Brand-Based Innovation

Relational Perspectives on Brand Logics and Design Innovation Strategies and Implementation

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"The Doctoral School of Economics and Management is an active national and international research environment at CBS for research degree students who deal with economics and management at business, industry and country level in a theoretical and empirical manner".

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Nicky Nedergaard Copenhagen, May 2014

Dedicated to

Sylvester

Abstract

With the primary ambition to contribute to the brand orientation literature this thesis explores relationships between corporate brand identities and the management of design innovation.

The thesis is based partly on a prolonged empirical case study of Bang & Olufsen and partly on a multiple case study of small and medium sized design-oriented firms – all characterised by a strategic focus on managing market-driving innovation.

Grounded in an interpretive analytical approach the thesis examines how corporate brand identity as a strategic logic of the firm affects flows of management decisions and the structuring of design innovation strategies and implementation hereof. The thesis' theoretical foundation is anchored in the competence-based view on firm competitiveness. This foundation is complemented by institutional and organisational culture theories to the purpose of uncovering how organisational decision-makers are affected by corporate brand logics in relation to the management of design innovation processes and capabilities.

The thesis presents four papers, which contribute conceptually and empirically to advance the brand orientation literature from a competence-based perspective focused on design and innovation management. Overall, findings suggest that corporate brand identity as a competitive logic in brand- and design-oriented firms can guide innovation strategy and decisions for coordinating management processes and the use of resources to develop brand-supportive innovation capabilities. However, it is also suggested that such brand logics should be complemented by market logics in a dynamic interplay. In this way a more pragmatic approach is achieved to the sustainment of innovation capabilities, which in an integrative manner support firm corporate brand identity and market adaptability as complementary management foci for customer value creation and sustained competitive advantages.

Abstract (Danish)

Med det overordnede formål at bidrage til brand orientation litteraturen afsøger denne afhandling relationer imellem corporate brand identiteter og design- og innovationsledelse.

Afhandlingen baserer sig delvist på et længerevarende empirisk case study af Bang & Olufsen og delvist på et multiple case study af små og mellemstore design-orienterede virksomheder – alle karakteriseret ved et strategisk fokus på markedsdrivende innovation.

Med udgangspunkt i en fortolkningsvidenskabelig analytisk tilgang undersøges det hvordan corporate brand identitet, som en strategisk logik i virksomheden, påvirker ledelsesmæssige beslutninger omkring design- og innovationsstrategier og implementering heraf. Afhandlingens teoretiske fundament er forankret i det kompetencebaserede perspektiv på virksomheders konkurrenceevne. Dette fundament komplementeres med perspektiver fra institutionel og organisationskulturel teori med henblik på at afdække hvordan organisatoriske beslutningstagere påvirkes af corporate brand logikker i relation til ledelsen af design- og innovationsprocesser.

Afhandlingen forelægger fire artikler, der bidrager konceptuelt og empirisk til at videreudvikle brand orientation litteraturen fra et innovationsperspektiv. Resultater peger på, at corporate brand identiteter i brand- og design-orienterede virksomheder kan skabe retning for innovationsstrategier og beslutninger i relation til koordinering af ressourcer og processer i udviklingen af brandunderstøttende innovationskompetencer. Der peges endvidere på, at sådanne brandorienterede logikker ikke altid bør stå alene, men snarere bør indgå i et dynamisk sammenspil med markedsorienterede logikker. På denne måde opstår en mere pragmatisk ledelsesvinkel på vedligeholdelsen af innovationskompetencer, der på integreret vis understøtter virksomhedens brand identitet og markedstilpasning som komplementære tilgange til kundeværdiskabelse og opretholdelse af konkurrencemæssige fordele.

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List of Papers

Chapter 5 of this thesis has been published in a conference proceedings (paper 1) and Chapter 6 as a journal article (paper 2). Chapter 7 (paper 3) and Chapter 8 (paper 4) have been submitted for journal publications. The table below indicates the publication status of the four papers as of 30 May 2014.

Conference paper

Paper 1 (Chapter 5)	Nedergaard, Nicky and Jones, Richard (2011) *"Implementing Firm Dynamic Capabilities Through the Concept Design Process: A Conceptual Model for Creating Sustainable Competitive Advantage"* Presented at the 2011 ANZMAC conference in Perth, Australia. *In MacCarthy, M. (Ed.), Proceedings of ANZMAC 2011. ANZMAC, Perth.*

Journal articles

Paper 2 (Chapter 6)	Nedergaard, Nicky and Gyrd-Jones, Richard (2013) *"Sustainable brand-based innovation: The role of corporate brands in driving sustainable innovation"* This paper is published in *Journal of Brand Management*, Vol. 20 No. 9, pp. 762-778.
Paper 3 (Chapter 7)	Nedergaard, Nicky *"Managing the brand co-creation potential of supply- side stakeholders"* This paper has received an invitation to revise and resubmit from *Journal of Product & Brand Management.*
Paper 4 (Chapter 8)	Nedergaard, Nicky and Gyrd-Jones, Richard *"Flux and duality: Exploring complementarities between brand and market oriented logics in managerial response to environmental change"* This paper is submitted to *Journal of Business Research.*

Chapter 1 - Introduction

Brand-Based Innovation

1.1. Research agenda

Superior innovation is today widely understood as a key capability of firms in building and sustaining strong brands (Aaker, 1996; Kapferer, 2012). If properly managed, innovation outputs may positively affect how the associated brand is perceived and valued by its stakeholders (e.g. Kapferer, 2012). However, integrative research into the role of brands in aligning innovation management around the very brand whose equity it strives build is still in its infancy (Nedergaard and Gyrd-Jones, 2013). Yet, despite numerous cases clearly witnessing how innovation may play a key role in rejuvenating or even resurrecting corporate brands balancing on the verge to loose their identities and thus relevance in the marketplace, we know very little about the organisational mechanisms pertaining to the strategic alignment of (corporate) brand and innovation strategies.

Take as an example the omnipresent case of Apple and its dramatic turnover in the late 90's onwards. This case clearly illustrates the imperative for innovation to the long-term survival of brands (Shontell, 2010). With the launch of innovative new products and integrated services, such as the iPod and iTunes platform, Apple managed to transform an entire music industry by proposing a radical new way of buying and consuming music; innovations that kick-started Apple's journey towards becoming one of present time's most valuable brands (Interbrand.com, accessed 02/03/14). Many speculations as to how this turnaround was achieved have flourished ever since with numerous anecdotes and biographies (e.g. Isaacson, 2011) describing how the acclaimed organisational values of uncompromising attention to industrial design and superior user–brand experience, as personified by the late co-founder Steve jobs (Ibid.), were and arguably still are the essential drivers of Apple's ability to set new standards in the global consumer electronics industry and safeguard its future competitiveness. Conversely, the case of NOKIA tells a story of how a lack of desirable product innovations almost crushed the proud Finnish brand – renowned up through the 90's as the world's most successful, trendsetting, and leading mobile-phone brand (Häikiö, 2002; Suroweicki, 2013). Notwithstanding that NOKIA for years had been known for its capabilities to rapidly adapt to and even anticipate the market, while spending huge amounts of resources on R&D, it failed to deliver unique consumer desirable products when hit by massive competition from Apple's iPhone blockbuster (Suroweicki, 2013). The rapid downturn recent years with massive declines in market shares begs the question as to what strategic role NOKIA's famous brand ethos of excelling in 'Connecting People' actually played with the management up through the 00's or more likely did *not* play? Nevertheless, the arguably fateful lack of a proper strategic intent (Hamel and Prahalad, 1989) for guiding the development of design and innovation capabilities for NOKIA to sustain its leading-edge brand position has had severe consequences for the equity of the NOKIA brand (Interbrand.com, accessed 02/03/14). The lesson to be learned is that failing to align innovation strategies around the brand firms' run a major risk of harming their arguably most valuable asset: the brand (Ambler, 2003; Lindemann, 2003). In turn such mismanagement poses unpleasant long-term financial consequences; epitomised at this line of writing by Microsoft acquiring the NOKIA mobile-business for a mere $7.2 billion (Suroweicki, 2013).

While these brief case vignettes may suggest brand values and visions as strategically important guiding beacons for managers on how to approach innovation strategizing and deployment of firm resources in their management processes, there exist little research into the ways in which innovation is managed in relation to and by virtue of the values and strategic intent that *corporate brand identities* may provide management in their efforts to safeguard the long-term and interrelated interests of all firm stakeholders.

This thesis specifically addresses this gap in the literature by exploring the nexus between corporate brand identities and design–innovation management with the purpose of generating insights to advance theory of the competitive value of corporate brands from a competence-based perspective on firm competitiveness (Sanchez, 2008; Teece *et al,* 1997). With this theory building ambition the main purpose of this thesis is to examine how the notion of corporate brand identity, viewed and deployed as a strategic competitive logic and a firm resource, relates to innovation strategies, processes and implementation hereof. In endeavouring to bridge the notion of corporate brand identities and the management domain of design and innovation, the thesis departs from the brand orientation literature (Urde 1994; 1999; 2013; Urde et al, 2013) and presents a blend of conceptual and empirical work into this rather unexplored integrative field of research. Concerned with organisational culture and behaviours in relation to brand identities (e.g. Urde, 1999) the brand orientation concept bears strong links to and shares many similarities with the stream of research promoted under the umbrella of corporate branding (Balmer, 2012; Hatch and Schultz, 2001).

Constituting the main body of the thesis a portfolio of 4 papers is presented. As the common thread of these papers a specific focus is placed on theoretically delineating and empirically examining brand (identity)-based design innovation capabilities. To do this, the thesis explores how corporate brand identity elements in brand and design oriented firms affect management flows of decisions, structures, processes and use of firm resources in implementing product innovation strategies directed towards supporting the corporate brand identity. A focus is placed on the understanding of organisational decision-makers' approach to the alignment of innovation efforts around the corporate brand identity (as a competitive logic) and secondly, exploring how brands as carriers of distinct meanings may play a role in implementing value creating innovation strategies.

Whilst the brand orientation literature's conceptual and empirical treatments of brands as strategic resources explicitly references the resource-based view of the firm (Barney, 1991; Wernerfelt, 1984) the closely related competence-based perspective on firm competitiveness is often implied. However, as elaborated in the following chapter, this competence-based view of the firm and the opportunities it presents for enriching the brand orientation literature remains rather underdeveloped in the extant literature. As an overall contribution, this thesis sets out to further extend brand orientation into a competence-based strategic management perspective (Sanchez, 2008) as a potent avenue for further advancement of brand orientation research as it relates to *corporate* brands.

Research contributions of this thesis are thus found in the conceptual treatment and empirical studies of design innovation management processes from the analytical lens of corporate brand orientation (Balmer, 2013; Urde, 2013). Consistent with the competence-based perspective on strategic management research as put forward by Sanchez (2008), the thesis discusses and examines corporate brand identities as both strategic logics and resources in relation to firm design and innovation capabilities. The empirical papers each contribute with integrated insights into the organisational workings of managing design and innovation strategies and processes as an intrinsic part of implementing competitive strategies based on corporate brand identities; hence the thesis' title of Brand-Based Innovation.

Consisting of a portfolio of papers (Chapters 5, 6, 7 and 8) the outlined research agenda is approached from different theoretical as well as empirical angles – see table 1 at the end of this chapter for a preliminary overview of each paper. The thesis draws on various fields of research spanning from: brand orientation, corporate brand management, design and innovation management, strategic (marketing) management, and organization theory (sense making- and institutional theory). Integrative insights from these literatures are used to elaborate theoretical/conceptual frameworks to the purpose of advancing and extending our empirical insights into the phenomenon of corporate brand orientation. In the following section an attempt is made to account for the flow of the thesis as it proceeds from this introductory chapter. Also a brief outline of the various theoretical perspectives constituting the thesis' theoretical foundations (Chapter 2) is provided.

1.2. Thesis structure

Chapter 2 presents the theoretical foundations of the thesis. It is structured into two parts around a 'systemic view of the firm': a cornerstone of the competence-based view on firm competitiveness (e.g. Sanchez, 2008). From this perspective firms are viewed as: "…systems of resources and capabilities coordinated by management processes in pursuing strategic logics for attaining a firm's goals…"(Ibid., p. 43). This systemic perspective is adopted for the purpose of investigating corporate brand orientation as a strategic logic of the firm as it relates to and affects management processes and capabilities within the context of *product* design and innovation. Figure 1 (see page 6) presents such a systemic *brand-based innovation* view of the firm, which this thesis adopts as a meta-theoretical framework for contextualising how the various key theories, frameworks, concepts *et cetera*, as described throughout Chapter 2, fit together.

Chapter 3 provides a conclusion to the thesis as to how the four papers included in the thesis each contributes to the advancement of the corporate brand orientation literature along with reflections on avenues for further research. It does this by summarising the four papers around their general contents, contributions, interrelationships and complementarities. This is followed by a discussion of the theoretical implications for extending the concept of brand orientation into a competence-based theory perspective by drawing on the generated insights into how firms approach the alignment of innovation processes and capabilities around corporate brand identities.

In Chapter 4 the underlying ontological and epistemological reflections and the qualitative case study methodology, as applied across the empirical papers (Chapters 2, 3 and 4), are accounted for. This is followed by elaborations on data collection, analytical approaches and concluding reflections on the quality criteria upon which the papers' empirical contributions are to be evaluated.

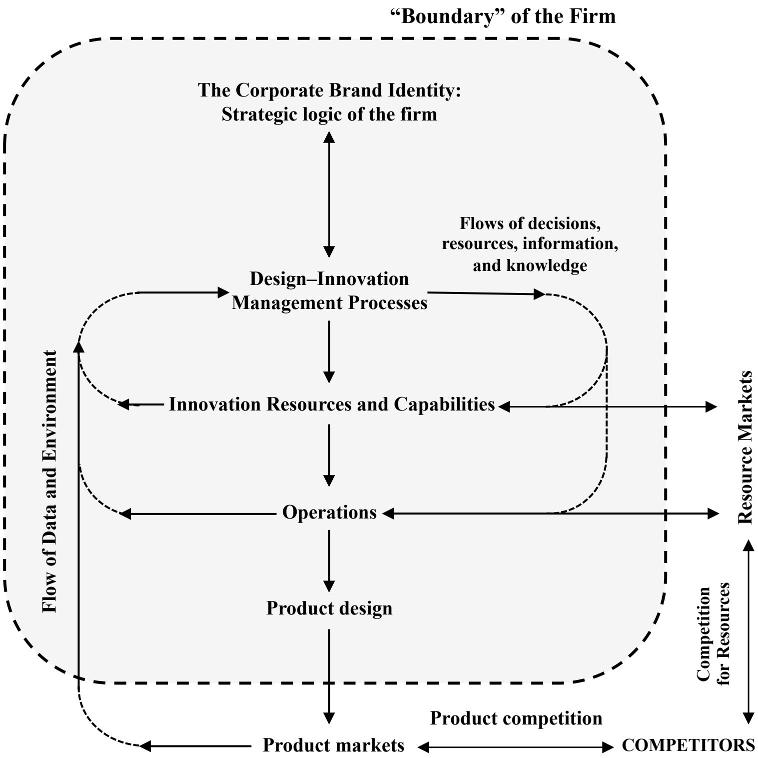

Figure 1: A systemic 'brand-based innovation' view of the firm (Adapted from Sanchez and Heene (2004)).

The following Chapters 5, 6, 7 and 8 respectively present paper 1, 2, 3 and 4. It is worthy of note that Chapter 5 (paper 1) does not include empirical contributions, but strictly serves as a theoretical contribution of the thesis and importantly as a brief introduction to some of the key themes explored in the following empirical papers. Part 1 of the following Chapter 2 starts by introducing the core concept of brand orientation as it relates to the corporate brand management literature. The brand orientation concept's grounding in the resource-based view is then discussed and its central tenet of viewing brands as strategic resources and thus as sources of sustained competitive advantage is theoretically fleshed out. This discussion is followed by a critique of the resource-based view with arguments for advancing the concept of (corporate) brand orientation into a competence-based view of the firm. Part 1 then proceeds to account for the concept of *corporate* brand orientation and how research into this phenomenon, as undertaken within this thesis, reflects on the *systemic*, *dynamic*, *cognitive* and *holistic* cornerstones of the competence-based view as synthesised by Sanchez (2008). Corporate brand identities are then discussed as firm strategic logics affecting firm behaviour to which institutional and organisational culture theories are included as useful perspectives to advance a competence-based view on corporate brand orientation. In doing so the concept of market orientation is discussed as a competing and somewhat contradictory logic vis-à-vis brand orientation. However, as a central theme of the thesis, market orientation both helps to define the concept of brand orientation and poses a complementary strategic logic of the firm for balancing the contingencies of the market with that of the firm corporate brand identity. The competence-based view, as concerned with management's coordination of decisions, resources and firm capabilities for sustaining competitive advantages, is then further elaborated. Closing part 1, the thesis' approach to investigate how such coordination works by virtue of firm (brand and or market oriented) logics are presented by linking into theoretical perspectives gleaned from neo-institutional and organisational sensemaking and decision-making theories.

Part 2 of Chapter 2 serves to explicate the theoretical foundations of the thesis pertaining to the domains of product design and innovation management. Building on the conceptual advancement of brand and market oriented logics in part 1 a theoretical synthesis of how these (competitive) logics strategically align to different innovation strategies and vice versa from a competence-based perspective is discussed. Reflecting a central theme across the four papers of the thesis a specific emphasis is placed on innovation strategies focused on *driving* or *shaping* markets (used interchangeably) through pushing new product meanings onto the market on the basis of unique and original design languages. The cornerstone of such *design-driven* innovation strategies (e.g. Verganti, 2009), as concerned with collaborative product innovation with external stakeholders, is then discussed in relation to brand logics and compatibilities to competence-based theory development. Next, the supporting theoretical theme of approaching product design from a semantic perspective is outlined for the purpose of discussing the interrelated brand and design management paradox of striving for consistent expressions of the corporate brand identity while on the other hand allowing for such brand expressions to evolve. Part 2 then elaborates on how the management processes, routines and mind-sets related to design management for market-driving innovation arguably constitute a brand-based innovation capability and thus a viable empirical context for examining the effects of brand logics from a competence-based perspective. However, this thesis is concerned with competence-based theory development into the organisational mechanisms of corporate brand orientation. The theoretical perspectives on design and innovation discussed in Chapter 2 should therefore not be mistaken for the primary field of theory development within this thesis. Rather, part 2 first and foremost serves the purpose of conveying the author's pre-understanding of the innovation and design management domains as a guiding tool for the empirical data collection and analysis (the importance of such theoretical pre-understandings are elaborated in Chapter 3).

Lastly, in an *ad hoc* fashion, the discussions undertaken in part 1 and 2 are explicitly linked to the specific features of the four papers and to the four (systemic, dynamic, cognitive and holistic) cornerstones of the competence-based view; all key presumptions on the nature of firms, markets and their interactions (Sanchez, 2008 p. 42).

Table 1: Overview of papers

	Paper 1 (Chapter 5)	*Paper 2 (Chapter 6)*	*Paper 3 (Chapter 7)*	*Paper 4 (Chapter 8)*
Title	*"Implementing Firm Dynamic Capabilities Through the Concept Design Process: A Conceptual Model for Creating Sustainable Competitive Advantage"*	*"Sustainable brand-based innovation: The role of corporate brands in driving sustainable innovation"*	*"Managing the brand co-creation potential of supply- side stakeholders"*	"Flux and duality: Exploring complementarities between brand and market oriented logics in managerial response to environmental change"
Authors and (tentative) publication outlets	Nedergaard, Nicky and Jones, Richard (2011) In: MacCarthy, M.(ed.), *Proceedings of ANZMAC 2011.* ANZMAC, Perth.	Nedergaard, Nicky and Gyrd-Jones, Richard. In: *Journal of Brand Management*, Vol. 20 No. 9, pp. 762-778. (2013)	Nedergaard, Nicky Invitation to revise and resubmit: *Journal of Product & Brand Management*	Nedergaard, Nicky and Gyrd-Jones, Richard Submitted to: *Journal of Business Research*
Research purpose	This paper conceptually delineates the value of design as a driver of innovation and implementation of firm dynamic capabilities.	This paper delineates and empirically explores the corporate brand as a strategic logic and resource for implementing brand-supportive innovation capabilities.	This paper explores how corporate brand identities as a strategic logic affect the coordination of resources and structuring of management processes around collaborative design innovation strategies as a brand co-creation capability.	This paper explores how the co-existence and inherent complementarities of market and brand oriented logics provide meaning and materialize in organizations in relation to desirable change in capabilities.
Method	Conceptual synthesis of the dynamic capabilities framework and core phases of design processes and mind-sets related to radical innovation of meanings.	Qualitative case study of Bang & Olufsen; two embedded cases on business development/ product innovation projects.	Qualitative multiple case study of 6 Danish SMEs operating in design-intensive industries	Qualitative single case study of Bang & Olufsen: Embedded case study of the B&O Automotive division's Concept Development Department
Key contributions to the corporate brand orientation literature	3 theoretical propositions are presented suggesting that implementation of firm dynamic sensing, seizing and asset reconfiguration capabilities may benefit from engaging in explorative innovation processes aimed at radical change in product meanings. The paper suggests the role of design-oriented brand values and vision as a vital decision-making heuristic for operating in dynamic markets.	This paper presents a capability framework in which the corporate brand plays a key role as strategic logic and resource for implementing market driving innovation strategies. The paper then empirically illustrates this framework to show how corporate brand as a logic and valuable resource, in combination with other resources and 'design thinking', supports innovation capabilities for pursuing product leader brand strategies.	This paper empirically examines corporate brand oriented logics in relation to the structuring of collaborative design innovation management processes with external supply-side stakeholders (designers as suppliers of creative capital). Findings present two brand co-creation management models (capabilities implied) each respectively explained by virtue of dominant culturally embedded brand values for how to nurture strong stakeholder relationships.	This paper empirically examines the co-existence of corporate brand and market oriented logics. Findings from the case study are presented as 4 theoretical propositions, which contribute with new knowledge of the ways in which we are to understand the organizational dynamics and complementarities of brand orientation and market orientation in relation to the management processes and change in firm innovation capabilities.

