>
<td>8.6</td>
</tr>
<tr>
<td>Restaurant</td>
<td>6</td>
<td>4.7</td>
</tr>
<tr>
<td>Others</td>
<td>20</td>
<td>15.6</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1,000</td>
<td>39</td>
<td>30.5</td>
</tr>
<tr>
<td>Over 1,000</td>
<td>89</td>
<td>69.5</td>
</tr>
<tr>
<td><strong>Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>14</td>
<td>10.9</td>
</tr>
<tr>
<td>Executive</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>General manager</td>
<td>89</td>
<td>69.5</td>
</tr>
<tr>
<td>Others</td>
<td>23</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>Job experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-4 years</td>
<td>40</td>
<td>31.2</td>
</tr>
<tr>
<td>5-9 years</td>
<td>34</td>
<td>26.6</td>
</tr>
<tr>
<td>10-14 years</td>
<td>37</td>
<td>28.9</td>
</tr>
<tr>
<td>15 years above</td>
<td>17</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Table I. Summary of sample information
Bagozzi, 2000). However, the latent construct is often formed by indicators that, although they measure the same concept, have a different nature. Researchers therefore increasingly argue for the use of formative scales (Diamantopoulos and Siguaw, 2006; Diamantopoulos and Winklhofer, 2001; Jarvis et al., 2003), for which changes on the indicators generate variations on the latent concept. In this case, the construct is formed from a (normally linear) combination of its indicators plus an error term (Bollen, 1989; Bollen and Lennox, 1991). Diamantopoulos (1999) points out that the use of a formative approach in configuring measurement instruments can be very useful when the constructs are of a highly complex nature. This was the case for the alliance orientation variables in the current research. The two remaining scales – alliance marketing creativity and market performance – were treated as reflective.

<table>
<thead>
<tr>
<th>Construct and items</th>
<th>λ</th>
<th>A</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alliance orientation (second-order formative scale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dimension 1: alliance scanning (three-item reflective scale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. We actively monitor our environment to identify partnering opportunities</td>
<td>0.84</td>
<td>0.72</td>
<td>0.84</td>
<td>0.65</td>
</tr>
<tr>
<td>2. We routinely gather information about prospective partners from various forums</td>
<td>0.69</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. We are alert to market developments that create potential alliance opportunities</td>
<td>0.88</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dimension 2: alliance coordination (three-item reflective scale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Our activities across different alliances are well coordinated</td>
<td>0.79</td>
<td>0.63</td>
<td>0.80</td>
<td>0.57</td>
</tr>
<tr>
<td>2. We systematically coordinate our strategies across different alliances</td>
<td>0.75</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. We have processes to systematically transfer knowledge across alliance partners</td>
<td>0.73</td>
<td></td>
<td></td>
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<tr>
<td>Dimension 3: alliance learning (three-item reflective scale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. We conduct periodic reviews of our alliances to understand what we are doing right and where we are going wrong</td>
<td>0.74</td>
<td>0.76</td>
<td>0.86</td>
<td>0.68</td>
</tr>
<tr>
<td>2. We periodically collect and analyze field experiences from our alliances</td>
<td>0.86</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3. We modify our alliance related procedures as we learn from experience</td>
<td>0.86</td>
<td></td>
<td></td>
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<tr>
<td>Alliance marketing program novelty (compared to your competitors, the alliance marketing program you selected)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Is really “out of the ordinary”</td>
<td>0.73</td>
<td>0.76</td>
<td>0.84</td>
<td>0.52</td>
</tr>
<tr>
<td>2. Can be considered revolutionary</td>
<td>0.77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Is stimulating</td>
<td>0.81</td>
<td></td>
<td></td>
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<tr>
<td>4. Reflects a customary perspective in this industry (reverse coded)</td>
<td>0.61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Shows an unconventional way of solving problems</td>
<td>0.64</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Alliance marketing program meaningfulness (compared to your competitors, the alliance marketing program you selected)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Is relevant to customers’ needs and expectations</td>
<td>0.84</td>
<td>0.85</td>
<td>0.91</td>
<td>0.77</td>
</tr>
<tr>
<td>2. Is considered suitable for customers’ desires</td>
<td>0.90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Is useful for customers</td>
<td>0.89</td>
<td></td>
<td></td>
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<tr>
<td>Market performance (compared to your competitors, this alliance marketing program is very successful in terms of)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Market share</td>
<td>0.78</td>
<td>0.79</td>
<td>0.86</td>
<td>0.61</td>
</tr>
<tr>
<td>2. Sales</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Return on investment</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Profit</td>
<td>0.70</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table II. Scale items and construct evaluation
The three items to measure alliance scanning, the three items to measure alliance coordination, and the three items to measure alliance learning were adapted from Kandemir et al. (2006). The three items to measure alliance marketing program meaningfulness and the five items to measure alliance marketing program novelty were adapted from Im and Workman (2004). Finally, four items based on Im and Workman (2004) were used to assess market performance.

Control variables

Firm size. Market performance may be influenced by the size of the firm (Pires et al., 2008; Im and Workman, 2004). Accordingly, we controlled for firm size by taking into account the number of employees and sales volumes of the individual firms in our sample.

Alliance relationship age. To account for preexisting conditions that may influence market performance, we employed alliance relationship age as a control variable. Alliance relationship age controls for preexisting conditions that might be driving the results and thus provides for a more rigorous check of our results (Deeds and Rothenberg, 2003).

Analyses strategy

Partial Least Squares (PLS) was performed to analyze the data. The PLS algorithm allows each indicator to vary in how much it contributes to the composite score of the latent variable (Chin et al., 2003). Although PLS has some disadvantages (e.g. the absence of a global optimization criterion implies a lack of measures for overall model fit and a complex process of evaluating the partial model structures’ adequacy) (Hair et al., 2012), several advantages have also been recognized. As noted by Hair et al. (2006), both the measures and structural components were simultaneously taken into account when estimating the model (Henseler et al., 2009), in addition to which the factor loadings of the measurement model and path coefficients of the structural model had to be simultaneously estimated. Compared to the traditional covariance-based Structural Equation Model (SEM), PLS tends to achieve higher levels of statistical power under equal conditions (Reinartz et al., 2009). In addition, PLS does not require a large sample and estimates well the parameters in a small sample size context (n < 250; Reinartz et al., 2009). Furthermore, since the proposed model considers formative and reflective scales together, using PLS avoids the indeterminacy problems of other SEM techniques such as LISREL or AMOS (Jarvis et al., 2003). Finally, PLS is a non-parametric technique, so researchers do not need to guarantee the normality of the data. Therefore, the data analysis in this study was performed using PLS rather than other SEM methods.

Results

Data analysis

Cronbach’s α and the composite reliability (CR) test revealed that all constructs showed a value above the threshold of 0.6 adopted by Bagozzi and Yi (1988) (see Table II). Convergent validity reflects the extent to which the indicators of a construct are more closely correlated to each other than the indicators of the other constructs. To test for convergent validity, the CR, factor loading, and average variance extracted (AVE) were examined. AVE measures the percentage of variance captured by a construct and measurement variance. It is acceptable if CR exceeds 0.7 and AVE exceeds 0.5 (Gefen and Ridings, 2003) (see Table II). All loadings for the reflective constructs exceeded 0.6.
and were shown to be significant at bootstrap t-statistics (α = 0.01), while satisfying CR and AVE criteria.

To examine the discriminant validity for reflective constructs, this study examined the table of the correlation of constructs and the latent root of AVE (see Table III). To maintain discriminant validity, the diagonal elements should be larger than the entries in the corresponding rows and columns (Gefen and Ridings, 2003). The results in both tables reveal that all reflective constructs in this study fulfill discriminant validity.