Chapter 2 - Theoretical Foundations

Part 1 of this chapter accounts for the thesis' first major conceptual contribution to the (corporate) brand orientation literature by presenting a theoretical framework for explicitly conceptualising the brand orientation concept from a competence-based view of the firm. Central to this framework is that corporate brands are viewed as firm competitive logics, which as a heuristic shapes firm decision-makers' coordination of resources, management processes and development of firm capabilities. As a second major contribution, part 2 of this chapter then extends this competence-based perspective on (corporate) brand orientation into the strategic management domain of design and innovation in order to explicate how brand oriented logics may affect innovation strategies and capabilities aimed at expressing corporate brand identities through product design semantics.

Part I:

Corporate Brand Orientation: Towards a Competence-based Conceptualisation

2.1. The brand oriented firm and the resource-based view

In his seminal paper entitled “Brand-building in the 1990s” King (1991) makes an early attempt to emphasise the business value hidden in the notion of the *company brand* as he reflects on how the time has come to start thinking of branding the organization behind the products being marketed. At that time markets were being rapidly flooded by new single-line brands making the brand imperative of product differentiation in the market place an ever more demanding and costly affair. Moreover socio-economic changes in society meant that added values and services were increasingly accountable for consumer choices rather than mere reassurances of high quality standards (King, 1991). In hindsight, leading up to the breakthrough of the brand orientation (Urde, 1994; 1999) and corporate branding (Balmer, 1995) concepts as we know them today, King (1991, p. 46) foresee that future brand leaders will be those firms embracing the potential of branding the entire organisation as the main ‘discriminator’. King advocates that firms place a greater emphasis on building customer relationships on the basis of their unique organisational culture, values, attitudes, people, and competences and less on promoting increasingly taken-for-granted product qualities and functionalities on the product level (Ibid.).

Following King, Urde (1994) argues that firms should approach brands as drivers of corporate strategies for stronger market differentiation and thus sustainable competitive advantages. Promoting the concept of *brand orientation,* Urde (Ibid.) pioneers a strategic orientation towards identities of the organisation by pointing to the business potential of a stronger strategic integration of firms' brand building activities and corporate identities through 'the brand-oriented company'. Urde (1994), however, is not explicit about branding the corporation as the main discriminator (differentiator) *per se* in his early work. He advocates that companies have much to gain by having the target audience associate (product) brands with supporting symbolic elements of the corporate identity. In later advancements of the brand orientation concept Urde (1999) emphasises the imperative of firms focusing their decisions and management processes around brand identities for sustainable competitive advantages defining brand orientation as: "…an approach in which the processes of the organisation revolve around the creation, development, and protection of brand identity in an on-going interaction with target customers with the aim of achieving lasting competitive advantage in the form of brands." (Urde, 1999, pp. 117-118). This definition informs this thesis' approach to brand orientation research directed towards the corporate brand level.

The brand orientation concept builds upon a resource-based view of the firm (Barney, 1991). In this respect brand orientation considers brands as *strategic resources* in relation to positioning and differentiation in its markets and as the basis for achieving and sustaining competitive advantages. However, the brand orientation concept simultaneously considers firm competitiveness from a competence-based perspective in its view on brands as strategic resources in relation to key organisational processes and resource allocation mechanisms (Urde, 1999). The brand-oriented organisation builds and sustains competitive advantages by coordinating and aligning decisions and business processes around the protection of the (corporate) brand identity (Ibid.). The concept of brand orientation suggests that managers should mentally connect to the focal brand identity as a strategic management resource for guidance and direction (Balmer, 2013; Hankinson, 2001b; Urde, 1999, 2013; Urde *et al*., 2013). The reference to and use of these two related, yet distinct, strategic management paradigms is often implicit, unclear and used interchangeably. This is problematic for the brand orientation literature and blurs our understanding of their use and interrelationship. As this thesis argues, there is much to gain from relaxing the resource-based perspective (cf. Barney, 1991) in favour of directing the brand orientation concept's future advancements from an explicit and dominant competence-based theory development approach.

In order to move towards such a competence-based conceptualisation of *corporate* brand orientation an introduction to the resource-based view of the firm (henceforth RBV), as it underpins the brand orientation concept, is presented.

2.1.1. Brands as strategic resources: The resource-based view

At the kernel of the RBV competitive advantages may be achieved and sustained through the implementation and maintenance of business strategies based on heterogeneous and hard-to-imitate strategic resources (Barney, 1991; Collis and Montgomery, 1995; Penrose, 1959). Whereas *resources* are understood as any firm asset that the firm may access and use for value creating purposes (when for instance embarking on product innovation) it should be noted for the sake of clarity that not all assets; tangible (physical) or intangible (human or organizational) in nature, will be firm resources. Firms may for example command various assets, which do not contribute to creating value in a given competitive contexts; either firm managers may not recognise them as useful to value creation purposes or the firm may simply lack the needed know-how for effectively utilising certain assets (Sanchez, 2008). Notably, assets may be idiosyncratic endowments of the firm or firm-addressable assets; that is, attainable in factor markets.

As a central argument of the RBV firm resources may qualify as *strategic* resources to which Barney (1991) suggests the so-called 'VRIN' test covering four attributes that any given resource must fulfil to comprise a source of *sustained* competitive advantage. A resource must be: Valuable, Rare, Imperfectly imitable and Non-substitutable (Ibid.). Simply put, the resource-based view states that if these criteria are fulfilled then sustainable competitive advantage is achieved. (Barney, 1991; Grant, 1991; 1995; Peteraf, 1993). Importantly, for these arguments to hold water, the RBV builds on the key assumption that factor markets are incomplete in the sense that a resource applied for value creating strategies of one firm may not be acquired by a competing firm (at least not easily), which then makes possible a *sustained* competitive advantage (Barney, 1991). Applying this resource-based view on brands is for example reflected by Helm and Jones (2010) advocating brand as a strategic resource: "…a strong brand creates superior value and competitive advantage that is sustainable and, if well managed and nurtured, can be a long-term source of future value. Although other key resources may have finite lives – material assets and research and development will be amortised, key people may leave and proprietary technologies become commodities – a successful brand is a long-term strategic asset [i.e. resource]." (Parentheses added, p. 545). In this spirit, the concept of brand orientation holds that if brands as firm-specific assets are recognised and managed as resources they may be approached as strategic resources by virtue of their intangible and idiosyncratic values and symbolic power with stakeholders; that is, they fulfil the VRIN test. In turn, this enables firms controlling well-developed brands to exploit them as strategic resources in implementing value creating sustainable strategies (Urde, 1999). However, explicit theoretical treatments of the RBV (cf. Barney, 1991) approach to brands are not prevalent in the branding literature (See Balmer and Gray (2003) as a rare exception). The following discussion briefly outlines a VRIN 'test' applied to corporate brands.

Value – If endowed with distinguished values and connotations of high quality and performance corporate brands may differentiate the organisation in the minds of its stakeholders. Thus, as a *valuable* resource, a corporate brand may play the role of a strategic platform for product line extension strategies and allow for extending the corporate brand into new markets and enjoy first-mover advantages and benefits. Corporate brands, from a business innovation perspective, may thus be highly valuable to develop new markets or even implement diversification strategies (Balmer and Gray, 2003; Calder and Calder, 2010; Pepall and Richards, 2002).

Chapter 6 explores the role of the corporate brand in paving the way for implementing value creating radical innovation strategies. It is argued that Bang & Olufsen deployed its corporate brand as a resource for creating a new market space in the upscale in-car sound systems market. As discussed, the brand allowed for pursuing a branded OEM strategy in the automotive market, which resulted in the Bang & Olufsen acquiring customers such as Audi, Aston Martin, Mercedes and BMW; all intrigued by the possibility to further strengthen the differentiation of their respective high-end/luxury car brands.

Corporate brands may also be appraised as valuable to human resource management in terms of recruitment and retention (Burmann and Zeplin, 2005; Hankinson, 2001a). Values associated with the corporate brand may serve as a proxy for evaluating prospective employees. Human resources management may deploy the brand and its core values to form an intrinsic part of managing the corporate brand by motivating employees to 'live the brand' (e.g. Ind, 2003; 2007). As suggested, this may be achieved by ensuring that "…applicants with high personal identity– brand identity fit are recruited and selected, and that those employees with a high person–brand fit are promoted." (Burmann and Zeplin, 2005, p. 287). This implies that if corporate brand values are deemed of high relevance to stakeholders' identity projects then the corporate brand becomes highly valuable as a means for retention of valuable employees or for attracting valuable stakeholders for collaborative partnerships.

Chapter 7 discusses such issues of brand–stakeholder identities fit from a collaborative innovation management perspective. Challenging Burmann and Zeplin's (2005) view, this chapter questions the desirability of achieving such 'perfect' identities or values fits versus maintaining value non-alignments with innovation stakeholders (Gyrd-Jones and Kornum, 2013).

Rarity – An organisation may enjoy sustained competitive advantages if implementing value-creating strategies based on resources that competition does not have access to (Barney, 1991). Controlling a strong and highly unique corporate brand will most often be a result of a historical development of building both functional (quality and performance) and symbolic (imageries and values) attributes of the organisation, which under such circumstances *de facto* makes corporate brands considered as rare (Balmer and Gray, 2003). Moreover, corporate brands are often equated to a distinct promise or covenant between the organisation and its stakeholders based on a set of core values (see Balmer, 2013 – this perspective is elaborated in the following section). Such values are grounded in and hardly separated from the organisation's identity (Balmer, 2001b), culture (Hatch and Schultz, 2001) and potentially various sub-cultures (Balmer and Wilson, 1998; de Chernatony, 2010), which support corporate brands as highly idiosyncratic and thus rare amongst competing organisations. Importantly, however, the degree of rarity of corporate brands is strongly tied to stakeholders' unique perceptions of the brand, which makes continuous resource allocations for developing and nurturing the corporate brand perception with its stakeholders an imperative for it to endure as a strategic resource (cf. Urde, 1999).

Chapter 6 describes how the rarity of the Bang & Olufsen corporate brand made it attractive from a co-branding perspective to high-end brands in the automotive industry as a point of leverage for endowing their brands with the luxury, 'design aficionado', and high-performance connotations of the Bang & Olufsen brand – build over nearly nine decades.

Imperfect imitability – Corporate brands will be difficult to imitate due to their intangible nature and because the physiques (Kapferer, 2012) of the brand (e.g. graphic or products designs) may be protected through intellectual property rights. For two reasons the RBV framework may support corporate brands as inimitable resources. First, the meaning of a corporate brand is shaped through a highly socially complex process of interaction between the core values originating from founders' personal values, the organisational identity and culture(s) of the organisation in interaction with a multiplicity of external stakeholders over time (Balmer and Gray, 2003). Second, with the advent of social media, and thus largely incontrollable brand communities all together shaping the meaning of the corporate brand, a high degree of *causal ambiguity* characterises the meaning formation process of corporate brands (Muniz and O'Guinn, 2001). An effort to imitate corporate brands and the symbolic meanings that they may hold with stakeholders arguably poses a utopian endeavour from the perspective that this will depend on perfectly imitating the knowledge base with stakeholders in order to create the exact same brand meaning formations (Berthon *et al.,* 2009).

Returning to the case of Bang & Olufsen, hardly any other hi-fi brand in the world enjoys as strong connotations of luxury and design as Bang & Olufsen – albeit some may come close and try to resemble some of these characteristics with German Loewe as an example. As the corporate brand characteristics of Bang & Olufsen have been build over nearly 9 decades (founded in 1925), firmly rooted on the founders' values of high-performance and willingness to take risks pertaining to industrial design (Bang and Palshøj, 2000), these historical patterns of brand development will be impossible to perfectly imitate.

Imperfect substitutability – Compared to the often homogenously distributed functional product attributes of corporate brands those organisations controlling corporate brands that also act as symbolic carriers of distinctive organisational identities and values will be endowed with an intangible strategic resource by being highly heterogeneous and hard-to-imitate as stressed in the brand orientation framework (e.g. Urde, 1999).

Bang & Olufsen succeeded in implementing a value-creating strategy by drawing, amongst other resources, on their corporate brand identity (see Chapter 6). However, the degree to which this resource is substitutable rests on its differential value in the market place. For Bang & Olufsen, as any other business, this requires continuous resource allocations for nurturing distinctive and highly favourable stakeholder brand images both communication-wise and accordingly through a continuous improvement of aligning the corporate brand identity and the organization's business processes for superior brand deliveries and innovation. If failing to master such alignments firms may over time risk impairing and eroding the very idiosyncrasies of the corporate brand as a strategic resource; competitors may not be able to perfectly imitate a firm's corporate brand, but may indeed hold the opportunity to build a strong corporate brand, which may act as a substitute resource and thus negate the power of a given corporate brand for *sustaining* competitive advantages (Balmer and Gray, 2003).

Based on the above-presented arguments corporate brands may as such pass as VRIN-resources by being valuable, rare, difficult to imitate, and dependent on the uniqueness of the corporate brand even difficult to substitute. Hence corporate brands may qualify as sources of sustainable competitive advantages within the RBV, which then provides an analytical approach to describe and build explanations *ex post* for how brands may be accountable for firm value creating strategies and long-lasting competitive advantages.

However, severe critique of the key theoretical assumptions supporting the RBV has been offered, which is elaborated throughout the remaining part of this section. Critique of the RBV framework has centred on its *ex-post* analytical approach to firm competitive advantage, which arguably implies conceptual deficiencies in providing a theory for *predicting* which, when and how firm resources may actually pose of strategic value (e.g. Sanchez, 2008). However, this particular critique, relating to the RBV's theory-building deficiencies of predicting phenomena, is downplayed here as such an epistemological stance is not consistent with this thesis' critical realist view on causal relationships in social sciences (see Chapter 4). This being noted, critique pertaining to conceptual deficiencies of the RBV (Eiserhardt and Martin, 2000; Helfat and Peteraf, 2003; Sanchez, 2008, Teece, 2007; Teece *et* al., 1997) deserves some attention in relation to this thesis' focus on corporate brands and firm competitiveness (See Sanchez (2008) for an elaborate treatment of RBV's conceptual flaws and deficiencies from a critical *rationalism* scientific theory perspective).

2.1.2. Critique of the resource-based view

To assess for when a firm resource may be *valuable*, the RBV offers no own way of assessing such *strategic* resources. In assessing the existence of valuable resources the RBV pulls from environmental models of strategic analysis on industry structures, such as Porter's 5 forces (e.g. Porter, 1980; 1985), concerned with analysing opportunities and threats in a given industry (cf. Albert Humphrey's strategic planning framework – the SWOT analysis). However, as Sanchez (2008) notes: "…the RBV's core proposition commonly asserts that resources identified *ex post* as being strategically valuable (by invoking some ad hoc environmental model or SWOT framework) were *ipso facto* the *ex ante* strategically valuable resources responsible for a firm's future success." (p. 21). This lack of a consistent or systematic way of characterising strategic resources is a *tautological* way of reasoning pertaining to sources of sustained competitive advantage (e.g. Priem and Butler, 2001b). This problem is explicitly evident in Barney's (1991) all-embracing analytical statement on the nature of firm resources, which does not specifically allow for the identification of the source of competitive advantage: "Firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge *et cetera*, controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness." (p. 101) (see Sanchez (2008) and Priem and Butler (2001a,b) for elaborate critique of the RBV's tautological and environmentally determined value of resources).

As briefly mentioned in the above, a major critique of the RBV pertains to its reliance on environmental models. Such models are essentially concerned with industry analysis for locating favourable competitive markets or industries to compete in by building and defending strong market positions. However, such environmental models do not suffice as a strategic approach to manage for long term firm survival in dynamic and highly innovative competitive contexts: "The Five Forces [Porter, 1980] framework has inherent weaknesses in dynamic environments. Fundamental is that [Porter's Five Forces model] implicitly views market structure as exogenous, when in fact market structure is the (endogenous) result of innovation and learning." (Teece, 2007, p. 1325). In dynamic market contexts consumer demands may rapidly shift as new technologies, innovative business models and new value creating strategies are always in a state of flux, which makes it impossible to rely solely on strategic resources for sustaining firm competitiveness (Eisenhardt and Martin, 2000; Sanchez, 2008; Teece *et al*., 1997). Rather, as elaborated in the next section, the corporate brand (as any other resource) may be of great importance to sustain and develop firm competitiveness, but should be approached from a *systemic* view of the firm (Sanchez and Heene, 1996; 2004). In this view, a corporate brand is approached as a resource that firms may utilise in interplay with other resources in their management processes to develop (dynamic) *capabilities* that allow for competing in non-static markets with (high) degrees of uncertainty (Ibid.). This systemic view is reflected by the thesis' focus on corporate brands as resources, which in the interplay with other resources may enable firms to develop innovation capabilities that serve to build and sustain the competitive power vested in the corporate brand. Although strong brands may largely account for firm sustained competitive advantage in some industries for certain periods of time, as for instance in the soft drinks industry (Collis, 1994), brands operating in less mature or more innovation heavy industries will inevitably need to supplement a strong brand (resource) with strong innovation capabilities in order to sustain that brand strength (cf. Nedergaard and Gyrd-Jones, 2013 (see Chapter 6)).

Next, the central premise of the RBV's view on factor markets' incompleteness should be somewhat relaxed as some firms, for example in design-intensive industries (Dell'Era and Verganti, 2010, build their future competitiveness on excelling in their interactions with factor markets. In fact, many small and medium sized firms will not be capable or financially strong enough to acquire or develop certain resources in-house. This may force firms to pursue other ways to build and sustain their brands by for instance nurturing social and business network relationships (Mäläskä *et al.,* 2011). Moreover, pertaining to the focus of Chapter 7 on brand co-creation capabilities, it may in fact be desirable to source key resources outside the brand (in the factor market) in order to enable novel interpretations of brand identity in relation to product innovations. These perspectives aside, factor market incompleteness may exist and prevent competitors from duplicating a value creating strategy (at least within some period of time). However, as later elaborated, the competence-based view proposes a more *holistic* view on approaching factor markets by focusing its attention on how firms manage to continuously improve its ability to target, coordinate and attract resources of strategic importance to the value creation processes of the firm (Day, 1994; Sanchez, 2008; Teece, 2007). This particular capability focus is reflected in Chapter 7.

Balmer and Gray's (2003) reflections on corporate brands as sources of sustained competitive advantages on behalf of their imperfect imitability should be questioned. As discussed, their argument is grounded in the notion that as corporate brands over time grow strong and powerful through socially complex processes, characterised by causal ambiguity, they cannot (easily) be imitated by competition as the very processes that shape a corporate brand in fact are largely incomprehensible (Balmer and Gray, 2003; Barney, 1991). However, this line of argument poses what Sanchez (2008) calls the cognitive impossibility dilemma (p. 34) as the logic of Barney's (1991) RBV, as applied by Balmer and Gray (2003), implies that if firm managers are largely incapable of grasping how a strong brand is created and sustained then neither is competition. At best this line of reasoning leaves *'luck'* as RBV's explanation to why some firms in specific industries succeed, while others fail, to develop and sustain its competitiveness on the basis of a powerful corporate brand; a logic, which if taking to its extreme in fact undermines the entire notion of brand management or brand orientation.

As a last remark, corporate brands may be viewed as strategic valuable resources for implementing value-creating strategies vis-à-vis market opportunities as discussed in the above. Theoretically speaking, the RBV then suggests that value-creating strategies, implemented by virtue of using the corporate brand, may lead to sustainable competitive advantages as competition will be unable to implement similar strategies due their inability to deploy a brand with similar or substitutable characteristics. However, real life business cases witnessing such scenarios are arguably hard to come by. In fact, as described in Chapter 8, the first-mover competitive advantages of Bang & Olufsen's venture into the high-end/luxury automotive industry, as a supplier of in-car sound systems, was in fact (partly) driven by and implemented by virtue of the corporate brand's luxury, design and performance associations (see Chapter 6), but did not persist. Worth mentioning here, although not described in Chapters 6 and 8, data from the Bang & Olufsen case study tells a story about how none of its competitors controlled 'similar' brands. However, what Bang & Olufsen found to their cost was that competing hi-fi brands were actually able to substitute the Bang & Olufsen brand in pursuing similar OEM niche-strategies targeted at high-end/luxury car brands; exemplified by a German high-end hi-fi brand, Burmester, contracting with luxury car brands such as Porsche and Bugatti.