**Common method bias**

Most research agrees that common method variance is a potentially serious threat for bias in behavioral research, especially with single-informative surveys (Rodríguez-Pinto et al., 2011). According to Podsakoff et al. (2003), method bias can be controlled through both procedural and statistical remedies. We therefore introduced procedural remedies by protecting respondent anonymity, reducing evaluation apprehension, improving item wording, and separating the measurement of the predictor and outcome variables. We also applied the following statistical remedy. First, we used Harman’s one-factor test and ran an exploratory factor analysis of all observed measures with varimax rotation (Podsakoff and Organ, 1986). We found six clearly interpretable factors – one for each of our independent variables – with no significant cross-loadings between measures. The first factor accounted for 13.2 percent of the variance, while the last accounted for 9.2 percent. Second, we employed the marker variable approach (Lindell and Whitney, 2001) to further explore the potential of common method bias in our data. We used job experience (in years) as the marker variable, since it is theoretically unrelated to all dependent variables. Table III shows that the correlations among the constructs hypothesized to have a significant relationship remain significant after we partial out the effects of common method bias. In sum, the statistical procedures employed provide evidence that our results were not seriously threatened by common method bias.

<table>
<thead>
<tr>
<th>Construct means, standard deviations, and correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Alliance scanning</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>3. Alliance learning</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>5. Alliance marketing program</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>7. Job experience</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
| Notes: Correlation between latent variables (off diagonal) and square root of AVE (diagonal). The marker variable is job experience. The first entry in each cell corresponds to the correlation between the constructs; the second entry (parenthesis value) corresponds to the partial correlation after common method bias has been corrected.
Hypothesis testing

This paper incorporated a statistically controlled study for alliance relationship age and firm size (sales volume and number of employees within the company), as shown in Figure 1. Im and Workman (2004) and Deeds and Rothaermel (2003) reported that both alliance relationship age and firm size influence the outcome of market performance. In the research model, the constructs in our hypotheses represent a second-order factor, with the observed survey items representing first-order factors (alliance scanning, alliance coordination, and alliance learning) that in turn represent a second-order factor (alliance orientation).

All parameter estimates are shown in Figure 1. The proposed model could explain 39.3 percent of the variance in alliance marketing program novelty, 27.7 percent of alliance marketing program meaningfulness, and 26.8 percent of the variance in market performance. We conducted the three-step process to test the hypotheses that AMPC would fully or partially mediate the relationship between alliance orientation and market performance. As a first step, alliance orientation was shown to significantly predict market performance ($\beta = 0.33$, $p < 0.01$) while controlling for alliance relationship age and firm size in the upper figure (see the Figure 1). Therefore, $H1$ was supported. Second, five paths were examined in the lower figure model. Alliance orientation was positively associated with alliance marketing program novelty ($\beta = 0.63$, $p < 0.01$) and alliance marketing program meaningfulness ($\beta = 0.53$, $p < 0.01$). In addition, alliance marketing program novelty was positively related to market performance ($\beta = 0.35$, $p < 0.01$), and alliance marketing program meaningfulness was positively related to

\[ H1: \text{Alliance Orientation} \rightarrow \text{Market Performance} \]

\[ H2: \text{Alliance Orientation} \rightarrow \text{Alliance Marketing Program Meaningfulness} \rightarrow \text{Market Performance} \]

\[ H3: \text{Alliance Orientation} \rightarrow \text{Alliance Marketing Program Novelty} \rightarrow \text{Market Performance} \]

**Note:** **$p < 0.01$**
market performance ($\beta = 0.29, \ p < 0.01$). The final step was conducted to determine whether the two alliance marketing programs creativity fully or partially mediated the relationship. When controlling for the two alliance marketing programs creativity, alliance orientation was no longer a statistically significant predictor of market performance ($\beta = -0.04, \ p > 0.05$), providing support for a fully mediated model.