Although, these points of critique pertaining to a RBV approach to brands as sources of sustained competitive advantages merely touch upon a few key aspects and arguably deserves much more attention (e.g. as an exciting topic for a future doctoral thesis), it should be clear that albeit the RBV perspective has much to offer it fails to account for rapidly evolving and dynamic market contexts and in providing a useful framework for how managers are to approach their brands in the strategic planning practices in order to build and sustain competitive advantages. This thesis extends the notion of brand orientation into a competence-based view of the firm (Prahalad and Hamel, 1990; Teece and Pisano, 1994) and examines its *dynamic, systemic, holistic* and *cognitive* cornerstones (Sanchez, 2008) in relation to the concept of *corporate* brand orientation (Balmer, 2013; Urde, 2013). Implicitly in line with Urde's (1999) notion of how brand orientation requires an organisational brand-oriented *mind-set*, the competence-based view introduces the concept of *strategic* logics (Sanchez, 2004) (later discussed as closely related to the notion of *strategic orientations* (e.g. Noble *et al*., 2002). The notion of strategic logics serves as a useful starting point for emphasising how firms may consciously strive to compete on brands by aligning management processes, resources and capabilities around the brand as a competitive platform. This implies that brand orientation, as a strategy for competing on brands as resources, first of all must build on a strategic (brand oriented) logic of the firm. From a competence-based perspective, brand orientation maintains its notion of brands as resources, however, not as *strategic* resources (cf. Barney, 1991). Importantly, the competence-based perspective implies that achieving competitive advantages on the basis of powerful brands is not a matter of mere luck, but rather grounded in a *competitive logic* focused on continuously improving the firm's use of brands as resources in its efforts to develop capabilities supportive of brand identities.

2.2. Corporate brand orientation and the competence-based view

Scholars have so far failed to stand on common grounds as to *which* brand(s) the concept of brand orientation is oriented towards as well as to whether a focus should be placed on organisational behaviours or culture as determinants of firms' degree of brand orientation. Thus, a clarification of the brand orientation concept as it relates to corporate brands is much needed. As noted by Balmer (2013) the concept of brand orientation as outlined by Urde (1994; 1999) holds great potential to be explicitly applied and developed in relation to corporate brands. On that note, and of great relevance to this thesis, recent advances have been made in order to extend the concept of brand orientation into the domain of corporate brand strategies (See the special issue on 'Corporate brand management – A leadership perspective' in Journal of Brand Management, Vol. 20 No. 9 – Chapter 6 contributes to this special issue). In their explicit examinations of corporate brand orientation Balmer (2013) and Urde (2013) flesh out compatible views on a strategic orientation towards corporate brand identities and the elements constituting the corporate brand identity construct, which has been subject to much confusion in the literature (Urde, 2013).

Importantly, the widespread notion that corporate branding implies a broad multiple stakeholder perspective is critical to distinguish between corporate brand orientation, omni-brand orientation (Brïdson and Evans, 2004; Urde, 1994), service or product brand orientations, with the latter being dominated by a customer stakeholder focus (Balmer, 2013). Seeking to brand or market an entire organisation and thus everything the organisation does, stands for, exists of and for, has induced several tenets of corporate branding concerned with management of the multiple identities of the organisation (Balmer, 2008). In order to move towards a definition of *corporate* brand orientation Balmer (2013) draws on the interrelated literatures on corporate branding, corporate marketing and corporate brand identification in which an emphasis is placed on the imperative of managing altogether the various corporate-level elements of corporate identity (Balmer, 2008); corporate brand (Balmer and Greyser, 2003); organisational identity (Albert and Whetten, 1985); total corporate communications (Balmer, 2001a) and the corporate reputation and image (Hatch and Schultz, 2001). Urde (2013) suggests that corporate brand *identity* is formed through a combination of external and internal elements. Presenting his Corporate Brand Identity Matrix (see below Figure 2, page 27), Urde (2013) argues that in brand-oriented firms the: mission and vision (cf. corporate identity), organisational culture and deeply held values and beliefs in the organisation (cf. organisational identity), and competences constitute the primary driving forces informing *inside-out* the corporate brand identity.

In their totality these internal identity elements of the organisation come to constitute a set of core values, which as a meaningful whole summarises the corporate brand identity as a *promise* between the organisation and importantly all its *stakeholders* on what to expect from engaging in a relationship with the corporate brand (Balmer, 2013; Balmer and Gray, 2003; Urde, 2009).

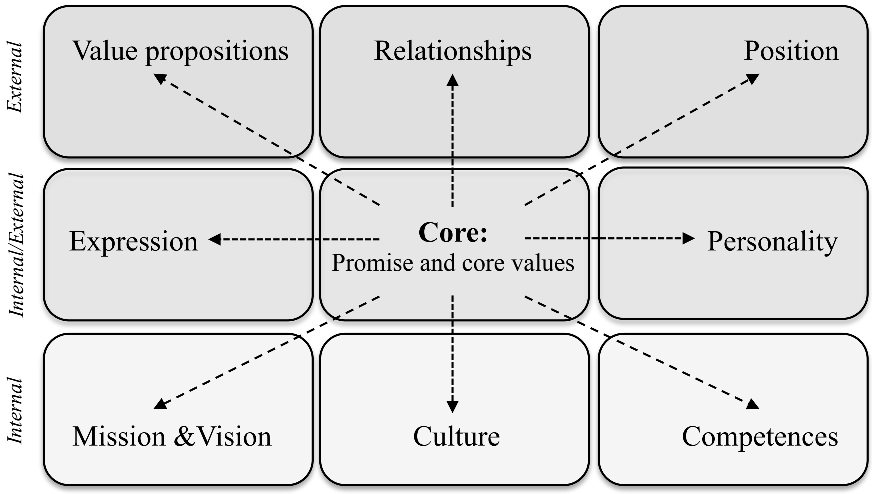

Figure 2: The Corporate Brand Identity Matrix (Adopted from Urde (2013)).

In other words, at the core of the corporate brand identity a promise based on organisational values describes the *essence* of who the organisation is, what it stands for and is capable of (Grant, 1991). This brand core may inform the organisation *outside-in* how to manage external dimensions of the corporate brand identity; how the brand is to be positioned in the market *vis-à-vis* competition; how stakeholders (consumers or other firms) should perceive of the brand's value proposition(s); and, the ways in which such stakeholders may mirror themselves in the corporation to assist them in their own corporate, professional and personal identity projects (Belk, 1988; Helm and Jones, 2010; Kapferer, 2012; Vallaster and von Wallpach, 2013). In order to bridge the internal and external identity elements the corporate brand identity may be further elaborated by providing it with personality traits for how to express the corporate brand identity (cf. total corporate communications). However, Urde (2013) does not elaborate on the processes as to how the corporate brand's identity is expressed through visual identity programs (Olins, 1989) or product designs. This leaves the question of what goes on in the black-box between strategically defined core brand values and promises and the actual organisational processes that (favourably) lead to 'on-brand' expressions? To shed light on this question this thesis empirically examines and suggests ways in which organizational brand expressions become the embodiment of identities across internal and external elements of the corporate brand identity matrix (Urde, 2013). Central to this approach is to examine how design and innovation management processes (See Part 2) as flows of decisions and uses of resources and knowledge are affected by corporate brand identities as management logics; a focus largely absent in the (corporate) brand orientation literature. This gap is examined in Chapters 6, 7 and 8 in which design innovation management business processes, structures and decisions in relation to the focal case companies' corporate brand identities form important units of analysis.

The corporate branding literature takes its departure in marketing thought emphasising consistent *communication* of the corporate brand promise over time and space; *internally* to achieve organisational-wide understanding of and commitment to the corporate brand (Vallaster and de Chernatony, 2006) and *externally* to differentiate the organisations in the market place (e.g. Balmer, 2001b; Balmer and Greyser, 2003). However, while neither neglecting nor reducing the importance of this dominant marketing-communication logic, the main precept of the brand orientation concept stresses that organisations must transcend brand communications and embrace a systemic and introspective orientation towards organisational culture *and* the management decision-making, business processes and structures as an intrinsic part of (corporate) brand management (e.g. Urde, 1999). This focus is grounded in the view that the long-term viability of competing on brands depends on the firm's ability to actually *deliver* on what it promises through its brand communications (Ibid.). Such brand delivery is based on the application of capabilities (Helm & Jones, 2010).

However, whether emphasis is placed on managing total corporate communications or product design and innovation, the literatures unanimously emphasise (corporate) brand identities as centripetal cultural forces that may strategically inform and guide organisational behaviours, decisions, communications, designs *et cetera* (Balmer, 2001a; 2012; 2013; Evans et al., 2012; Urde, 1999; 2003; 2013; Urde et al., 2013)

2.2.1. Alignment of brand orientation to the four cornerstones of the competence-based view

As suggested by Sanchez and Heene (1996; 2004) the competence-based view (henceforth CBV) builds on four cornerstones, which are widely supported in the competence-based literature (Eisenhardt and Martin, 2000; Freiling et al., 2008; Kwee et al., 2008; Teece, 2007).

Firstly, the systemic cornerstone reflects a view that firms' value-creating activities should be approached as a system of interaction between firm strategies, management processes, resources, markets and environmental and competitive contexts.

Secondly, the dynamic cornerstone views the market contexts of firms as ever changing (with rare exceptions).

Thirdly, the holistic cornerstone focuses our attention to the imperative of continuously enhancing firm capabilities to attract and retain the best (firm-subjective) resources in order to support its value-creation strategies and processes.

Lastly, the cognitive cornerstone reminds us of managers' cognitive limitations, which may pose severe issues when confronted by uncertainties of environmental contingencies. Such changes call for management cognitive flexibility in terms of how to design the deployment of firm resources and capabilities to meet changing goals of the firm in relation to the dynamics of the market.

In presenting the following synthesised views of corporate brand orientation and the CBV's four cornerstones explicit references to Chapters 5, 6, 7 and 8 are continuously made to initially highlight contributions of the thesis to the (corporate) brand orientation literature from a competence-based theory perspective.

Systemic view of the firm – Corporate brand orientation emphasises the corporate brand promise and values as a strategic logic, which informs managers on how to interrelate and coordinate firm resources as a capability for effectively deploying its resources for value-creating processes (e.g. product innovation) in support of the corporate brand's core values and promise. This systemic cornerstone of competence-based research is reflected across all three empirical papers of the thesis (Chapters 6, 7 and 8) by emphasising that brands, as any other firm resource, are not capable of creating value on their own, but from a product innovation perspective must be "interrelated and *coordinated* with other resources to achieve coherent processes that are capable of creating and producing successful product for markets." (Sanchez, 2008, p. 43). Thus, with strong ties to the strategic (marketing) management literature, as concerned with resources and capabilities for competitive advantage (Day, 1994), the concept of corporate brand orientation is implicitly promoted as a strategic logic of the firm, which deploys the corporate brand identity as an "…operative rationale for achieving its goals through coordinated deployments of resources and capabilities." (Sanchez, 2008, p. 44).

Dynamic view on markets – Corporate brand orientation emphasises that the management of corporate brands and supporting management decisions and processes must occur in an *on-going interaction* with the market and stakeholders (Jones, 2005; Merz *et al.,* 2009; Urde, 2013). This dynamic management perspective aligns corporate brand orientation to the presumption of the competence perspective that the world of organisations, markets and competition is (usually) ever changing (Eisenhardt and Martin, 2000; Teece, 2007).

This dynamic cornerstone of competence-based research is explicitly reflected in Chapters 5, 6 and 8 in which the role of design and innovation capabilities for coping with rapid changing business environments and markets are discussed as prerequisites for sustaining competitive advantages and strong brands. Chapter 6, for instance, addresses the imperative of resource orientation, which it discusses as a vital component for implementing sustainable strategies; that is, firms must be mindful of the uncertainty of future market conditions and thus the resource availabilities of the firm to counter such uncertainties.

Holistic approach to resource markets – The corporate brand orientation emphasis on applying a multiple stakeholder focus and interaction (Balmer, 2013) aligns to the holistic cornerstone of the competence-based perspective, which holds that firms, in order to build and sustain value creating processes, must seek to attract and retain the best firm-addressable resources (e.g. internal or external stakeholder relationships) and continuously improve its management processes to become more effective in doing so (Sanchez, 2008; Teece, 2007).

This holistic cornerstone, stressing the strategic importance of competing in resource markets to sustain value-creating processes, forms the central topic of Chapter 7. This chapter explores how firm managers, informed by their corporate brand identities as a strategic logic for guiding processes around product designs, approach their interaction and attraction of firm-addressable external designers in the local and global design communities (i.e. resource markets). Thus, aligned to the CBV's interest in understanding the effectiveness of different strategic logics in accessing, coordinating and focusing attention on available and useful value creation resources, this chapter provides insights into these matters from a strategic brand logic perspective.

Cognitive limitations of managers – Corporate brand orientation reflects an organisational culturally embedded mind-set (Urde *et al*., 2013), which implies the protection of the corporate brand identity as a dominant strategic logic with firm managers; vis-à-vis a firm's *operative rationale*. As emphasised by Sanchez and Heene (1996) the CBV takes into account the limitations of human cognitive capacities when faced with novel issues triggered by the dynamic change of markets and competitive interactions and argue that firm competitive advantages are found in their intellectual capacity to deploy the right strategic logic for coordinating resources and create value in relation to achieving their goals in a given competitive context.

This cognitive cornerstone forms the central topic of Chapter 8 in which the strategic logic of corporate brand identity is examined in relation to a market oriented logic in order to explore management processes and use of firm resources within the empirical context of product design and innovation.

The *cognitive* cornerstone forces one to consider a cultural perspective in relation to what organisational decision-makers know and what they want and how these elements unfold with consequences for how firm competitiveness evolves (e.g. Freiling 2004; Freiling *et al*., 2008). In this regard this thesis applies a cultural perspective to understand organisational behaviour and explain flows of decisions pertaining to management processes and the deployment and coordination of firm resources and capabilities for achieving the goals of the organisation. In line with this approach the interrelated cultural and behavioural perspectives on the (corporate) brand orientation concept are discussed while explicating implicit relations to the CBV. As a central supporting theme within the literature on brand orientation, the concept of market orientation is also introduced and discussed as an alternative strategic management perspective with implications for business processes in relation to corporate brands (cf. the cognitive cornerstone of the competence-based view). Lastly, the following section draws on recent theoretical advancements within neo-institutional theory focused on *institutional logics* and introduces a novel compatible approach to develop and conceptualise brand orientation within the confines of the above-discussed four cornerstones of the competence perspective.

2.3. Brand oriented culture and institutional logics

2.3.1. Brand orientation: The cultural perspective

The brand orientation literature only implicitly links organisational culture and strategic logics. Brand orientation is considered as a specific organisational culture that pivots around the (corporate) brand identity as a unique *mind-set* vis-à-vis Sanchez' (2008) notion of strategic logic as a dominant operative rationale: "Brand orientation emphasizes the significance of the brand identity (mission, vision, and values) as a guiding light and hub for organizational culture, behavior, and strategy." (Urde *et al.,* 2013, p. 16). More specifically, a strong brand oriented organisational culture including its sub-cultures (de Chernatony, 2010; Gyrd-Jones *et al.,* 2013; Kornberger, 2010; Schroeder and Salzer-Mörling, 2006) is strongly rooted in collectively shared attitudes, core beliefs and values (Hatch and Schultz, 2001). Protecting the meaning of the corporate brand is a critical means to ensure the organisation's long-term survival (Urde, 1994; 1999; Urde *et al*., 2013). As described elsewhere (Baumgarth, 2009; Brïdson and Evans, 2004) brand orientation is viewed as an organizational-wide culture that values the theory and practice of branding. In a quite similar vein, brand orientation has also been referred to as an organisational-wide philosophy embracing the logic of the organisation as a brand (Hankinson, 2001b, 2002; Ewing and Napoli, 2005; Evans et al, 2012).

2.3.2. Brand orientation: The behavioural perspective and dominant management logics

Brand orientation, viewed as a strategic (culturally embedded) logic, provides an operative rationale consistent with the systemic cornerstone of the CBV. If systematically deployed this brand oriented logic forms a strategic platform for guidance and direction in coordinating and aligning decisions, business processes, use of resources (i.e. behaviours) to the brand identity (Gromark and Melin, 2011; Urde 1999; Wong and Merrilees, 2007), which ultimately result in strong brand-supporting capabilities (Ewing and Napoli, 2005). With their tripartite 'CVI'-model Hatch and Schultz (e.g. 2001) suggest placing a similar importance on the interplay between brand culture and behaviours as they advocate the management imperatives of aligning the corporate culture (C) to the corporate vision (V) and stakeholder images (I) in order to consistently deliver on the promise of the brand and thus preserve a trustworthy brand ethos of the organisation. Thus, from a behavioural perspective, brand orientation implies a distinctive *modus operandi* guided by the brand. In this respect, the notion of 'living the brand' (de Chernatony, 2010; Ind, 2003) is closely tied to the behavioural perspective on brand orientation by emphasising the crucial role of having employees enacting the strategic intent of the firm as informed by the brand identity in their everyday practices. A key argument for firm competiveness in this 'brand enactment' literature is that strong brand-stakeholder relationships may be build via a mutual appraisal of the brand's values (de Chernatony, 2002).

Corporate brand orientation implies an integrative cultural and behavioural approach of which the latter perspective arguably represents a cornerstone of the concept, which in turn aligns it to the CBV. This distinctive feature of brand orientation is firmly rooted in the strategic management literature on organisational strategic orientations; essentially concerned with categorising and describing the organisational values and priorities affecting specific strategies and tactics (Noble *et al*., 2002) vis-à-vis the notion of strategic logics. Compatible to the CBV's systemic view of the firm, as adopted in this thesis for examining corporate brand orientation in empirical settings, strategic orientation is defined as:

> "…the dimension of organizational culture that provides the organization's values and priorities in interactions with its marketplace - both customers and competitors - and influences more specific strategies and tactics. The notion of strategic orientation is thus based on the belief that there is a deep, culture- driven characteristic of an organization that influences both the internal processes of that organization as related to marketing and strategic thinking and the strategies that emerge from that organization. Competitive culture should be primarily influenced by long-term management perspectives on the keys to competitive advantage and success in the firm's environment." (Ibid., p. 27).

Concluding this subsection, the concept of brand orientation may thus be considered a specific organisational competitive culture and interrelated strategic logic (Urde et al., 2013) influencing organisational strategizing, management decision-making in relation to business processes, use of resources and development of distinctive capabilities.

2.3.3. Balancing brand management perspectives: The strategic logic of market orientation

Corporate brand orientation implies an inside-out approach to brand management (Urde, 1999; 2013), which stands in stark contrast to the market orientation concept (e.g. Kohli and Jaworski, 1990; Narver and Slater, 1990). Similar to brand orientation, the concept of market orientation is conceptualised as a distinct organisational culture (Deshpande and Webster, 1989) and an associated set of behaviours (Kohli and Jaworski, 1990; Narver and Slater, 1990). The concept suggests that competitive advantages and long-term profitability are achieved by orienting business processes, resources and capabilities partly around countering strategies of the competition (i.e. *competitor orientation*) and partly on satisfying the ever shifting needs and wants of all customer segments (i.e. *customer orientation*). Thus, whereas brand orientation holds that the protection and integrity of brand identity should be the guiding beacon for managing brands and its supporting capabilities, the kernel of market orientation implies for brand management an *outside-in* capabilities focus (e.g. Day, 1994) on nurturing favourable customer/consumer *images* by deploying brands to satisfy their every needs and wants (Urde, 1999).

Importantly, brand orientation does not reject the customer orientation precept of market orientation. Firms are indeed to be mindful of customers' needs and wants and strive to fulfil such market demands. However, honouring the idiosyncrasies of the corporate brand identity; the core promise and values that form the basis for unique long-term brand-stakeholder relationships, becomes imperative when competing on corporate brands for long-term competitive advantages: "A person - like a brand - who allows himself to by steered by the opinions of others and who constantly adopts whatever position is most popular does not hold our credibility for long. Always being agreeable and avoiding hard decisions is not a basis for a strong identity - on the contrary." (Urde, 1999, p. 121). Thus, paradoxically, the inherent logic of opportunism, as implied by a market oriented (outside-in) approach to managing brands, may in the pursuit of relevant brand images convey a weak sense of integrity resulting in disappointing, rather than satisfying, prospective or loyal customers of the brand. In the same spirit Keller discusses how brands should avoid the 'death-by-1000-cuts syndrome' as he argues that: "…a decision may be deemed acceptable by some, because even though it may not make good brand sense or enhance brand equity, it is seen as only potentially detracting or taking away from brand equity a little. Over time, however, a repeated number of those seemingly safe decisions can add up, and the brand can suffer significant damage as a whole." (Keller quoted in Parameswaran, 2012). Thus, serving customers' needs and wants must take place within the boundaries of the brand identity: "The internal aspect of the brand – the organization – is seen as vital in the brand-building process. The perspective is from the inside out, while the needs and wants of consumers are recognized, the integrity of the brand is paramount." (Urde *et al.,* 2013, p. 16). Thus, as an important caveat for managing corporate brands as resources, a market oriented culture and behaviour may if too dominant in an organisation pose a long-term threat to the development and sustainment of brand as a viable platform or hub for sustainable growth: "Satisfaction of customer needs and wants: this is what the principle of market orientation very successfully maintains. However, when that becomes a mantra, the brand may morph into an unconditional response to customer needs and wants, thereby creating difficulties for the consistency and management of brands. In contrast to market orientation, it is possible to see the brand as a resource and a strategic hub of the company." (Urde *et al.,* 2013, p. 14).

Aligning brand images to the market and significant shifts in customers' preferences may pose a viable solution short-term while arguably colliding with the long-term viability of brands as resources for implementing value creation strategies. A paradox of embracing market orientation to satisfy shareholders' short-term demands thus presents itself in the context of implementing brand oriented strategies for long-term competitiveness and profitability. As vividly put by Schultz and Hatch (2006) the paradox of navigating brand management processes from an *inside-out* identity-driven (i.e. brand oriented) and outside-in image-driven (i.e. market oriented) approach entails a difficult balancing act between having the organisation conveying either the unfortunate traits of a an 'arrogant bastard' (cf. identity-orientation) or 'headless chicken' (cf. market-orientation) (p. 26).

Indeed this paradox or balancing act between identity and market has spawned much debate in the extant brand orientation literature (Urde, 1999; Urde *et al.,* 2013), which pertaining to the present thesis' portfolio of papers accounts for a pivotal point of departure for much discussion.

Recently, however, this apparent dichotomy of the inside-out brand oriented approach and the outside-in market oriented approach has been subject to a revision by Urde *et al* (2013) proposing that firms may advantageously embrace hybrid strategic orientations; that is, balancing market demands with the protection of the brand long term by cultivating "…the ability to maintain sound business without violating the brand core identity." (Ibid., p. 19). However, research integrating this seemingly contradicting, yet more pragmatic, approach to brand management processes remains empirically unexplored as to how such hybrid strategic orientations are approached by organisational decision-makers and with what consequences to the coordination of resources and development of capabilities. Chapter 8 specifically addresses how brand orientation and market orientation as co-existing *institutional logics* in organisations manifest themselves in relation to flows of decisions and coordination and allocation of firm resources in relation to firm product design and innovation capabilities.

In the following subsection brand and market logics are discussed in relation to an institutional logics perspective. This subsection focuses on sense and decision-making in relation to the coordination and allocation of firm resources. Importantly, applying this institutional logics perspective and associated theoretical foundations allows for developing theory on firm co-existence of brand and market oriented (strategic) logics with regards to how they relate to and affect firm capabilities with consideration to the CBV's four cornerstones (cf. section 2.2.1.).

2.3.4. Brand and market logics: An institutional logics perspective

Corporate brand identity, as defined by firm management, may be influenced by either an inside-out or outside-in approach or in the schism between these two brand management paradigms (Urde *et al.*, 2013). Reflecting this relaxed and arguably more pragmatic approach to the superiority of brand orientation vis-à-vis other strategic orientations (logics) Balmer (2013) notes that: "Whereas a centripetal perspective informs the corporate brand orientation perspective – where the corporate brand serves as an organisation's key touch-point – some organisations are likely to have a *centrifugal* corporate branding approach. In this instance, a corporate brand is viewed as one of several, albeit significant, organisational imperatives." (Italics added, p. 724.). Consistent with competence-based theory, firms are inclined to devise quite varied and even competing strategic logics for directing and coordinating resources and capabilities to build or sustain firms' value creating processes pertaining to possibly various strategic goals in relation to their competitive context(s) (Sanchez, 2008). This being said, the ability of firms to freely exercise such desirable strategic flexibility (Ibid.) and master to devise new or shift between an array of existing strategic logics should be approached with great caution. Reflecting this concern, the CBV includes the dynamic and cognitive cornerstones pointing our attention to the limitations of human cognitive capacities for navigating between the most suitable strategic logics as the dynamics of the competitive context(s) derive both change and uncertainty. However, despite the acknowledgement of organisational actors' cognitive limitations, the CBV remains largely impotent in its account of cultural perspectives on organisational sensemaking and decision-making pertaining to strategic logics and their effect on management processes for value creation. Drawing on perspectives from institutional theory provides some useful supporting reflections to overcome this deficiency of the CBV's largely culturally sterile framework.

From an institutional perspective strategic orientations or logics may over time come to take shape of *institutional logics* if or when they become so strongly embedded in the organisational culture that they may begin to determine organisational behaviour. For example, Balmer (2013) suggests that a dominant orientation towards corporate brand identities refers to: "…a category of institution where the corporate brand specifically acts as an entity's cornerstone. It is a centripetal force that informs and guides the organisation. As such, both inherent and espoused corporate brand values/the corporate brand covenant underpins an organisation's core philosophy and culture. It is also reflected in an entity's purposes, activities and ethos (its corporate identity)." (pp. 733-734). However, while Balmer (2013) discreetly relates to institutional theory, as he arguably points to how core philosophies and cultures of organisations form macro-structures (institutions) that shape organisational behaviour (cf. DiMaggio and Powell, 1983), this institutional theory perspective remains mostly implicit and underdeveloped in the brand orientation literature. For example, if firms are dominated by a brand logic, as a centripetal organisational philosophy or constraining cultural force, does this imply no room for human action influenced by other institutional logics and secondly, if that is not the case, how would this play out in organisations? With reference to the work undertaken in Chapter 8, the notion that brand orientation may exist as one amongst other organisational strategic logic opens up for new possibilities for examining the suggested synergies between brand orientation and market orientation as co-existing *centrifugal* rather that centripetal strategic forces (cf.

Balmer, 2013). In relation to how design and innovation management processes are approached, resources deployed and capabilities developed, Chapter 8 draws on recent developments in neo-institutional theory termed the institutional logics perspective (Thornton *et al.,* 2012). The institutional logics perspective is compatible with the conceptualizations of the market and brand orientation concepts in that these may be explored as simultaneously contradicting and co-existing institutional logics within organisations. From such an institutional logics perspective, brand and market orientation may be described as respectively concerned with different rationalities and meanings in organisations related to the imperatives of long-term competitiveness and profitability. Compatible with the supporting and interrelated themes of the brand orientation concept: symbolic interactionism (Blumer, 1969), sense making (Weick, 1995), and the notion of dominant logics affecting attention and decision making (Prahalad and Bettis, 1986), Thornton and Ocasio (2008) define institutional logics as "…the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organizations provide meaning to their daily activity, organize time and space, and provide meaning to social reality." (p. 101). Thus, as a key principle of the institutional logics perspective, with implications for empirical inquiries on the interplay between brand and market oriented logics, researchers need to consider both the cultural-symbolic-based and material-practice-based aspects of institutional logics. Importantly, these two perspectives reflect one another in the sense that cultural symbols organise practices, which in turn leaves observed practices to reflect organisational assumptions, values and belief as cultural symbols.

Importantly, the institutional logics perspective presents a roadmap for examining the envisioned benefits of managing brands as synergistically informed by organisational brand *and* market orientation (cf. Urde *et* al., 2013) as macro-level organisational structures affecting organisational sensemaking and decision-making through the schemas, identities and strategic goals they each represent; that is, the content and meaning of institutional logics to individuals embedded in them (Thornton and Ocasio, 2008). While acknowledging the constraining effect of institutional (brand or market) logics as associated with notion of embedded agency (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), the institutional logics perspective provides a complex framework for explaining how the co-existence of logics in organisations may not only constrain behaviour, but also provide opportunities for coping with dynamic change in organisations' environments (Thornton *et al.,* 2012). Importantly, this institutional logics framework thus supports analytical work on exploring firms' abilities to comply with environmental changes, and accordingly adapt existing system designs of logics, management processes, resources and capabilities; a central concern within the CBV (Sanchez, 2008; Teece *et al.,* 1997; Teece, 2007). By applying this integrative cross-level analytical approach as suggested by Thornton *et al* (2013) Chapter 8 presents new insights and contributions to the brand orientation literature from a competence-based perspective by examining how brand *and* market orientation as institutional logics (macro-level of analysis) shape organisational agency (micro-level of analysis).

In the following section, reflecting the systemic cornerstone of the CBV, key theoretical foundations of organisational decision-making theory are discussed reflecting the general concern of this thesis for exploring relationships between corporate brands as logics and the management processes and decisions on the use of firm resources and capability structures for fulfilling strategic goals of the firm.

2.4. Organisational sense and decision making: Implications for brand oriented management processes, resources, and capabilities

2.4.1. Perspectives on resources and capabilities for brand competitiveness

The competence-based view places an emphasis on firm capabilities needed to achieve or sustain competitive advantages (Collis 1994; Collins and Montgomery, 1995; Day, 1994, 2000; Eisenhardt and Martin, 2000). Also referred to as firm core competencies (Prahalad & Hamel, 1990) the concept of firm capabilities has received much attention in the strategic management literature with an abundance of definitions provided pivoting around the characteristics of firm routines. Winter (2000) for example defines an organizational capability as "(…) a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type." (p. 983) In the same spirit, Sanchez (2008) describes capabilities as "(…) repeatable patterns of action that are created through a firm's management processes for coordinating its resources in processes for value creation." (p. 46) whereas Collis (1994) explains capabilities as the "(…) socially complex routines that determine the efficiency with which firms physically transform inputs into outputs." (p. 145).

Key to the proposition of the CBV that idiosyncratic organizational capabilities can meet the conditions for explaining sustained competitive advantage has led to an increased focus on organizational learning (Pisano, 1994; Winter, 2000). As noted by Pisano (1994): "Without learning, it is difficult to imagine from where a firm's unique skills and competencies would come". (p. 86). According to Pisano (Ibid.), discussing the organizational capability of new product development, valuable organisational learning may stem from learning-by-doing as associated with the learning curve (e.g. Hirschman, 1964), which is often triggered by perceived discrepancies between the outputs of existing routines and the desired outputs. However, firms may also engage in *learning-before-doing*; that is, deciding to engage in re-shaping routines ahead of for instance the actual production process (Pisano, 1984) as exemplified by firms proactively seeking to design product or service solutions to meet future customer demands (e.g. Clark and Fujimoto, 1991). Embracing this central aspect of learning, Day (1994) defines capabilities as "(…) complex bundles of skills and knowledge, exercised through organizational processes, that enable firms to coordinate their activities, to make use of their assets, and to continuously learn and improve" (p. 38). Learning capabilities are thus stressed as sources of sustained competitive advantages, which entail strong (outside-in) market sensing capabilities of "(…) anticipating market requirements ahead of competitors [market sensing] and creating durable relationships with customers [customer linking]." (Ibid., p. 41). Day suggests that such market intelligence should then be bridged with internal *inside-out* capabilities (e.g. manufacturing processes) through *spanning* capabilities; for example, new business model innovations or product design innovations.

Inherent in Day's (Ibid.) definition of capabilities is the imperative of *continuity,* which is central to the proposed *dynamic* capabilities perspective (Eisenhardt and Martin, 2000; Teece *et al.,* 1997; Teece, 1998; Teece, 2007). Simply possessing 'hard-to-imitate capabilities,' such as highly idiosyncratic new product development processes, will not suffice as sources of sustained competitive advantages for firms operating in highly innovative, globalized and rapid evolving markets (Eisenhardt and Martin, 2000; Prahalad and Hamel, 1990; Sanchez, 2008; Teece *et al.,* 1997; Teece, 1998; Teece, 2007). In such contexts hard-to-imitate *dynamic* capabilities are suggested a more viable source of sustained competitive advantage (Eisenhardt & Martin, 2000; Teece *et al.,* 1997; Teece, 2007). As proposed by Teece (2007) dynamic capabilities broadly cover the organizational processes and routines that allow firms to: *sense* the business environment in search of new technologies and market opportunities; *seize* opportunities presenting themselves more rapidly than competition; and, whenever needed *reconfigure* the organizational resources in order to stay capable of (semi-) continuously implementing new value creating and market shaping strategies (Schumpeter, 1934).

Pertaining to the case of Bang & Olufsen (Chapters 6 and 8), operating in a business context of rapidly evolving technologies, designs and consumer preferences, market oriented strategies linked to exploitative learning capabilities; defined as learning through processes of "…refinement, choice, production, efficiency, selection, implementation, execution." (March, 1991, p. 71), will not likely result in any market shaping innovation capabilities. Such exploitative learning is vital to firm efficiency, however, as elaborated in part two of this chapter, this must be balanced with explorative strategies for learning, which entail processes related to "…search, variation, risk taking, experimentation, play, flexibility, discovery, innovation." (Ibid.).

From both a short-term sales performance perspective and long-term brand building perspective, such dynamic innovation capabilities may be regarded as vital fuel for keeping the brand-engine running; as briefly discussed in the Introduction with the illustrative cases of Apple and NOKIA. Closely related to Porter's (1996) imperative of differentiating between strategy and operational effectiveness for long-term firm performance, the survival of brands in such dynamic environments cannot rely on replicating and refining its routines – the technical dimension of firm capabilities (cf. March's (1991) exploitative learning) – but must ensure the cultivation of *higher-order* (Collis, 1994) or *evolutionary* (Teece, 2007) dynamic capabilities: "Technical fitness is defined by how effectively a capability performs its function, regardless of how well the capability enables a firm to make a living.

Evolutionary or external fitness refers to how well the capability enables a firm to make a living." (Teece, 2007, p. 1321).

Although Day, as a rare exception within the competence-based literature, briefly notes brand equity as a firm asset this perspective on brands as assets or more importantly as resources does not preoccupy his work. Thus, questions as to how brand oriented logics influence firms' ability to coordinate, use resources (e.g. the brand), learn and improve its business development or product innovation processes and capabilities for pursuing new market opportunities are left largely unanswered in favour of a market orientation focus on organizational decision-making, information and knowledge flows and business processes (e.g. Kohli and Jaworski 1990).

Contributing to this gap in the brand orientation literature Chapter 5 conceptually develops three propositions as to how dynamic *evolutionary* (radical) product innovation capabilities may be implemented. As suggested here, this may be achieved by implementing concept design processes within design strategies aimed at radical product innovation of meanings (Verganti, 2009) entailing the routines of design analysis, synthesis and prototyping as a practice of evaluating concept designs. To carry out such routines the values and visions pertaining to product designs (brand logic implied) form essential components for developing and implementing such radical innovation capabilities concerned with directing explorative (cf. March, 1991) or proactive learning processes (cf. Pisano, 1994). These perspectives on brand logic (and market logic) in relation to product design innovation capabilities are then further developed and empirically examined in the following Chapters 6, 7 and 8 (paper 2, 3 and 4) – elaborated in Chapter 3 as conclusions are made concerning the respective contributions of each paper.

Although not explicated in the extant literature, the brand orientation concept may from the above discussions be conceptually delineated as a distinct organisational *capability* by linking into the notion that sustained competitive advantages are achieved by *mentally* connecting to the (corporate) brand identity (i.e. strategic logic) for guidance and direction pertaining to management processes, decision-making and use of resources (e.g. Urde, 1999). However, engaging in such a discussion of how corporate brands may relate to firm capabilities from a competence-based perspective implies a symbolic interactionist perspective (e.g. Blumer, 1969), which in the following subsection is explicated as a supporting theoretical foundation for examining and explaining management processes from the theoretical lens of (corporate) brand orientation.

2.4.2. Brand logics and meaning for sense and decision making

In this subsection perspectives are provided for synthesising capabilities and brand orientation as a strategic logic. The notion of a brand oriented firm implies that its routines for bringing about a given output (i.e. any given capability) is informed by meanings linked to corporate brand identity elements as 'implementing input flows' (cf. Winter, 2000), which managers make use of in their decision making for coordinating firm resources and structuring business processes. In other words, managers operate from a distinct set of decision options (cf. Collis, 1994) that are aligned to the focal (corporate) brand identity.

Organizational learning processes, which may result in new or improved capabilities, are often triggered when management perceive a need to accommodate either sudden or emergent problems (Pisano, 1994). From a brand-marketing perspective such problems or issues may present themselves from systematized market sensing (e.g. Day, 1994) as for instance poor customer loyalty, unmet customer needs, or simply declining performances. However, decisions made with respect to implementing new routines or reshaping existing ones (for which new knowledge or learning may be needed) will depend on where and what kind of information managers search for *and* how they *make sense* of such streams of information (Tollin and Jones, 2009; Weick, 1995). Such processes of sensemaking and decision-making are widely described as influenced by mind-sets, mental models, cognitive schemas or *logics* (Prahalad and Bettis, 1986) as expressions of strong belief systems, values and assumptions that organisational decision-makers carry with them (Tollin and Jones, 2009). Such logics may pertain to outside-in logics (e.g. a mental image of customer needs) as well as inside-out logics (e.g. an understanding of the firm competitive strategy) (Karp, 2005). Strongly linked to organisational cultures and social identities (Weick *et al.,* 2005) (e.g. a professional identity as a designer or marketer) certain logics may *dominate* managers' decision-making processes (Bettis and Prahalad, 1995; Bettis and Wong, 2003; Prahalad and Bettis, 1986; Day, 1994; Senge, 1990; Tollin and Jones, 2009). Importantly, given the cognitive limitations of individuals (March and Olsen, 1976; Ocasio, 1997; Sanchez, 2008), such logics (also referred to as cognitive heuristics) influence what stimuli managers expose themselves to, what issues they ascribe importance to, how they make sense of them, take action, and evaluate the efficacy of their decisions and solutions (Tollin and Jones, 2009).

With regards to brand (culture) oriented organisations these perspectives thus imply that brand orientation is manifested in organisations through decisions that are grounded in dominant *brand (oriented) logics.* Such brand logics will pivot around the stewardship of the corporate brand identity as a distinctive "(…) way in which managers [in a firm] conceptualize the business and make critical resource allocations decisions…" (Prahalad and Bettis, 1986, p. 490). Thus, binding together the cultural and behavioural perspectives of brand orientation (Evans *et al.,* 2012), these perspectives on logics may help to explain why "…the way of [mentally] relating to brands and the organization's brand competence are 'prerequisites of brand development'." (Parentheses added, Urde *et al.,* 2013, p 15). Examining how brand orientation as linked to dominant logics influence managers' interpretation systems and their sensemaking and decision-making pose great potential for broadening our understanding of how brand oriented strategies or capabilities are implemented across organisations through decisions that aim to align resource allocations, business processes, and structures around the development and protection of the corporate brand identity (Urde, 1999).

The chapter's part 2 extends the suggested competence-based view on corporate brand orientation as advanced in part 1 into the strategic management domain of design and innovation in order to explicate how brand oriented logics may affect innovation strategies and capabilities aimed at expressing corporate brand identities through product design semantics.

Part II:

Brand-based innovation: A Competence-based View on Corporate Brand Logics and Design Innovation Capabilities

2.5. Brand oriented perspectives on managing design innovation capabilities

2.5.1. Innovation strategies, objectives and outcomes

Managing innovation, defined in a broad sense as managing processes concerned with change (Tidd *et al*., 2001), is viewed as central to all organisations' long-term survival (Jelinek and Schoonhoven, 1993; Morone, 1993). Such change processes may be incremental (stepwise or moderate) or more radical (significant or even transformational) in nature (Le Masson *et al.,* 2010; Tidd *et al*., 2001). Whilst incremental innovation is broadly understood as dealing with projects whose objectives are well understood by the firm (Le Masson *et al.,* 2010; O'connor, 2008) radical innovation is defined as concerned with: "…projects whose objectives are to create new to the world offerings (…) distinguished not only by the promise of reward they offer, which is not only large in scope and strategically important to the corporation in terms of organizational renewal, but also by the risk and uncertainty that accompanies their potential outcome." (O'Connor and McDermott, 2004, p. 11). As noted by Christensen and Raynor (2003) such types of innovations may even disrupt industry dynamics (Schumpeter, 1934) resulting in competitors' existing business models or resources becoming obsolete and incapable of future value creation. Such radical innovations are often triggered by breakthroughs in technology and new uses (or recombination) of existing technologies (Teece, 2007). However, in line with this thesis' focus on design and innovation, such breakthroughs may also stem from novel uses of materials and other design elements that radically change the meanings of products; a strategy coined by Verganti (2008; 2009) as *design-driven innovation*.

Radical innovation refers to innovation strategies and objectives that first and foremost aim to transcend incremental change. Pragmatic terms such as 'semi-radical' or 'really new innovations' (Garcia and Calantone, 2002) correlate to the meaning of its use here. This thesis' use of the 'radical' prefix does not imply aiming for major *game changing* or *market disruptive* innovation outcomes on a macro (industry) level (O'Connor and McDermott, 2004) as for example the disruptive effect of Apple's iTunes on the music industry in the early 00's, but should be viewed from a micro (firm) perspective as dealing with innovation objectives that include degrees of uncertainty pertaining to market acceptance and management processes (Ibid.). A common denominator for the innovation objectives characterising the empirical innovation management contexts of this thesis (Chapters 6, 7 and 8) is that the strategic focus on innovation is directed towards *driving* markets (Beverland *et al*., 2010). Thus, it should be made clear that process outcomes and their actual degrees of being 'radical' from a consumer/customer or industry viewpoint is not a prime concern of this thesis' analytical focus. Rather, focus is placed on examining, from a corporate brand orientation perspective, how product innovation capabilities unfold in organisations when innovation objectives are aimed at driving markets. In other words, what role does brand logics play when innovation processes transcend the comfortable constraints of adapting to the market as associated with incremental product innovation (e.g. Verganti, 2009).

In the broadest sense innovation may pertain to just about anything than a firm wishes to improve on. Firms may for instance engage in process innovations for enhancing manufacturing efficiencies (i.e. enhance the technical fitness of firm capabilities, cf. Teece, 2007) or as the focus of this thesis, they may focus on enhancing and implementing more *effective* ways of safeguarding future customer value creation through *market-driving product innovation capabilities* (i.e. enhance the evolutionary fitness of firm capabilities, cf. Teece, 2007). Such market-driving innovation strategies and objectives are concerned with value creation through changes that make a difference in the market by bringing wholly new benefits to firm stakeholders and enhancing the competitive position of the firm (Jaworski *et al,* 2000, p. 45).