In addition, a bootstrapping test was conducted to provide more support for the model. We tested the significance of $H2$ and $H3$ using bootstrapping ($n = 5,000$; Shrout and Bolger, 2002), a statistical resampling method that estimates the unstandardized parameters of a model and their standard errors strictly from the sample (Lau and Cheung, 2012). Lau and Cheung’s propositions from investigating multiple mediations are based on bootstrapping procedures with the observed variables. The results of the multiple mediation model show that the coefficient for the total indirect effects ($b = 0.50$) is significantly different from zero (bias corrected and accelerated 95 percent CI (0.32, 0.76)). Two indirect effects are statistically significant ($p < 0.05$) and their confidence intervals are narrow (see Table IV). Both alliance marketing program novelty and alliance marketing program meaningfulness mediate the relationship between alliance orientation and market performance. The specific indirect effects for alliance marketing program meaningfulness ($b = 0.21, \ p < 0.05$; 95 percent CI (0.15, 0.50)) and for alliance marketing program novelty ($b = 0.29, \ p < 0.05$; 95 percent CI (0.18, 0.38)) offer support for $H2$ and $H3$ (see Table IV). However, the coefficient for the contrast between indirect effect 1 ($H2$) and indirect effect 2 ($H3$), $b = -0.08$, is not different from zero (95 percent CI (−0.14, 0.34)).

Discussion and implications
The purpose of this study was to examine how alliance orientation affects AMPC and market performance, and whether AMPC plays a role as a mediator between alliance orientation and market performance. The results and findings fully supported our hypotheses. We found that alliance orientation positively associated with market performance, supporting $H1$. Also, alliance orientation had a significantly positive effect on alliance marketing program meaningfulness and novelty, and in turn, alliance marketing program meaningfulness and novelty had a significantly positive effect on market performance. In terms of the determination of mediation type, full or partial, we confirmed that the relationship between alliance orientation and market performance was fully mediated by AMPC (meaningfulness: $H2$, and novelty: $H3$), by finding that the significantly reduced direct effect from alliance orientation to market performance in the mediation model. These findings are consistent with Day and Wensley’s (1988)

<table>
<thead>
<tr>
<th>Path</th>
<th>Effect</th>
<th>$C_{low}$</th>
<th>$C_{high}$</th>
<th>Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specific indirect effects</strong> <em>(procedure according to Lau and Cheung, 2012)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AO $\rightarrow$ AMPC $\rightarrow$ MP (total indirect)</td>
<td>0.50</td>
<td>0.32</td>
<td>0.76</td>
<td>$p &lt; 0.05$</td>
</tr>
<tr>
<td>AO $\rightarrow$ AMPC Meaningfulness $\rightarrow$ MP (indirect effect 1)</td>
<td>0.21</td>
<td>0.15</td>
<td>0.30</td>
<td>$p &lt; 0.05$</td>
</tr>
<tr>
<td>AO $\rightarrow$ AMPC Novelty $\rightarrow$ MP (indirect effect 2)</td>
<td>0.29</td>
<td>0.18</td>
<td>0.38</td>
<td>$p &gt; 0.05$</td>
</tr>
</tbody>
</table>

**Contrast effects** *(procedure according to Lau and Cheung, 2012)*

Contrast between indirect effect 1 and indirect effect 2 | $-0.08$ | $-0.14$  | 0.34       | $p > 0.05$  |

**Table IV.** Specific indirect and contrast effects

**Notes:** AO, alliance orientation; AMPC, alliance marketing program creativity; MP, market performance
view that AMPC works as a mediator on the relationship between alliance orientation and market performance.

Theoretical and managerial implications
This study is expected to contribute to the management of marketing alliances in three ways. First, we found that there are dynamic relationships between alliance orientation, AMPC, and market performance in the services industry. While prior research (see for e.g. Kandemir et al., 2006) concentrated on a direct relationship between alliance orientation and organizational performance, this study finds that the significant mediators, the meaningfulness and novelty dimensions of AMPC, lead to better market performance issuing from strong alliance orientation. Moreover, we found that alliance marketing program meaningfulness and novelty perform the role of full mediators, implying that the meaningfulness and novelty of AMPC are absolutely indispensable conditions in order for alliance orientation to lead market performance. Accordingly, we can surmise that a high level of alliance marketing program meaningfulness and novelty underpin stable alliance relationships, which stem from high levels of alliance orientation and led to better market performance.