2.5.2. Strategic alignments of innovation and brand strategies

Beverland *et al* (2010) suggest that as corporate brands differ in their positioning strategies so should the deployment of innovation efforts to achieve strategic fit. In this rare treatment of the interplay between brands and innovation Beverland *et al* (Ibid.) argue at a descriptive level that integrated brand and innovation success will depend on achieving a strong and continuous fit between the attributes of new innovation outcomes and what consumers or stakeholders expect from the brand – this will increase the innovation success rate and as a spill over effect build brand equity (Ibid.; Kapferer, 2012). Thus, alignment of innovation processes and corporate brand strategies becomes crucial to building and sustaining competitive advantages from a competence-based view on corporate brand orientation.

Beverland *et al* (2010) describe four archetypes of (corporate) brand identities; *follower*, *category leader*, *craft-designer led*, and *product leader* brands. Although insights into management processes are largely absent in this work these descriptive categorisations provide helpful perspectives on how brand and market oriented logics relate to innovation capabilities for supporting different (corporate) brand identities. Importantly, these proposed perspectives serve to support the theoretical sampling (see Chapter 4) of the cases studied in Chapters 6, 7 and 8 with regards to the thesis' research agenda of examining brand orientation as a strategic logic from a systemic view on the firm focused on management processes, resources and capabilities related to market-driving product design and innovation.

Beverland *et al* (Ibid.) identify two (corporate) brand strategies fit to *market-driven* innovation efforts for which market logics as discussed in the above dominate:

- Market logic (competitor orientation): Organisations deploying *follower* brand positioning strategies are characterised by a dominant market logic focused outside-in on offering products at a lower price point than competition for customer value creation. Innovation efforts are thus focused on incremental updates of existing products by benchmarking innovation efforts up against leading competitors.
- Market logic (customer orientation): Organisations deploying *category leader* brand positioning strategies are also characterised by a dominant market logic, but focused outside-in on radical innovations driven by explorative practices of serving consumers' unmet needs for customer value creation (i.e. user/consumer-oriented innovation; e.g. Veryzer and Borja de Mozota, 2005).

From a brand orientation perspective, pursuing such follower or category leadership innovation strategies imply that outside-in market oriented logics (reflected in practices of competitive and customer intelligence) strategically inform the (corporate) brand identity and importantly how to express it through innovation rather than the organisation itself; this arguably reduces brands' innovation outputs to mere *unconditional* responses to the market. From a brand orientation perspective, (reactive) market-driven innovation strategies will thus be focused on nurturing brand images (Urde 1999; 2013; Urde *et al.,* 2013) and will heavily depend on outside-in capabilities (cf. Day, 1994).

Beverland *et al* (2010) also identify two (corporate) brand strategies fit to *market-driving* innovation efforts for which two variants of brand logics arguably dominate:

- Brand logic (brand values and heritage orientation): Organisations deploying *craft-designer led* brand positioning strategies are characterised by a dominant brand logic. They are focused on incrementally innovating new products in support of their craft tradition for maintaining brand status. Such brands take an inside-out focus on innovation with the main objective to build on their heritages of high quality and timeless designs as the main reference points (cf. Urde *et al.*, 2007); deploying these identity elements as drivers of customer value creation through a strong maintenance of the brands' authenticity (Beverland, 2005; Holt, 2004).
- Brand logic (brand vision orientation): Organisations deploying *product leadership* brand positioning strategies are characterised by a dominant brand logic. They are focused on radically innovating products by means of relying inside-out on pushing 'big ideas' or visions onto the market (market-driving) for customer value creation; driven by explorative practices of envisioning new-to-the-world products based on new technologies, materials and combinations hereof.

Importantly, these organisations, whether brand heritage or vision-oriented, hold strong beliefs of downplaying competitive and customer intelligence in favour of finding impetus for innovation efforts in the core values and visions of the organisation. Thus, from a brand orientation perspective pursuing innovation strategies resembling the craft-designer led or product leadership categories imply inside-out innovation capabilities driven by firm strategic intent, culture, and organisational identity for how to manage and evolve the (corporate) brand identity through (product) innovations expressing the brand identity and conveying its intended meaning(s) (Urde, 2013).

Applying the case of Bang & Olufsen in Chapter 6 and 8 novel insights are provided into how brand oriented logics grounded in brand (design) values of heritage and visions impact on innovation strategies and implementation. In Chapter 8 such brand oriented logics are examined in relation to change in product innovation routines (practices) in interaction with elements of market logics. In Chapter 7 the thesis expands on insights from Beverland *et al* (2010) by exploring multiple corporate brands focusing their innovation efforts inside-out in *collaboration* with external designers as a strategy for driving markets.

In the following subsection theoretical perspectives are provided on collaborative (radical) innovation capabilities in relation to corporate brand identities; capabilities compatible to the competence-based view on firm competitiveness.

2.5.3. Managing brands and collaborative innovation strategies

Approaching product innovation as a collaborative process with external stakeholders as suppliers of creative capital is a central theme within the theoretical framework of design-driven innovation (Verganti, 2006, 2008, 2009). As a theoretical foundation of this thesis the design-driven innovation framework builds on insights from the literature on *open innovation* (e.g. Chesbrough, 2003) as it emphasises the capability of firms in sensing the local and global design communities to the end of establishing valuable relationships with external stakeholders. In line with the notion of institutional constraints on human cognitive capacities and agency, design-driven innovation builds on the logic that external stakeholders (not being embedded in the culture/institutional logics of the organisation) will be more capable than in-house designers in providing the firm with insightful interpretations of burgeoning consumer and cultural trends and/or unique design skills and visions (e.g. new design languages) capable of generating radically new value creating product meanings (Dell' Era and Verganti, 2010; Verganti, 2009). Compatible with the CBV's holistic cornerstone of "…continuously competing in resource markets to attract the best available 'firm-addressable resources' to a firm's value-creation processes (…)" (Sanchez, 2008, p. 44), it is argued that firms excelling in establishing strong relationships with such external (design) stakeholders, by virtue of such creative 'relational resources', may achieve competitive advantages over competitors (Verganti, 2009). The effectiveness of such collaborative innovation capabilities will then depend on the firm's ability to attract the right stakeholders in relation to the competitive and strategic context of the firm. In this respect, powerful relationships with key stakeholders may be viewed as key resources for continuously implementing value creating radical innovation capabilities. Thus, whereas the mainstream literature on radical innovation is often equated to radical *technology-driven* innovation (Verganti, 2009) "…design-driven innovation foresees the proposal of new meanings able to modify the current scenario (Dell'Era and Verganti, 2009, p. 873). Although such radical meanings may be partly facilitated by pushing new technology onto the market the focus here is on providing consumers with radically new emotional and hedonic benefits (Verganti, 2006; 2008; 2009). This approach to product design reflects the thesis' empirical focus on innovation value creation in relation to strategic logics (an exception is made with technological aspects of radical innovation forming part of the case study analysis undertaken in Chapter 6). Examined in relation to corporate brand identities as competitive logics this collaborative approach to product design innovation is a central theme in Chapter 7 and 8. These chapters respectively investigate such collaborative strategies from the perspective of the firm and the supplier; Chapter 7 from the view of firms in demand of stakeholders' creative capital and design visions and Chapter 8 from the view of Bang & Olufsen as a supplier of creative design capital and design visions to its customers in the automotive industry.

In relation to the Bang & Olufsen case study, it is found that radical (market-driving) innovation of meanings provided the brand with first-mover advantages (Kim and Mauborgne, 2005) and reinforced the corporate brand with connotations of originality and authenticity as an industry (design) pioneer (cf. Beverland, 2005; Verganti, 2009). Thus, design-driven innovation is concerned with exploration and the evolutionary, rather than technical, fitness of firm innovation capabilities (cf. Teece, 2007). In accordance with the findings of Beverland *et al's* (2010) organisational characteristics of craft-designer led and product leader brands, the design-driven innovation framework builds on a core premise that traditional market research is not sufficient to drive markets as consumers are believed to be largely incapable of articulating their needs, wants and desires beyond the existing socio-cultural models: "If a company tests a breakthrough change in meaning be relying on a typical focus group, people will search for what they already know (…) many accounts of radical innovation in meanings reveal that companies would never have released them to market if they had relied on markets tests." (Verganti, 2009, p. 49). Importantly, this approach to innovation implies that firms must find ways to drive their processes and make decisions by other means than relying on market data (e.g. Martin, 2009; Verganti, 2009). This view on the market's limited role in driving radical innovation – widely supported in the design and innovation literature (e.g. Heskett, 2002; Le Masson *et al.,* 2010; Martin, 2009) – thus somewhat contradicts Beverland *et al's* (2010) description of how market-driven innovation strategies may result in radical outcomes offering wholly new benefits to the consumer. This, for instance, they exemplify by the questionable case of a category leader brand, which used customer insights to develop 'radical' new variants of the kiwi fruit better suited to consumers' needs and desires (Ibid., p. 39).

This thesis' focus on market-driving innovation builds on the notion of markets as socially constructed (e.g. Prahalad and Ramaswamy, 2000); that is, markets are not given a priori vis-à-vis Porter's (1980) environmental strategic approach: "Design-driven innovation is not an answer to, but a dialogue with and a modification of the market." (Verganti, 2008, p. 442). This corresponds to the CBV's dynamic cornerstone in strategic management theory development (cf. Sanchez, 2008; Teece, 2007). Figure 3 below provides a synthesised illustration of Verganti's (2008; 2009) and Beverland *et al's* (2010) views on different innovation strategies in relation to the corporate brand identity archetypes as proposed by Beverland *et al* (Ibid.).

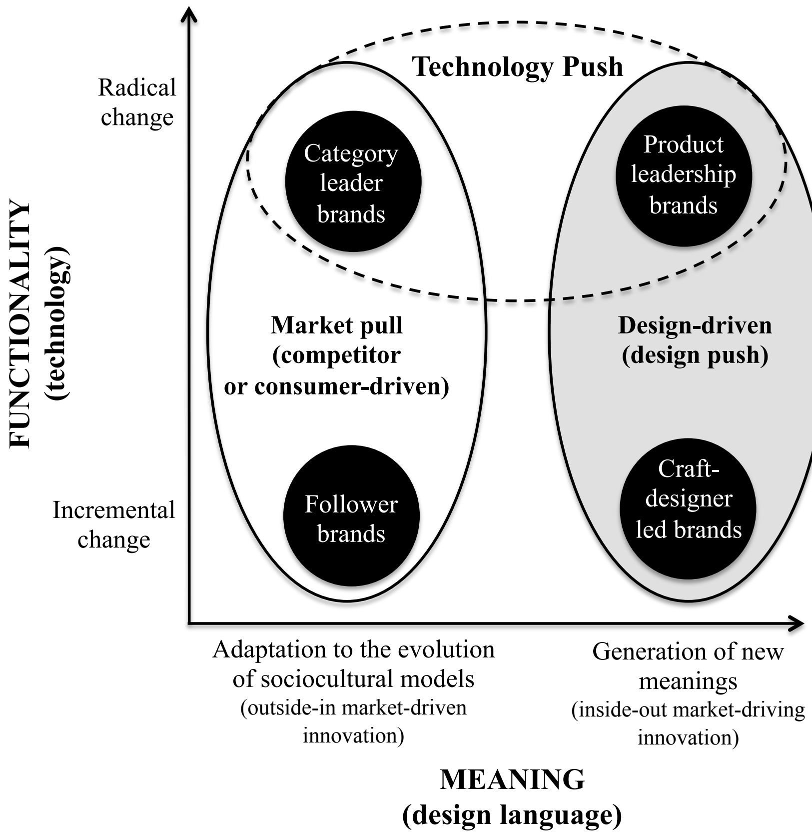

Figure 3: Synthesis of corporate brand identity archetypes and innovation strategies (Adapted from Beverland *et al* (2010) and Verganti (2008; 2009)).

The ellipsis to the right in the model emphasises the thesis' focus on examining corporate brands characterised by the descriptions of Craft-designer led and Product leader brands (Ibid.) in relation to inside-out market-driving innovation strategies aimed at pushing original, authentic, and radical new design languages onto the market.

Concluding this subsection, brands following market-driving strategies do so on the basis of building and protecting their 1) craft-designer led identity; incrementally building on a highly idiosyncratic design philosophy, or 2) product leader identity; challenging the status quo by setting radically new standards for product design languages (meanings). Interestingly, as exemplified by the case of Bang & Olufsen (see Chapter 8), these two identities may co-exist affecting in turn firm design innovation capabilities. Overall, the model presented here suggests that product leader brand–innovation strategy fit is achieved by pushing radically new design languages (meanings) onto the market (cf. Verganti, 2009). However, in firm contexts where identities are informed more heavily by craft traditions and heritage such (radical) design-driven innovation strategies may result in meanings straying too far from past associated meanings, thus posing the risks of confusing stakeholders as to what the brand stands for and in turn eroding the brand's authenticity. This presents a paradox between innovating on radical meanings while ensuring fit to the heritage or core values of the brand. To address this paradox the following subsection applies useful perspectives from theories of design semantics (meanings) (e.g. Krippendorf, 1989).

2.5.4. Managing product semantics for expressing the corporate brand identity

In order for managers to mentally connect to brands (as logics) for guidance on how to configure their innovation processes and reach outcomes that support the corporate brand identity, a theoretical approach, which considers corporate brand identity as a 'sign' carrying a symbolic meaning of what the organisation that it signifies stands for and strives towards, is implied (Urde, 2013). In the terminology of Blumer (1969) this allows for symbolic interaction between brands and its internal and external stakeholders. In other words, managers in brand oriented firms act towards the corporate brand identity on the basis of the meaning(s) that the corporate brand identity have for them as they strive to ensure that internal brand meaning(s) manifests itself with all stakeholders of the brand. By drawing on Peirce's (1966) seminal triadic sign model (see below Figure 4) the essence of corporate brand management becomes the management of the meaning of the organisation (Urde, 2013). From a product design innovation perspective this calls for proper (design) expressions of the core values and promise of the brand (Karjalainen and Snelders, 2010; Urde, 2013); that is, the semantics of the product designs must be able to clearly convey the intended corporate brand identity of the firm. When the corporate brand identity is communicated through representamina (e.g. corporate brand name, logos, communications, products *et cetera*) brand stakeholders in their act of interpreting such representamina or meaning conduits (von Wallpach, 2009), as perhaps a more meaningful term, will form their own brand meanings in interaction with their knowledge of the organisation (i.e. the object) (cf. Berthon *et al.*, 2009).

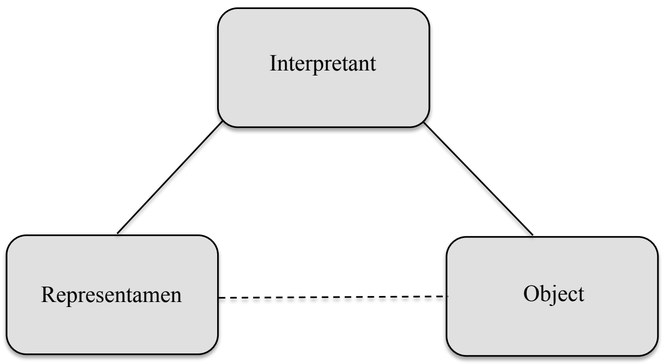

Figure 4: Triadic sign model (Adopted from Pierce (1966))

Although not a central point of investigation with this thesis, an underlying assumption of all empirical papers (Chapters 6, 7, and 8) is that the decoding process and thus brand meaning formation as it takes place with the individual brand stakeholder is socially constructed over time and space (e.g. Blumer, 1969). For example, brand meaning is formed in interactions amongst external customer and non-customer stakeholders in brand communities (Muniz and O'Guinn, 2006), amongst stakeholders within organisations (employees) (e.g. Von Wallpach and Woodside, 2009) and not least amongst organisations and external stakeholders in a blend of 'off-line' and 'on-line' interactions (e.g. Gyrd-Jones and Kornum, 2013; Mäläskä *et al.,* 2011). As suggested by Urde (2013) implications to corporate brand management are thus to clearly define and communicate (e.g. via product designs) the corporate brand identity in order to initiate decoding processes with all stakeholders, which hopefully result in meanings that correlate the core brand values and delivers on the promise of the organisation.

This thesis is focused on how corporate brand logics, understood as cognitive structures of firm design innovation managers (decision-makers), affect management processes pertaining to product design innovation capabilities aimed at *expressing* the intended identity (meaning) of the corporate brand (Urde, 2013). In his design-driven innovation framework Verganti (2009) also draws on the theory of signs (Krippendorf, 1989) as a supporting theory for arguing how product semantics (meanings), understood as the symbolic qualities that designs may represent, form the basis of consumer value and thus why people essentially buy things. In the literature on design-driven innovation (Dell'Era and Verganti, R. 2009; 2010; Verganti, 2008; 2009), however, the role of the organisation's corporate brand identity, as a reference point for interpreting such symbolic qualities, is largely ignored. From a brand orientation perspective this poses the issue that if product semantics stray to far from the corporate brand's core meaning then the organisation could partly fail to: 1) reap the benefits of brand recognition (capitalizing on existing brand–stakeholder relationships), and to 2) strengthen and reinforce the symbolic values of the corporate brand identity. Karjalainen and Snelders (2010), drawing on the work of Pierce (1966), suggest a R-O-I framework for managing processes of 'semantic transformation' (cf. Representamina, Object, Interpretant – see below Figure 5). This framework explicates how core brand identity and values of organisations can be signified through product design elements and features.

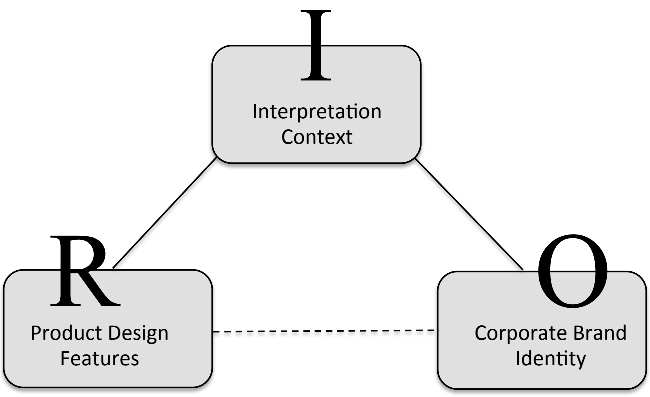

Figure 5: The R-O-I Framework for the analysis of brand references in design (Adapted from Karjalainen and Snelders (2010)).

The innovation paradox of balancing between making something new, while having it make sense (to stakeholders), is central to the act of designing as: "Design is making sense [of things]." (Krippendorf, 1989, p. 9); this is also expressed by Kapferer's (2012) notion of managing brands and their products as a tug-of-war between identity and change. The management of corporate brands poses the dilemma between capitalising on brand identity as the basis for consumer trust while being able to surprise the market and offer the consumers opportunities for new experiences and behaviours, risk taking, and new motives for deploying the brand for nurturing their self-identity projects. While emphasising the imperative of reinforcing identities Kapferer (2012) argues that: "On the other hand market fragmentation, competitive dynamism and the need for surprises call not for reinforcement but for diversification." (p. 243) to which innovation objectives that transcend incremental updates arguably become important. From an innovation perspective using brands as a basis for sustaining competitive advantages is thus dually anchored in the brand orientation concept's resource-based view on protecting brand identities in order to sustain their qualities as 'strategic' resources (cf. Urde, 1999) and in the competence-based perspective's dynamic view on competitive contexts (e.g Teece, 2007) to which radical innovation of meanings pose a strategic brand–innovation management imperative (Verganti, 2009).

The dilemma between identity consistency and change constitutes a central theme in Chapter 7, which explores how the meanings of brands, as tied to core values, heritages, and visions of design and innovation, affect collaborative innovation capabilities with supply-side stakeholders for driving markets via product design semantics. As described in Chapter 7 such collaborative innovation strategies may be viewed as co-creating brand *meaning* with external stakeholders. Exploring collaborative processes of innovation management, this chapter's theoretical foundation builds on concepts of dialogue, accessibility, transparency and risks (Hatch and Schultz, 2010; Prahalad and Ramaswamy, 2004) in the context of brand oriented logics.

Managing brands in relation to identities and innovation requires an emphasis on design management, which as frequently emphasised in the design management literature is closely linked to the management of meanings in the nexus between brands and innovation. Importantly, the perspectives presented in the following subsection explicate why design forms a viable management domain highly suitable for making inquiries into brand orientation as a strategic (institutional) competitive logic from a systemic view of the firm (cf. the CBV).

2.5.5. Design capabilities: Routines, processes, and logics for market-driving product innovations

"Design, stripped to its essence, can be defined as the human capacity to shape and make our environment without precedent in nature, to serve our needs and to give meaning to our lives". (Heskett, 2005, p. 7).

With statements pertaining to industrial product design, such as "Design is values made visible" (Cooper and Press, 1995, p. 97) or "The design process is an identity process. It defines the company for itself, its customers, and its investors." (Borja de Mozota, 2003 p. 17), the design management literature clearly portrays its strong ties to the domain of brand management as a firm capability for value creation in support of brand differentiation (Borja de Mozota, 2003; Walsh *et al., 1992*). Explorative design research is articulated as a driver of innovation and brand differentiation (e.g. Borja de Mozota, 2003), however, processes of managing the actual creative design work remains beyond the scope of this thesis.