Second, our research suggests that alliance marketing program meaningfulness and novelty are equally important antecedents of market performance. Working with a sample of largely manufacturing organizations, Im and Workman (2004) suggested that marketing program meaningfulness alone has a positive effect on market performance. The results of the present study differ due to the particular characteristics of products and services. In the case of purchasing tangible products characterized by novel creativity, consumers must generally deal with any inconvenience themselves which they experience in the process of using the products. In the case of services, however, which in most cases are consumed in the moment of production, consumers may relieve their inconvenience immediately by receiving help from the service providers. For this reason, we conclude that both alliance marketing program meaningfulness and novelty are positively related to market performance in a service alliance context.

The findings of this study suggest several implications for marketing practitioners. First, the results underscore the importance of making sure that AMPC is properly implemented. This is especially important in the prevailing environment in which many senior managers and academics simply pay lip service to the importance of creativity. Likewise, managers in practice often allocate significantly less time and energy to planning and commissioning creative programs than they do to formulating marketing activities. This study suggests how AMPC could benefit a firm’s performance, which should persuade managers involved in alliance marketing programs to actually dedicate more of their attention to creativity in those programs.

Second, the findings in this study also recommend reinforcing the novelty of AMPC to the marketing managers in service alliance contexts. Whereas the existing studies suggested that novelty is negatively associated with market performance, this study found that the novelty of AMPC enhances market performance in service alliance contexts. Therefore, managers in service alliance contexts should be proactive in alliances with seemingly unrelated industries or even competitors so that they are able to offer their customers more unique and innovative experiences.

Finally, the significant role of alliance orientation identified in this study calls marketing managers’ attention to the value of dynamic capabilities. Dynamic marketing capabilities help a firm to monitor alliance opportunities, coordinate alliance strategies,
and learn from alliance experiences, which in turn enhance AMPC. In order to make this type of capability within a firm sustainable, service companies should construct a durable and intricate system to take advantage of allied market information fully and in a timely way, rather than showing a short-term interest in order to merely consume alliance market information.

Limitations and future research

Consideration of the following limitations will enhance the validity of future work on this topic. First, we used subjective measures of market performance as dependent variables, mainly because the exact numbers of performance variables were not available from the original database. However, it should be noted that there is not enough evidence of using subjective measures as substitutes for objective measures, and therefore the results presented in this study should be confined to the context of using subjective market performance. In addition, researchers should be able to compare and analyze the relationship between objective and subjective market performance variables. Second, although a Harman one-factor test was conducted, common method bias may be a concern since both predictor and dependent variables are from the same source in this study. Self-reported data from the same source can mislead results by inflating the relationship between predictor and dependent variables, which results in a predictor which artificially explains more variance in the dependent variable than when the predictor and dependent variables are gathered from different sources (Podsakoff et al., 2012). Future studies could avoid the problem of common method bias by, for example, using objective performance (e.g. sales, profit, and market shares).

Third, it would be advisable to investigate other control variables which are capable of affecting market performance. Alliance relationship age and firm size in the service alliance context were used as control variables in this study. However, there remain many other influential factors on market performance. More detailed examination of control variables should aid understanding of the pure relationships between alliance orientation, AMPC, and market performance. Fourth, since the data collected were limited to a specific point in time, future research should consider including longitudinal information to determine how the dynamic capabilities (i.e. alliance orientation and AMPC) affect market performance over time. Longitudinal designs could usefully be employed to examine these relationships. Fifth, the companies analyzed in this study were categorized as service companies because over 50 percent of their sales come from service business. Even though this criterion has been widely used in previous studies, a more systematic and elaborate criterion is needed for the future study of manufacturing vs service industry comparison. Finally, the sample of service organizations for this paper was drawn from a specific line of work in a single country (i.e. South Korea), which reduces the external validity of this study. Therefore, it is suggested that the results of the current research should be validated with samples from other countries.

References


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