As above-discussed, corporate brand identities as strategic logics may inform firms on how to approach innovation strategies in order to achieve a strategic 'Brand–Innovation' fit. From a process perspective, however, design may be viewed as the bridging function between brand identities and innovation strategies. Such design (management) processes for implementing brand-supportive innovation strategies entail analyses of all relevant factors to be included for defining innovation objectives of new products; that is, understanding the 'problem(s)' that the product design has to accommodate (e.g. Lawson, 1997). This analytical phase informs (traditionally in the form of design briefs) the concept design phase in which possible solutions to the 'problem' are elaborated through creative syntheses of all relevant design and innovation factors and objectives by applying designer skills and methods such as (digital) sketching and mock-ups (Ibid.). Following from such concept design processes potential solutions are evaluated against innovation objectives and the most promising concepts are further detailed, prototyped, potentially market tested and eventually put into production (Cooper and Press, 1995; Farstad and Jevnaker, 2010; Lawson, 1997; Walsh *et al.,* 1992). Although described here as a linear process, design as analyses, the (creative) creation of concepts, and evaluations, may undertake several iterations moving forth and back between these abstract and concrete levels of design (see model 1 – Chapter 5) before suitable solutions are deemed ready for further detailing and production investments (cf. Lawson, 1997). With regards to these routines (practices) constituting design as a firm capability the required learning processes and knowledge will naturally differ significantly in clarity and ambiguity dependent on the degree of change to be accomplished. As a convergent view with the prescriptions of Verganti (2008; 2009) Le Masson *et al* (2010) argue that there is a need for quite distinctive learning processes, knowledge and ways of reasoning in terms of decision-making when striving to innovate in the context of radical product design. For example, Le Masson *et al* (Ibid.) distinguish between managing for *design innovations* (incremental designs) or *innovative designs* (radical designs) to which they argue that radical design build from variety rather than convergence, originality rather than routine, and the production of new knowledge rather than existing expertise (p. 8). In line with these suggestions Borja de Mozota (2003) points to design management being able to strengthen firms' ability to satisfy customers' wants and differentiate its products and services by counterbalancing the traditional dominant marketing logic of relying on a 'rear-view mirror' approach (cf. market orientation) to inform and drive innovation activities. Striving for market-driving, rather than market-driven, innovations in order to achieve first-mover and long lasting competitive advantages, firms must abandon a sole reliance on market or user-driven insights as comforting constraints in the creative routines and processes of analysis, synthesis (conceptualising designs) and evaluations (cf. Lawson, 1997).

This notion of the insufficiencies of market logics for market-driving innovation strategies and implementation is central to the concept of design thinking (Beverland and Farelly, 2007; Brown, 2008; Cross, 1982; Kimbell, 2011; Martin, 2009). As discussed in Chapter 5 and explicitly applied in Chapter 6 the concept of design thinking originates in the notion that designers due to their training excel in a distinctive way of reasoning (Lawson, 1997; Martin, 2009) as a cognitive style (Kimbell, 2011) that embraces a constructivist logic (Borja de Mozota, 2003). This way of reasoning on how to create value is achieved by virtue of deploying firms' design values, visions and managers' intuition as an act of volition compared to mere compliance to market trends (Beverland and Farelly, 2007). Due to their educational backgrounds designers are often very mindful of customers' wants and needs being in a constant state of flux, which is why creative processes of envisioning new ways of value creation for meeting future demands is ingrained in designers' approach to the market. This design-oriented logic implies that decision-making concerning innovation strategy and implementation should relax typical inductive and deductive market logics in favour of *abductive* approaches to the market; that is, exploring 'what might be' valuable to consumers (Martin, 2009); confer Verganti's (2008; 2009) rhetoric of making new *proposals* to the market in order to shape it.

Although design thinking has been described as a distinct attribute or logic of design professionals (e.g. Lawson, 1997), design thinking may be exercised by all kinds of professionals as a business logic that insists on market-driving innovation, explorative research and new learning (Martin, 2009) and thus may constitute a vital foundation of capabilities for generating the products of tomorrow (Borja de Mozota, 2006). As suggested in Chapter 5 such abductive reasoning may be viewed as a microfoundation for implementing evolutionary innovation capabilities (Teece, 2007). Importantly, however, the design thinking literature stresses that market logics, which favour analytical mastery, are not to be left out of the equation. Such market logics, however, must figure in the innovation processes in a dynamic interplay with the notions of intuition and envisioning for balancing between reliability (i.e. market logic) and validity (i.e. brand vision oriented logics) (e.g. Martin, 2009). Thus, design thinking as a way of reasoning in the nexus between brands and markets may be viewed in support of the suggested viability of firms deploying hybrid brand and market oriented logics for driving firm competitiveness (Urde *et al*., 2013). On that note, Borja de Mozota (2003) explains from a strategic management perspective the importance of both an environmental (market logic) and identity (brand logic) focus on innovation as she states that: "Analysis discriminates and describes the characteristics of the strategic dynamics. Strategic creation and design institutes the specificity of a company and aims at challenging contingent futures." (p. 147). Notably, this particular perspective on balancing between brand and market oriented logics forms as an essential theme of Chapter 8 in which it is examined how brand identity and vision-led approaches to innovation are sought balanced to the needs and desires of the customers. In this chapter the analytical, concept design syntheses, and evaluation phases of typical design processes form the empirical focus for investigating how brand and market logics impact on design management practices and (learning) processes within the context of developing capabilities for radically innovating on product meanings (cf. Verganti, 2009) while simultaneously reinforcing the corporate brand identity (cf. Beverland *et al*., 2010). Chapter 8 demonstrates how design thinking as a dynamic interplay between abductive logics of brand identity and vision in combination with the complementarities of market logics (Martin, 2009) drives concept design processes towards market-driving innovation outcomes. It suggests that hybrid strategies of market and brand orientation exist in a constant flux responsive to both internal needs of expression of core brand meaning and external demands for market responsiveness.

Chapter 3 – Conclusion

Contributions and Further Research

3.1. Summaries of papers

This thesis is built up around four papers (Chapters 5, 6, 7 and 8), which explore the nexus between corporate brand orientation and design–innovation management. They generate insights to advancing theory into the competitive value of corporate brands from a competence-based view of the firm.

As a common thread these four papers examine how design–innovation management processes, flows of decisions, use of firm knowledge and resources (e.g. brand) and routines for refining and developing firm capabilities, are affected by the protection of the corporate brand identity as a strategic competitive logic (brand oriented logic). Overall the papers contribute to the understanding of how brand oriented logics provide design–innovation executives (and lower management level actors) with guidance for decision-making, which affect the coordination and use of firm resources for building capabilities that allow for implementing value creating design innovation strategies in support of corporate brand identities. Across all papers the dynamic, systemic, holistic and cognitive cornerstones of competence-based theory building (cf. Sanchez, 2008) are reflected with varying foci as elaborated in the following summaries of each paper.

3.1.1. Paper 1: Contents and contributions

Paper 1, entitled "Implementing Firm Dynamic Capabilities Through the Concept Design Process: A Conceptual Model for Creating Sustainable Competitive Advantage" conceptually examines how the routines associated with concept design processes and supporting identity-oriented management logics contribute to the implementation of dynamic capabilities (Teece, 2007). Discussed in the context of dynamic business environments and from a design-driven innovation strategy approach (Verganti, 2009), the paper presents three theoretical propositions stressing the need for reliance on corporate (brand) identity and vision-oriented product designs strategies for staying ahead of and proactively driving the market. With reference to March's (1989) imperative of balancing exploitative and explorative capabilities the perspectives advanced in this paper challenge the traditional market oriented (outside-in) strategic approach to the market and the associated organisational learning processes for developing value creating capabilities. The identity and vision-oriented approach to innovation presented in this paper incorporate dynamic and proactive sensing, seizing and reconfiguring capabilities: *sensing* of value creating radically new design languages residing in the design community (Verganti, 2009); *seizing* of market opportunities, despite the absence of reliable market data, by deploying the brand oriented logic of design visions as a decision making platform; and *reconfiguration* of the firm's asset base by dynamically bridging inside-out and out-side capabilities (e.g. Day, 1994; Teece, 2007).

Product innovation processes have been described as dynamic capabilities for sustained competitive advantage based on their often highly complex and non-linear nature of process. This implies that firms managing to continuously implement market-driving value creating strategies may form a capability not easily duplicated by competition (e.g. Eisenhardt and Martin, 2000). However, by synthesizing the role of design vision (corporate brand identity element implied), distinctive features of Verganti's (2009) *design-driven innovation* framework, and the core phases (routines) of design (analysis, synthesis and prototyping (evaluation)) (Lawson, 1997), the theoretical propositions of the paper suggest how firms may systematically nurture and grow such hard-to-imitate dynamic capabilities - a theme rarely addressed in the capabilities literature. Furthermore, the paper argues for how the routines of such concept design processes may help firms coordinate and achieve a favourable balance between outside-in and inside-out capabilities (Day, 1994).

With regards to the present thesis, this paper serves to provide an initial treatment of the dynamic, systemic, holistic and cognitive cornerstones of competence-based theory building (cf. Sanchez, 2008) from identity and design process perspectives – reference points for the following empirical papers (paper 2, 3 and 4). The paper's descriptions of: 1) the concept design process and the routines to be associated with this early phase of innovation; 2) the challenges firms face when operating in high-velocity markets, and; 3) the role of identity and vision versus market inputs, all facilitate an introductory understanding of core themes characterising the following papers (paper 2, 3 and 4). For example, the description of the routines of concept design processes forms a valuable guide for relating to the case study narrative (findings) of paper 4.

The main contribution of this paper lies in its primary focus on bridging the design and dynamic capabilities literatures by examining brand oriented logics in relation to design and innovation management. It does this by discussing the role of corporate (brand) design visions (Jones, 2010) as a strategic (identity-based) growth platform for dynamically sensing and seizing new opportunities for product innovations. As an important contribution, this paper's conceptual work complements the inherent dominant market orientation perspective advanced within the dynamic (innovation) capabilities literature (Day, 1994; Teece, 2007). The paper's overall argument for the value of relying on inside-out identity and vision-oriented strategic approaches to firm market-driving innovation capabilities is further developed in the following papers.

3.1.2. Paper 2: Contents and contributions

Paper 2, entitled "Sustainable brand-based innovation: The role of corporate brands in driving sustainable innovation", presents a capability framework for sustainable brand-based innovation; understood as a firm capability for approaching radical market-driving product innovation, which underpin a product leader corporate brand strategy (cf. Beverland *et al*., 2010). This framework is elaborated through a blend of deductive and inductive analysis of two strategically important radical innovation projects at Bang & Olufsen (as representative of a product (design) leader brand). Undertaken as an embedded case study, this study entailed interviews with senior and middle management plus a senior management workshop.

The paper draws four conclusions. Firstly, the framework defines corporate brand identity as a strategic resource for guidance (i.e. strategic logic implied) regarding the pursuit of (radical) new product innovation strategies and the coordination of resources (e.g. brand equity) in support of the corporate brand strategy.

Secondly, the capability framework highlights managers' situational intelligence (Ind and Watt, 2006) as an important (human) resource in approaching the market proactively with explorative market driving strategies. It is recommended that firms should acknowledge the value in managers' intuitive insights into stakeholders' (especially consumers) experiences, associations and potential unmet or unconscious desires for future experiences with the brand as a driver of innovation.

Thirdly, without regard for markets dynamics in the design process of implementing explorative innovation strategies for the purpose of driving markets implies a risk of developing and marketing novel and expensive innovations, which may rapidly loose momentum in the market place. Firms that only adhere to brand oriented strategizing risk harming the firm's bottom-line and eroding the brand's credibility. It is argued that sustainable brand-based innovation must be anchored in the dual consideration of market dynamics and the firm's current and future resource availabilities (Sanchez, 2008).

Lastly, the framework suggests that in order to balance these three pillars and reach 'sustainable brand-based innovation' outcomes top-management should embrace the innovation logic of 'design thinking' as a cultural backbone for firm radical innovation capabilities. This notion implies, that abductive reasoning and arguments, as complimentary to inductive and deductive ones, are needed in high-velocity markets to implement innovation strategies in support of corporate brand identities that build on values and a strategic intent of product leadership; exemplified with the case of Bang & Olufsen.

Overall the contributions of this paper lie in a conceptual-empirical blend (MacInnis, 2011). Firstly, as a contribution to the brand orientation literature, the elaborated conceptual work places an importance on the corporate brand as both a strategic logic and an important resource in interplay with other resources for implementing value creating 'on-brand' innovation strategies. This is an advancement of the brand orientation concept from a resource-based view to an explicit competence-based (systemic) view of the firm (Sanchez, 2008). Findings suggest that corporate brands may act as a source of stimulation for new innovation projects by for example enabling a stronger and more intuitive customer orientation for driving radical innovation. Secondly, the paper provides new empirical insights into how awareness of the corporate brand identity may play out the role as both a guiding beacon and proxy for decision-making in relation to the management of 'on brand' innovation for sustainable brand growth. Thirdly, corporate brands may by virtue of strong and unique associations (equity) with stakeholders form an essential part of the firm resource base and thus the capabilities for implementing new innovation strategies, that diversify the corporate brand into new markets.

As an important contribution, reflecting a systemic, dynamic and cognitive approach to the development and implementation of brand-based innovation capabilities, the paper treats the concept of brand orientation in relation to: 1) other variants of strategic orientations (logics); 2) firm resources (other than brand), and; 3) dynamically evolving markets. In line with the competence-based view, the paper applies a holistic and systemic approach to how firms may pursue a brand oriented approach to innovation. In contrast to a strict resource-based view on brands as sources of sustained competitive advantages (e.g. Balmer and Gray (2003), this paper contributes with a more pragmatic and *non-tautological* approach to corporate brands and firm competitiveness in the sense that no firm resource is capable of creating superior value on its own; confer a systemic view of the firm (e.g. Sanchez, 2008). As the final contribution of the paper, it is suggested that for corporate brands to play out valuable roles (as logics and resources) in relation to long-term firm competitiveness a corporate culture that embraces design thinking should be nurtured as a foundation for management's cognitive flexibility (Sanchez and Heene, 2002; Sanchez, 2004). This contribution is clearly conveyed by the three imperatives of the framework constituting complementary strategic orientational mind-sets (logics):

- *Think brand!* (Brand orientation – letting the brand values and vision guide new avenues of growth plus awareness of how to use the brand as a resource for implementation)
- *Think human!* (Intuitive customer orientation – using the resources vested in managers' knowledge and intuitive insights into potential new customer value

creating propositions along with considerations of what uses and problems innovations should address in relation to the targeted customers)

- *Think resourceful!* (Resource orientation – attention to the firm's existing and future resource base for sustaining the value created in alignment to the dynamics of the market)

3.1.3. Paper 3: Contents and contributions

Paper 3, entitled "Managing the brand co-creation potential of supply-side stakeholders", addresses the need for research into the role of corporate brands in the context of innovation capabilities that span firm boundaries. Whilst paper 2 empirically focuses on brand orientation in relation to internal innovation resources and capabilities, this paper extends this research agenda to study the configurations of both internal and external resources in relation to the corporate brand and market driving innovation capabilities.

This paper explores how corporate brand identities as management logics affect management processes and structuring of practices (routines) around collaborative innovation strategies with external stakeholders. Based on a multiple case study of brand and design-oriented firms operating in design-intensive industries (Dell'Era and Verganti, 2010), the paper focuses on how corporate brand identities are sought semantically conveyed through product designs.

First, the paper delineates the ability to enter into such collaborative innovation strategies as key to brand co-creation capabilities. The theoretical part of the paper draws on the co-creation literature and outlines the potential of collaborating with multiple stakeholders across the boundaries of the firm as a cornerstone of innovation co-creation. However, whereas the co-creation branch of the innovation literature focuses on outside-in market oriented approaches; with a dominant stakeholder focus on customers and consumers (i.e.

demand-side stakeholders) implied, this paper redirects the focus to inside-out brand (identity) oriented approaches to the market. The paper explicates the need and the mechanisms necessary for enabling brand value co-creation with non-consumer/customer stakeholders. This multiple case study highlights collaborations with firm external human resources (designer, architects *et cetera*) as suppliers of creative design and innovation capital (i.e. supply-side stakeholders). The paper combines the design-driven innovation framework (Verganti, 2008; 2009) in relation to supply-side stakeholder brand co-creation and brand-stakeholder value complementarities (Gyrd-Jones and Kornum, 2013). The concept of corporate brand orientation is introduced as a novel analytical approach to examine how co-creation management processes and structures relate to the management of corporate brand identities.

Empirically, the paper presents findings into how brands operating in design-intensive industries – all focused on driving markets through collaboration with supply-side stakeholders – approach collaborative strategies around managing the potential of supply-side stakeholders for brand co-creation.

Two dominant management models of brand co-creation practices emerged in the ways in which the investigated cases interpreted and (mentally) connected to their corporate brand identity in relation to innovation processes. The findings suggest two variations of brand orientation for protecting the seemingly similar corporate brand identities (the respective cases) as to how the brand should provide a basis for strong long-term stakeholder relationships: 1) a brand oriented logic of identity consistency (i.e. favouring a certain degree of semantic stability) versus 2) a brand oriented logic of an evolving identity (i.e. favouring a certain degree of semantic instability). These suggested brand oriented logics affected two emergent patterns of managing the co-creational potential of supply-side stakeholder (external designers, artists, architects) favouring either 1) a proactive tightly-coupled, or 2) a reactive loosely-coupled approach to brand co-creation (i.e. two variants of brand-based collaborative innovation capabilities).

Overall, this paper makes a dual contribution to the brand co-creation and brand orientation literature. Firstly, by considering corporate brand identities as strategic logics the paper examines how brand orientation becomes systemically ingrained in management processes. This is reflected in the development of collaborative innovation capabilities and use of resources for effectively targeting and attracting (stakeholder) resources of strategic importance to the brand value creation processes of the firm (Sanchez, 2008). This paper focuses on the contribution residing in approaching factor markets *holistically* (Ibid.) for managing the meaning of corporate brands; a neglected aspect of the extant (corporate) brand orientation literature. Thus, as a contribution to the thesis' theoretical and empirical focus, this paper supplements the internal stakeholder focus of paper 2 and 4 (as elaborated in the following) by exploring how brand oriented logics play a role in orienting design innovation management processes and structures around an on-going interaction with external supply-side stakeholders.

Based on the findings offered by this study, which partly support the propositions and findings of paper 1 and 2 and partly advance them, brand oriented logics play a key role in orienting the strategic approach to brand co-creation with external designers. However, such brand oriented logics may vary dependent on how the core values and promise of the brand are linked to design and innovation. In turn, brand oriented logics may affect different ways of nurturing firm capabilities for strategically aligning design innovation objectives around stakeholder identities and value complementarities. These insights contribute to the corporate brand orientation literature and its multiple stakeholder focus by pointing our attention to the importance of a strong introspective brand orientation (focusing inwards on identity and values) for guidance in coordinating resources in relation to sensing the factor market of creative resources. However, as an important contribution, findings also suggest that firm introspective brand orientation must be merged with an *extrospective* brand orientation, which implies a focus outwards on the identity and values of external stakeholders to assess for proper context-dependent degrees of value complementarities.

A significant contribution of this paper is the application of brand orientation research into a business context where the sustainment of corporate brand identities requires collaborative stakeholder approaches. Whilst the extant literature on brand co-creation cursorily links the domains of brand and innovation management by stressing how value creating innovations with consumers may impact positively on brand value (e.g. Hatch and Schultz, 2010), a brand orientation analytical approach allows for deeper consideration and insights into the organisational mechanisms of such business processes and their long-term consequences to brand identities. Whilst this paper focuses on corporate brand identities in design-intensive industries, this analytical approach to collaborative innovation presents a viable path forward in order to extend the understanding of brand orientation and its organisational mechanisms across various industries. The research undertaken by this paper reflects a need for more explicit examinations of the relationships between managing the meaning of different types of corporate brand identities and hence different strategic objectives when it comes to collaborative innovation.

Lastly, based on its findings, the paper contributes to the discussion of balancing the management paradox of sustaining corporate brand's core meaning while allowing for the meaning to evolve and surprise stakeholders as a means to sustain relevance in the market place (Gyrd-Jones *et al.,* 2013; Kapferer, 2012). As such, the role of brand in the creative design processes is discussed from the finding that brand identity, if too constraining on external designers' creative process, may hamper innovation as a 'creative straightjacket' while a total absent of the brand identity in the design process conversely may result in innovation outputs with no semantic references to the brand at all. Concluding, the paper remarks that, depending on the relationships that organisations strive to build with their stakeholders, the balancing act between the issues, paradoxes and risks that the brand oriented logics of either focusing on semantic consistency or novelty requires reflective attention of management and poses an interesting theme for future research.

3.1.4. Paper 4: Contents and contributions

With paper 4, entitled “Flux and duality: Exploring complementarities between brand and market oriented logics in managerial response to environmental change”, the competence-based theory perspectives from paper 1, 2 and 3 are continued and considerably expanded on with a key focus on organisational actors’ *cognitive limitations* and their *systemic* influence on the development of innovation capabilities in relation to market dynamics. As a central feature of this paper it extends the preceding papers’ dominant inside-out innovation focus on managing corporate brand identities by incorporating perspectives on outside-in market oriented logics. This multiple logics perspective forms a central part of the paper’s competence-based research focus on brands’ competitiveness.

Based on an embedded case study of Bang & Olufsen, entailing 21 interviews with senior managers, middle managers and operations as the primary sources of data, this article sets out to empirically examine the role of brand and market oriented logics as they relate to strategic change and implementation of product innovation capabilities. This paper thus investigates how corporate brand orientation in interplay with the forces of market orientation as a co-existing logic relates to the management processes of coordinating the use of firm resources for managing and developing firm innovation capabilities.

First, a conceptual framework is presented delineating brand and market orientation as institutional logics (informing different competitive rationales), which due to their competing yet complementary embedded schemas may constrain firm behaviour, but also provide organizational actors with opportunities for change in relation to environmental shifts. While traditional institutional theory leaves little room for agency this framework draws on recent developments into an institutional logics perspective (Thornton *et al*., 2012), which highlights the inclusion of both intra- and interpersonal sensemaking as a vital foundation for understanding how organizations' make decisions that impact on the change in firm capabilities. The framework draws on theory of attention (e.g. Ocasio, 1997) to highlight how institutional logics constrain the attention being placed on either endogenous or exogenous issues affecting the activation of schemas (knowledge structures or repertories for taking action) for coping with issues diagnosed as highly important. Such schemas may be embedded in brand or market oriented logics with different implications for how organisations make sense of pressing issues and take action through decisions deemed appropriate for moving forward. This framework is centrally concerned with analysing organisational decision-making with implications for management processes concerned with coordinating the use of firm resources for managing firm innovation capabilities. In this regard, the holistic focus on factor markets does not form a key focus of this paper, however, case evidence do witness the use of an extant sourced performing artist (creative resource) as a contributing factor to facilitate new learning processes needed to develop firm capabilities to new market demands.

Grounded in a cross-level (macro-micro/micro-macro) and cross-organizational layered research design, case findings are discussed by presenting four propositions with implications to theory, corporate brand leadership and future research into corporate brand orientation as an organisational logic co-existing amongst other logics in a firm (cf. Balmer, 2013). These propositions contribute to extend the brand orientation literature from a competence-based view of the firm by providing an explanatory account of how a brand oriented logic of the firm affects capabilities for sustained competitive advantage from a product design and innovation perspective.

As with paper 2 the contributions of this paper represent a conceptual-empirical blend (MacInnis, 2011). Firstly, as a major contribution to the literature, this paper addresses the call for studies into strategic orientation hybridism (Urde *et al*, 2013) by conceptually elaborating a framework suited to this empirical research agenda. Secondly, whereas the extant research into the nature and effects of firm brand orientation predominantly rests on organizational senior executives as single sources of data, the presented framework contributes with a process research design, which it applies to empirically investigate the phenomenon of brand orientation from a multiple organisational layer perspective. Thirdly, as the backbone of this framework, neo-institutional theory is introduced in order to advance brand orientation research from a competence-based perspective. Fourthly, as noted by Urde (1999; 2013), the notion of viewing brands as a strategic resource (i.e. logic) implies a symbolic interactionist perspective (Blumer, 1969), which is understood as organisational members acting towards the symbolic meaning of the (corporate) brand as a guide for decision-making and structuring of firm business processes. However, whereas the extant literature in this regard describes brand orientation as a culturally embedded organisational mind-set (e.g. Urde, 1999; Wong and Merrilees, 2008), research has largely neglected to explore how these mind-sets (or logics) activate embedded schemas (scripts), identities and goals, which from a sense-making perspective affect organisational actors' decision-making processes. Moreover, by incorporating into the research design how these sensemaking and decision-making processes unfold down through three management levels (the strategic, tactical and operational level), this paper is the first to contribute with empirically grounded and detailed descriptions of how corporate brand identity affects an organisation at multiple management levels; a cornerstone of brand orientation as noted by Urde *et al* (2013). Not only does this paper address this crucial yet underresearched issue of how corporate brand orientation unfolds at multiple management levels, it does so while simultaneously considering the organisational logic of market orientation.

There are four major contributions from this paper. Firstly, this paper is (among) the first to empirically demonstrate findings into how such multiple logics of organisations in a dynamic interrelationship unfold in a real-life organisational context and affect decisions with implications for change in firm (innovation) capabilities. Findings suggest that the availability of multiple logics and their prioritization occur in *dynamic* response to emergent environmental contingencies and that the practices (routines) embedded in one logic of the organisation may in fact influence how practices embedded in a complementary logic evolve. Secondly, organizational availability of both market and brand oriented logics enables the activation of complementary embedded identities, goals and schemas in sensemaking and decision-making. Importantly, this has major implications for how to understand brand orientation from a systemic view of the firm as the duality of market and brand oriented logics jointly coordinate flows of decisions and use of firm resources to develop novel configurations of firm capabilities. Thirdly, findings suggest that the brand oriented logic, when complementary to the market oriented logic, may prevent brand identity-eroding isomorphic change in firm capabilities by facilitating organizational sensemaking leading to identity-based decision-making and learning processes. Lastly, findings suggest that in a given organization there may exist a dominant logic, however, the primacy of this dominant logic does not exclude existence and indeed desirability of extreme flux between complementary logics in order to maintain competitive advantage.

Altogether, the contributions offered by this paper's findings thus strongly reflect the cognitive, systemic and dynamic cornerstones of competence-based theory development and serve to provide new insights into the suggested positive features of organisations characterised by hybrid strategic orientations (logics) (cf. Urde *et al*., 2013). As a last remark, the aggregated contribution of this paper is thus found in its empirically grounded explanatory accounts for how brand orientation may relate to development and change of firm capabilities. Extant studies, suggesting positive relationships between brand orientation and superior competitiveness or performance, have largely been based on variance model research designs (Bridson and Evans, 2004; Ewing and Napoli, 2005; Gromark and Melin, 2011; Napoli, 2006; Wong and Merrilees, 2007; 2008). This has left the processes by which resources and capabilities are deployed around (corporate) brand identities 'black boxed' (Kraaijenbrink *et al*., 2009). By applying a process-based research design (e.g. Van de Ven, 2007), this paper makes a major contribution to opening this black-box with insights useful to advance our understanding of the organisational mechanisms by which brand oriented logics in interplay with market oriented logics shape firm innovation capabilities for sustaining competitive advantages.

3.2. Theoretical implications and future research

Within each of the four papers presented suggestions for further research are provided. In the following more specific implications with regards to the applied competence-based perspective are elaborated. As discussed in Chapter 2, the concept of brand orientation finds theoretical support in the resource-based view (Barney, 1991, Grant, 1995). In this respect, the literature does reference competence-based theory (e.g. Prahalad and Hamel, 1990) by for example referring to strong brand oriented behaviours as a core competence of the firm (e.g. Urde *et al*., 2013), however, these references remain rather sporadic and merely cursorily elaborated. Within this thesis efforts have been made to conceptually and empirically pursue a competence-based theory development approach to advance (corporate) brand orientation research. The thesis contributes by integrating the competence-based perspective's inherent dynamic, systemic, holistic and cognitive cornerstones for theory development (cf. Sanchez, 2008), which the above presented contributions and empirical findings reflect. The conceptual work and empirical findings presented in these four papers pose several theoretical implications to further research into corporate brand orientation from a design–innovation perspective.

First, a competence-based perspective on corporate brand orientation research implies that brands can be viewed and examined as important resources, which firms may use for implementing value-creating strategies. However, reflecting a systemic view of the firm, brand resources are not solely capable of ensuring sustainable competitive advantages as implied by the extant literature's many references to the resource-based view and the notion of brands as *strategic* resources (cf. Balmer and Gray, 20003; Barney, 1991). In this respect, it is not to be questioned as to whether brands form an important part of firms' resource bases, but that they must be complemented with management processes that coordinate the use of brand resources along with other resources to develop capabilities that support the strategic logic of competing on brands for long-term competitiveness (cf. paper 2). Importantly, with the rejection of brands as *strategic* resources[1] (cf. Barney's (1991) VRIN framework), the competence-based view's focus on capabilities implies new routes for focusing on the role of brands in relation to firm competitiveness. This specific focus on capabilities is addressed by the thesis' empirical papers, which suggest that future research should focus on corporate brand orientation as an expression of a culturally embedded strategic logic of organisations, which provides an operative rationale for coordinating all its

[1] For the sake of clarity it should be noted that paper 2 and paper 3 use the term 'strategic resources' in relation to brand when referring to its role as a *strategic logic*; that is, when brand identity provides a competitive rationale for how to structure management processes of decision-making and the coordination of resources to develop and implement brand-supportive capabilities.

internal and external resource availabilities, here included the brand, in an on-going interaction with all stakeholders to develop capabilities that support the goal of protecting the core meaning of the corporate brand identity.

Second, within this thesis the nature and development of corporate brand oriented capabilities have been examined from a design and innovation management perspective with implications for theory concerned with the under researched nexus between brand (orientation) and innovation capabilities (e.g. Hultink, 2010). Informed by the competence-based perspective, contributions are made with respect to how corporate brands may help frame and implement innovation strategies in relation to the dynamics of the market. In this respect the insights provided by studying the case of Bang & Olufsen suggest that brand vision plays an important role in directing market-driving innovation strategies and implementation characterised by high uncertainties of outcomes. Furthermore, in paper 4 the Bang & Olufsen brand was found to provide organisational actors with knowledge structures (schemas) highly valuable to make sense of ambiguous issues arising from dynamic shifts in the market to which outside-in (market oriented) routines did not suffice to guide decisions for moving forward. These findings suggest positive long-term performance benefits of brand oriented logics with regards to organisations operating in market contexts in which firm capabilities in reconfiguring their innovation capabilities are crucial to the long-term protection of the (corporate) brand identity. However, further case studies should be carried out across different industries that importantly reflect a dynamic perspective on firms' environments in order to further explore the theoretical propositions that these findings offer in order to move towards a more general understanding of brand oriented logics in turbulent business environments.

Third, as noted by Beverland *et al* (2010), (corporate) brand identities may be divided into different archetypes with general implications for how to approach innovation in support of a given brand. Although these descriptive accounts provide a valuable initial treatment of brand and innovation management relationships, insights into management processes, decision-making, coordination of resources and development of such 'brand-based' innovation capabilities remain largely left out in the literature. With implications to further theory building concerned with the interplay between brand orientation and innovation capabilities, this thesis extends these insights as a contribution to the brand orientation literature by examining corporate brand identities as strategic logics, which from a systemic view of the firm, inform and guide design and innovation management processes, decision-making and coordination of resources. This approach holds great potential for future competence-based research into brand and innovation management, which importantly allows for examining the role of brands *ex ante* to processes of innovation as complementary to the general *ex post* focus on how to brand innovations (e,g. Aaker, 2007). For example, with regards to firms operating in design-intensive industries, the study undertaken in paper 3 provides findings into two different ways of structuring collaborative innovation capabilities by virtue of corporate brand identities. In this study, such capabilities were characterised by patterns of routines, which aimed at continuously attracting human resources (designers) with the best fit to the design and innovation values embedded in the respective corporate brand identities. Reflective of this systemic, cognitive and holistic approach to theory development, further research may be carried out across other industries to further strengthen our understanding of how brand oriented logics impact on firm capabilities directed towards competing in resource markets for protecting corporate brand identities.

Moreover, the study in paper 3 presents findings from an evolving market context why further research may contribute by extending this study's focus into contexts of highly dynamic and rapidly shifting markets, for example the high-tech or high-fashion industries, to further explore how brand oriented logics affect collaborative innovation capabilities.

Fourth, the findings in paper 4 have numerous implications for directing further research into exploring how firms approach the coordination of resources when existing capabilities for protecting the corporate brand identity, through continuous delivery on the brand's core promise, are confronted with uncertainties resulting from dramatic changes in firms' environments. Mindful of humans' cognitive limitations it has been suggested that firm competitive advantage may rest upon organisational decision-makers' ability to strategically shift between the deployment of strategic logics for aligning processes and capabilities to shifting goals of the firm (e.g. Sanchez and Heene, 1996). However, little knowledge exists on how organisations approach such alignments around their corporate brands and why such alignments may or may not take place. In paper 4 contributions are made with respect to these issues with findings into the value of being able to shift between brand and market oriented logics in order to adapt innovation capabilities to shifts in the environment. The paper's approach to examining the flux and duality between brand and market oriented logics breaks new ground for future research into the underlying mechanisms of how brand orientation, as a cultural structure of organisations, relates to brand orientation from a behavioural perspective (Urde *et al*., 2013). By examining brand orientation as a centrifugal, rather than a centripetal, cultural structure of organisations (Balmer, 2013), this paper's approach holds great potential for future competence-based research into the why and when such brand oriented logics are deployed and how they manifest in organisational capabilities. As the paper advocates, future research should acknowledge that brand oriented logics, as they affect management processes, decisions, and the use of resources to refine or reconfigure firm capabilities, will unfold dynamically in relation to environmental change and contingencies. Adopting this approach, future research may shed additional light on how brand orientation as a management strategic logic adds value to organisations from a strategic flexibility perspective on firm long-term competitiveness (March, 1991; Sanchez, 2008).

Fifth, the contributing findings of this paper were reached by looking at how logics and their embedded schemas, identities and goals affected change across different management levels as a *process* of corporate brand orientation. Future case studies could deploy similar research designs since (corporate) brand orientation at this stage of research is poorly understood from a process and 'multi management levels' perspective. As a natural extension of such studies, further research should integrate a holistic approach to corporate brand orientation by examining cross-functional processes; this may pose an interesting, yet challenging, path for advancing a competence-based perspective in the field. Furthermore, future research could examine these mechanisms in relation to for example employee recruitment capabilities in order to explore when and how brand and market oriented logics affect human resource strategies and implementation in order to further strengthen our insights into how corporate brand orientation unfolds in relation to environmental contingencies; exogenous as well as endogenous.

Finally, the thesis' focus on corporate brand orientation has implied a strong empirical focus on how organisational decision-makers approach design and innovation management processes and capabilities in relation to corporate brand identities. This focus has left the voices of customers or consumers largely beyond the scope of the research presented. Further research should therefore aim to incorporate such stakeholders as important data sources in the research design. For instance, such research designs could apply quantitative or mixed methods to examine the actual stakeholder brand perceptions and meanings arising and changing over time in relation to how firms approach the management of innovation capabilities. Such studies may also integrate longitudinal performance measures, which would be useful to set up research designs capable of shedding light on the pros and cons of different approaches to orienting capabilities around the corporate brand identity. For example, pertaining to the findings of paper 3 (Chapter 7), what are the long-term benefits of focusing design capabilities around maintaining a high degree of consistency versus novelty with regards to expressing the corporate brand identity? In the same spirit, further research into the role of corporate brands, which rely on external stakeholders for innovation as a core competence (cf. paper 3) should incorporate data from such stakeholders to build stronger insights into how corporate brand identities play a role (as a firm resource) in attracting the (firm-subjective) best available suppliers of creative capital.

Chapter 4 – Scientific Reflections

Philosophy of Science and Methodology

4.1. The ontology of critical realism

In this chapter the fundamental scientific assumptions and reflections framing the research undertaken with this thesis are accounted for. The purpose of this chapter is thus to outline the case study methodology as applied in Chapters 6, 7 and 8 along with the underlying ontological and epistemological perspectives of the thesis as they relate to generating and analysing the empirical material. Ontologically and epistemologically the thesis is placed within the scientific paradigm of *critical realism* as developed by Bhaskar (1997; 1998). Importantly, this critical realist paradigm undergirds the qualitative case study methodology as applied for the purpose of theory development (Eisenhardt, 1989; Perry, 1998; Yin, 2009).

As explained by Miles and Huberman (1994) critical realism implies a realist stance that "…social phenomena exist not only in the mind but also in the objective world – and that some lawful and reasonably stable relationships are to be found among them" (p. 4). From this stance I depart from strict relativist ontology as for instance found in branches of pure *ontological* constructivism, which suggest that what exists in the world is all but a social construction.

Importantly, however, critical realism is compatible to *epistemological* constructivism in the sense that knowledge about the world is socially produced and thus never definitive

(Buch-Hansen and Nielsen, 2005). However, as opposed to idealist ontologies (e.g. ontological constructivism) knowledge is knowledge *about* something; namely the events and phenomena that manifest as real intransitive objectives, which we as researchers are not able to construct (Ibid.). Compatible to the literature on case study methodologies (the practical scientific dimension of the thesis' epistemological stance, as elaborated later in this chapter),,critical realism is concerned with dividing science into two dimensions: the *transitive* and *intransitive* dimension. The transitive dimension (which pertains to epistemology as discussed in the following section) includes our knowledge of the world: theories, paradigms, models, concepts, descriptions, data, and analytical techniques, which are accessible at a given point in time and constitute the raw material of science (Bhaskar, 1997). This transitive dimension, it is argued, is essential for advancing our knowledge, which in turn implies epistemological constructivism; that knowledge must be viewed as a social product (Buch-Hansen and Nielsen, 2005). However, the knowledge that we produce relates to what is labelled the *intransitive* dimension of science, which consists of the 'objects' that science aims to produce knowledge of. Insisting on these objectives being real or existing independent of our understanding of them puts the *realism* in critical realism.

Importantly, the view on reality within critical realism is that reality consists of three domains, which radically sets this paradigm apart from an empirical or positivistic realism. Bhaskar (1997) argues that reality is divided into the domains of the:

- *Empirical* – consisting of our experiences and observations
- *Actual* – consisting of all phenomena that exist along with all the events that take place whether or not these are experienced or not

- *Real* – consisting of the non-observable structures and mechanisms, which under certain circumstances may underpin or cause events and phenomena on the actual domain.

Whereas the empirical and actual domains reference the ontology of empiricism or positivism the inclusion of a deeper and unobservable level of reality (the domain of the real) makes up a cornerstone of the paradigm of critical realism. Metaphorically, the empirical and actual domains thus constitute the tip of the iceberg and the *real* domain constitutes the unobservable, yet still real, under water part of the iceberg. Thus, the scientific focus is placed on examining the unobservable structures and mechanism with causal *tendencies* to bring about the observable events and phenomena on the actual domain (Bhaskar and Lawson, 1998). This ontology thus fits well with the thesis' research agenda of striving to uncover and understand in particular how underlying unobservable brand oriented logics exert an influence on organizational behaviour leading to events and phenomena on the actual and empirical domain of reality.

By the notion of causal tendencies of objects on the deeper levels of reality one should however not mistake this for an empirical realist understanding of causality like: '*when* event A, *then* event B follows". Rather, the critical realist ontology operates with the notion of *open systems* and *causality*. The domain of the real contains a broad range of differentiated objects, humans as non-humans, which if activated may have the tendency to affect one another and cause an event on the actual domain of reality. This implies a multi-causality view of the world, which rules out the prevalence of strict lawful relationships. For instance, whether objects such as an unobservable organisational culture (social structure) may cause an event will depend on contextual conditions to whether the values of this culture will perform as generative mechanisms (Buch-Hansen and Nielsen, 2005). As social systems are popularised by creative and reflective individuals such systems will surely remain open, which point to an essential critical realist ambition of transcending the duality of structure and agent by emphasising how these interact and shape each other over time on deeper levels of reality (Archer, 1998). All the objects on the domain of the real thus work as mechanisms that may trigger, block or modify one another's causal tendencies, which implies that actual events are results of a highly complex interplay between various different social and cultural mechanisms (Sayer, 1992; 2000). For example, brand identities as structures of meanings with social actors may have causal tendencies to guide behaviour, but will not necessarily do this. For instance, other structures such as market mechanisms may obstruct or trigger this dependent on other contextual factors. As a highly prominent feature of the institutional logics perspective, as adopted in chapter 8 (paper 4), the ontology of critical realism is implied when accounting for how brand and market oriented cultural structures affect and are affected by organisational agency over time as innovation processes unfold and manifest as observable material practices (Thornton *et al*., 2012). The ontology of critical realism, and its view of causality as opposed to empiricism/positivism, is illustrated in the below figure 6.

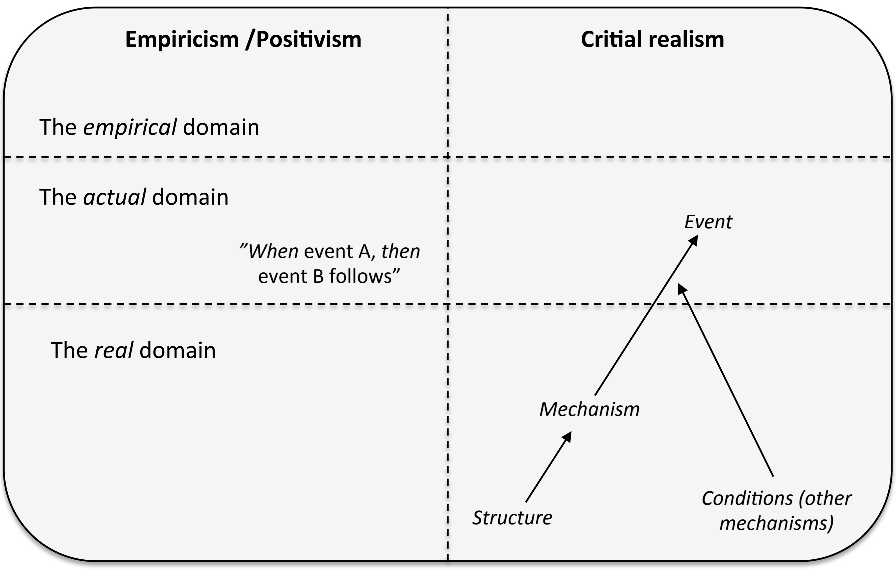

Figure 6: Understandings of causal relations (Adapted from Buch-Hansen and Nielsen, 2005)

As discussed in the next section, the critical realist ontology has consequences for *what* we can possible know about the world and *how*, which pertains to the epistemological reflections and applied methodologies of the present thesis.

4.2. The epistemology of critical realism

From an epistemological perspective critical realism may be viewed as a moderate constructivist paradigm. This is elaborated in the below by first explicating *what* we can know about the world and second *how* we can know by linking into the nuances of the applied interpretive analytical approach of this thesis.

As the domain of the real is viewed as an open system consisting of structures and mechanisms that may generate events or phenomena for us to potentially observe, such structures and mechanisms as the objects of scientific inquiries may only be discovered *indirectly* qua their tendencies to cause events. This implies that what we can possible know about the world from a social science perspective is limited to building explanations of already existing events and phenomena. Striving to predict future events is thus a utopian ambition as human creativity influences structures and vice versa . Thus, the movement from knowing about manifest phenomena to knowing about what causes these phenomena should have prominence in the social sciences (Bhaskar, 1998). As simply put by Mingers (2000) a critical realist approach starts with: "…some accepted happening or occurrence and asks what must the world be like for this to occur." (p. 1260). Whereas a positivist paradigm implies that our knowledge of structures and mechanism operating in the world (the intransitive dimension of science) may grow but not change or conversely change without growing (as an idealist constructivist paradigm would have it), critical realism assume that as our knowledge grows it may be applied to *critique*, adjust or understand other aspects of existing knowledge and thus infers a change in our knowledge (the transitive dimension of science) (Buch-Hansen and Nielsen, 2005). Implications of these views are that knowledge is socially produced, historically conditioned and fallible by being subject to improvements over time; hence the above stated moderate constructivist stance of critical realism. The *naïve* realist notion that an unmediated direct access to the world, and thus the truth about it, is possible must be rejected with social scientists adopting a critical realist paradigm as they equally accept their own and science's fallibility. Rather, our knowledge must be viewed as meditated by the transitive dimension of science (existing theoretical concepts, models *et cetera*). This implies that knowledge is social, perspectival (historical), and contextual as generally understood by reference to constructivism (Schwandt, 2000). From the viewpoint that social reality is a result of social interactions, critical realism emphasises the importance of *meanings*, *interpretation* and *culture* (Buch-Hansen and Nielsen, 2005, p. 85) as important to understand the social structures and mechanism operating at the deeper levels of reality causing phenomena on a higher levels of reality to manifest. Social phenomena and what we can possible understand about them will be limited to inter- and intra-subjective constructions of reality (Buch-Hansen and Nielsen, 2005). Thus knowledge is socially produced and theory-laden, but if critically approached may help the researcher transcend the subjective level and possibly reach valid theoretical accounts (explanations) for how and why the observed social phenomena unfolded as they did. Thus, with respect to the results of this thesis I fully acknowledge that the underlying unobservable cognitive or social mechanisms affecting the empirically investigated social phenomena may be impossible to fully grasp, however, they may not be impossible to gain an understanding of if believed to actually exist (Miles and Huberman, 1994). Hence, as indicated by this realist stance, critical realism does not adopt an idealistic constructivist epistemology; that is, everything we see and know is based on interpretations and any justification as to the validity of an interpretation is essentially meaningless as no fixed criteria exist for such justifications (i.e. epistemological relativism) (Fay, 1996). Rather, as explained by Schwandt (2000), in alignment to a critical realist constructivist approach a more moderate holism in terms of the possible existence of multiple realities (relativism) is adopted: "(…) evaluation will always be comparable, fallibilistic, and revisable, in that yet a better interpretation could come along, encompassing the strengths and overcoming the weaknesses of previous interpretations." (p. 202). Thus, as critical realism holds that our interpretations are fallible and subject to improvements the possibility of rational judgement is adopted by virtue of accounting for one's methodological approach leading to for example an extension or shift from one interpretation of a phenomenon to another (Schwandt, 2000). Such critical judgements of interpretations are a central feature of critical realism despite the absence of fixed criteria for evaluating practices. As elaborated in the end of this chapter, discussing the applied qualitative case study methodology and analytical approach(es), the validity of the findings of this thesis should be judged on the basis of methodological techniques for strengthening the quality (Erlandson *et al.,* 1993) and trustworthiness (Lincoln and Guba, 1985) of the inquiries undertaken.

4.2.1. How to understand: The interpretive approach

As informed by the above-discussed ontology of critical realism certain epistemological consequences are implied for inquiries aimed at exploring and understanding how unobservable meanings, as linked to institutional or cultural norms, values, and identities, constitute human action. As briefly mentioned in the above, critical realism takes into account the appropriateness of *verstehen* (Buch-Hansen and Nielsen, 2005) as associated with the interpretive sociology: "To find meaning in an action, or to say that one understands what a particular action means, requires that one interpret in a particular way what the actors are doing." (Schwandt, 2000, p. 191). Arguing that human or social action is meaningful calls for theories of human behaviour capable of including identities, social meaning formation and culture (Thornton *et al.,* 2012), which for instance are left out of rational choice theories (e.g. Riker, 1990). Furthermore, as such rational choice theories, with their ambitions to predict phenomena, build on positivistic paradigms they collide with the epistemology advanced here. Rather, as discussed in particular in chapter 8 (paper 4), this thesis embraces sociological concepts of cognitive and cultural embeddedness (Granovetter, 1985; Zukin and DiMaggio, 1990), which is defined by Thornton *et al* (2012) as "(…) the culture of social groups, of which individuals are members, provides individuals with symbolic structures [meanings] to understand and construct their environments." (p. 79). This perspective implies that human behaviour in organisations may be subject to cultural constraints, but also that individual agency is possible: behaviours may be intentionally guided by personal interests, goals and social identities through for example identification with fellow professionals (fellow engineers, marketers *et cetera*). Such social identifications along with culture are theorised to affect cognitive limitations on human action as they provide structured regularities of mental processes affecting the sensemaking and decision-making of organisational actors. Altogether, human behaviours may thus be understood as meaningful by viewing them as shaped by structures and systems of meanings grounded in culture and social identities, goals, and cognitive limitations, exerting on humans a sense of bounded intentionality (Thornton *et al.,* 2012, pp. 77-78). As a final remark to understand actions as meaningful, the principle of situationism (Ross and Nisbett, 1991) is as well included in the interpretive analysis of paper 4. This principle basically points to the fact that to understand what kind of cultures (meaning systems) identities, goals *et cetera* that are activated with individuals, one has to take into account the social situations and interactions that may trigger them.

As elaborated in the following sections, concerned with the thesis' data collection and analysis (pertaining to paper 2, 3 and 4), the following interrelated features of the applied interpretive approach have influenced the thesis' research approach to knowledge production as concerned with 'inquiries from the inside' (Evered and Louis, 1981). First, to understand social action a focus has been placed on grasping the subjective consciousness or intentionality of the case study informants; that is, striving for an understanding of generative meanings such as the informants' motives, values, beliefs, desires *et cetera*. Worth stressing here is that aiming for objective understandings of such meanings has not been the ambition; confer the discussion of including, rather than seeking to reject, the transitive dimension of science (Bhaskar, 1998; Buch-Hansen and Nielsen, 2005). Second, pertaining to the Bang & Olufsen case study, as reported in paper 4, I committed myself as much as possible to a strong immersion into the life-world of the informants in order enhance the quality of disseminating the self-understandings of the actors as engaged in their every-day practices of sensemaking, decision-making and actions (Schwandt, 2000). Third, by including (whenever possible) aspects of organisational institutional logics, culture, identities, external stakeholder identities, market dynamics and social identities of the informants (cf. Ross and Nisbett, 1991; Thornton *et al.,* 2012), the results of engaging in interpretations of human actions have been heavily influenced by *hermeneutic* processes in the strive for a holistic understanding. Important, with regards to this third point empirical constraints have however deliberately been applied to avoid the pitfall of too holistic case studies, which easily leaves the researcher with too abstract data of little use to understand operational details (e.g. Yin, 2009).

In the following section the application of the case study methodology is accounted for with reflections on the thesis' practical scientific approach. It is discussed how the case study research methodology relates to the above discussed critical realist paradigm and its epistemological implications for scientific conduct. As the prominent protagonist of the case study methodology in social sciences Bent Flyvbjerg (2006) argues (in line with the critical realist epistemology): "(…) there does not and probably cannot exist predictive theory in social science. Social science has not succeeded in producing general, context-independent theory and, thus, has in the final instance nothing else to offer than concrete, context-dependent knowledge. And the *case study* is especially well suited to produce this knowledge." (Italics added, p. 223).

4.3. The case study methodology

As defined by Yin (2009) a case study is an empirical inquiry that: "(…) investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident." (p. 18). In general terms the case study methodology is widely argued as being well suited to the aim of approaching explorative and theory building research agendas, which are driven by questions of *how* and *why* certain social phenomena and events unfold as they do (Eisenhardt, 1989; Perry, 1998; Woodside, 2010; Yin, 2009). With these features constituting the rationales for case study research a methodological fit to the thesis' ambition of exploring the phenomenon of brands as resources and strategic logics is arguably apparent. In the sense that corporate brand identities come to constitute strategic logics when providing an operative rationale for how to ensure the firm's long-term competiveness (Sanchez, 2008), a research design capable of including contextual real-life organisational sources of meaning, such as culture, identities of internal and external stakeholders, market dynamics *et cetera,* is necessary in order to explain how and why corporate brand identities as strategic logics may relate to the management of capabilities for implementing value creating design innovation strategies.

As elaborated in following subsections the application of an interpretive analytical approach had several implications as to the selection of case companies, the defining of units of analysis, the data collection processes (primarily focused on interviews), and how the data were analysed.

4.3.1. Case selection processes and units of analysis

A qualitative single case study research design has been applied to papers 2 and 4 and a (comparative) multiple case study research design to paper 3 (Yin, 2009). With papers 2 and 4 the case of Bang & Olufsen constitutes the empirical foundation. This case was theoretically and purposively sampled (Eisenhardt, 1989; Erlandson *et al.*, 1993; Yin, 2009) as an information-rich case for exploring the role of a corporate brand identity as an underlying object of meaning capable of explaining decision-making events and the nature of the firm's capabilities in relation to innovation. First, despite Bang & Olufsen's relatively small size (turnover, market share etc.) when considering the global hi-fi market, the organisation's substantial brand equity as tied to strong connotations of luxury, performance, and design capabilities, strongly indicated a representative or typical case (Yin, 2009) of a highly brand oriented organisation (Urde, 1994; 1999). Second, as described widely in the business press (e.g. fastcompany.com/54889/case-fanaticism, accessed 20/03/14) and the extant literature (e.g. Verganti, 2009) B&O has a long history of pushing radical design languages (new product semantics) onto the market, which indicates a dominant inside-out approach to innovation. This inside-out approach makes Bang & Olufsen highly compatible to the research agenda of exploring the casual potential of corporate brand identity elements (e.g. Urde, 2013) as meaningful unobservable structures affecting management processes in the context of radical product design and innovation.

More specifically, the two case studies of Bang & Olufsen (papers 2 and 4) may be labelled as *embedded* single case studies: “The same single-case study may involve more than one unit of analysis. This occurs when, within a single case, attention is also given to a subunit or subunits”. (Yin, 2009, p. 50). For example, in Chapter 6 (paper 2) the case study units of analysis included: the role of the Bang & Olufsen brand as a strategic logic and a resource for implementing new value creating innovation strategies; key management decisions; management resource orientation; and, key innovation process events. This study also made use of what may be termed an embedded ‘two-tailed’ case study design (Yin, 2009, p. 59) as two innovation business cases of Bang & Olufsen (one successful case and one unsuccessful case) were applied to arrive at propositions with regards to the role of the corporate brand identity as a strategic logic and resource in relation to (business) sustainable innovation capabilities.

In Chapter 8 (paper 4) the main unit of analysis was the concept development department as embedded in Bang & Olufsen Automotive division – a strategic business unit within the Bang & Olufsen Group. The decision to focus on this particular setting was grounded in the need for a case context in which both brand and market oriented logics (as the key units of analysis) would be prevalent. Such a context was needed in order to explore how these two theoretical perspectives on approaching brands, in interplay with one another, related to design innovation management processes and capabilities. In order to explore the role of such co-existing logics across organisational layers additional sub-units of analysis included: key decision-makers’ focus of attention and issue diagnoses; the activation of identities, goals and schemas employed in intra- and inter-subjective sensemaking; the embedded decisions; and last, the implications of decisions for new emerging practices of design innovation. The theoretical sampling logic and units of analysis are described in more detail in the paper’s methodology section (see chapter 8).

In Chapter 7 (paper 3) a multiple case study design was applied to explore the role of multiple corporate brand identities in relation to managing collaborative market driving innovation with external stakeholders. As described in the chapter's methodology section, the 6 cases selected for this study, along with the informants interviewed within each of these cases, a theoretical and purposive sampling logic was applied (Yin, 2009). The cases were partly selected based on their competences of working with external designers and partly based on openly communicating a corporate identity pivoting around design visions of 'driving markets'. At the outset of this study about 10 possible case company candidates had been identified. As recommended by Yin (Ibid.) this was done by consulting a knowledgeable expert in the field; in this case the Copenhagen-based design management consultant Thomas Lykke, founder of OeO (oeo.dk), with whom a discussion took place around the case candidates prior to selecting the first three for initial contact. This procedure provided useful background information on the cases and helped justify and sample the most viable cases with regards to the research agenda.

The key case attributes of these firms indicated (like the case of Bang & Olufsen) an inside-out design innovation approach to the market and thus represented plausible information-rich cases with regards to exploring the role of brand logics in managing collaborative innovation strategies as management processes of brand co-creation. Initially, a literal replication sampling logic of the 3 case companies was applied; that is, they should lead to the same findings by virtue of their similarities (Ibid.). Two patterns of managing product design with external designers emerged; grounded in differences in the meaning that the seemingly comparable corporate brand identities had across the case companies with the case informants (see Chapter 6 for case attributes).

Subsequently, a theoretical replication logic (Ibid.) was applied and three more cases were included in the study in order to acquire further data to develop and support the emerging explanations for variances of brand co-creation practices as grounded in variances of how the corporate brand identities provided meaning for building strong brand–stakeholder relationships.

4.3.2. Data collection

In line with the theory building ambition of the thesis a predominant inductive approach was applied, however, deductive elements played a role in guiding the empirical data collection and analysis (cf. the epistemology of critical realism) as clearly reflected by this thesis' chapter 2 on theoretical foundations along with the theoretical/conceptual frameworks presented in Chapters 6, 7 and 8. Thus, a strict inductive approach – as associated with early versions of grounded theory building (Glaser and Strauss, 1967) – was rejected in favour of a more structured and theoretical approach (Miles and Huberman, 1994) (the specific matter of data analysis is returned to in the following subsection). In this way a more pragmatic approach was taken in which it is fully acknowledged that all research activities, including data collection, are theory-laden as prior knowledge attained through socialization influences the researcher's inquiries (e.g. Perry, 1998). In fact, such blends of deductive and inductive elements, albeit with an emphasis on the latter, are quite preferable to guide even explorative inquiries (cf. selecting cases and units of analysis). The deductive elements may increase the validity of the data attained and thus the quality and trustworthiness of the case study reporting and the supporting data interpretations (Eisenhardt, 1991; Miles and Huberman, 1994; Yin, 2009). Moreover when entering into areas with some general understandings already established (cf. the concept of (corporate) brand orientation), but where explorative inquiries for theory building is required before reaching stages of comprehensive theory testing (cf. how brand orientation/brand oriented logics relates to design and innovation management), drawing on existing concepts, models *et cetera* to define an overall research objective makes good sense (Miles and Huberman, 1994; Perry, 1998; Silverman, 2005; Yin, 2009). Thus, in comparison to pure naturalistic/constructivistic data collection approaches, in which the research agenda evolves along with the researcher's understanding of the case setting(s) (Erlandson *et al.*, 1993), a reliance on established theoretical concepts, constructs *et cetera* was applied in order to increase the likelihood of collecting relevant data during my 'limited' visits on site (compared to prolonged participant observational field studies). However, albeit following these prescriptions for data collection in approaching the case settings, it was sought not to have too many *a priori* categories defined, which in the extreme would lead to a perceptual screening of the research setting and thus limit the possibility of gaining valuable and unintended insights (e.g. Evered and Louis, 1981).

Across all the cases studied within this thesis a focus has been placed on gaining rich data into specific design and innovation processes, key events, capabilities, and importantly into a contextual understanding of the underlying organisational (cultural) structures as generative mechanism (cf. Bhaskar, 1998). In paper 4 (Chapter 8) this was done by collecting data from multiple sources (Eisenhardt, 1989; Yin, 2009), however, with a main focus on interviews with key informants in order to probe for data into why specific actions were taken. This allowed for interpretive analyses of the underlying logics or motives affecting the informants' sensemaking and decision-making (issues of data analyses and analytical strategies are returned to in the following subsection).

A central aspect of the applied interpretive approach has been to collect data from the inside (Evered and Louis, 1981) in order to acquire data on how the informants make sense of their surroundings, day-to-day operations, and act accordingly – all with an analytical focus on the focal corporate brand identity and its *meaning* with the informants as the primary unit of analysis for understanding the actions/decisions in the organisational setting (Silverman, 2005).

With reference to the thesis' epistemology the data collection undertaken implies a constructivist approach (e.g. Lincoln and Guba, 1985) in the sense that the on-going interpretations (during and after interviews), and thus the creation of my findings, has been carried out in a dialectic-hermeneutic relationship with the informants (Erlandsson *et al*., 1993).

Importantly, when approaching data collection predominantly face-to-face with the informants during interviews Goffman (1959) points to the potential response bias of informants as they intentionally/unintentionally may present themselves and answer questions in ways that they expect the interviewer to want or they simply try to project an image of themselves as perfectly rational human beings; the so-called 'Hawthorne effect" (Erlandsson *et al*., 1993). Such biases may obstruct the researcher's search for learning about deeper intentional motives affecting the informants' actions. However, pertaining to the case studies of Bang & Olufsen (Chapter 8), I managed to adopt the organisational lingo (company specific terms and sayings) (Erlandsson *et al*., 1993) and experienced a genuine openness with the informants and with some actors even approaching me for interviews and not vice versa. Thus, data collection biases were arguably reduced as the informants' trust in me grew rapidly in the organisation. The prolonged contact with the Bang & Olufsen Automotive division's executives since 2009 made my visits at the site in 2011-2012 more legitimate, less obtrusive, and less 'threatening' to the informants. The collaborative spirit that I was met with during my visits resulted in the executives providing me with my own desk in the Bang & Olufsen Automotive division along with numerous invitations for lunches in the canteen with various people from the organisation. Slowly it became possible for me to get under the skin of the informants and attain data on process events; routine practices; general concerns and issues, and of the informants' respective sensemaking difficulties and reflections when faced with novel management issues and environmental uncertainty. In hindsight, my efforts to gain informed consent from the informants on their participation in the study (Yin, 2009), understood here as ensuring them a ‘risk-free’ participation and anonymisation of their identities, arguably paid off: “Researchers who conduct qualitative research will need to propose and develop roles that ease entry, facilitate receptivity of environments and participants’ cooperation. They will need to demonstrate that they can conduct research in such a way that neither the setting nor the people in it are harmed.” (Marschall and Rossman (1989) cited in Erlandson *et al*., 1993, p. 56). In this vein, a focus was placed on executing the interviews as conversations with a purpose (Dexter, 1970). The interviews should feel like regular conversations between two persons interested in the same professional topic. In this regard, while being interested in the role of brand logics, strong data biases were sought avoided by tainting the conversations with an overuse of ‘brand-related’ terminologies. Moreover, mindful not to use leading and unfathomable questions by explicitly asking about the ‘role of brands’ (the key research objective), primary research questions were somewhat camouflaged while moving back and forth in time and reconstructing the past and interpreting the present *with* the informants (Lincoln and Guba, 1985). This mindfulness reflected Yin’s (2009) prescription for data collection of clearly distinguishing between the verbal line of inquiries (questions to be answered by the informants) and the mental line of inquiries (questions to be answered by the study). This relaxed and conversational approach played a huge role in being socially embraced by the department as an outsider capable of providing value to the organisation qua the informants’ reflections on things usually taking for granted. For instance, during an interview I ‘accidently’ asked an insightful question that instantly led the informant to announce to his colleagues (without sarcasm in his tone of voice) “Guys! We’ve got ourselves a new ‘process guy’ over here!”

Undertaking 'inquires from the inside' (Evered and Louis, 1981) remained the objective during the 10+ visits on-site with tours around the facilities, informal talks, coffee-breaks *et cetera*, which arguably enabled me in between scheduled visits and interview sessions to dissect what was going on in the 'real life setting' of the Bang and Olufsen Automotive organization.

The prolonged contact with Bang and Olufsen and the Bang and Olufsen Automotive division (from late 2009 to the beginning of 2012) resulted in well over 20 semi-structured interviews with various executives/directors, managers and designers, a top-management workshop, numerous on-site observations, and informal talks and meetings. Moreover, as I earned the informants' trust I was allowed to see confidential material and gain access to various internal communication and management documents, reports, spreadsheets, and digital presentations. Spending entire days in the setting allowed me to interchangeably triangulate data from various sources. This entailed comparing the informants' own interpretations of key events, processes and decisions with data sources from observations on site focusing on the physical manifestations such as brainstorm posters, post-it notes or product prototypes; some of which I was allowed to document by photos (Yin, 2009). These additional sources of data made it possible to engage in much more concrete conversations around the challenges, benefits and motives/rationales of the performed actions/non-actions in the setting. In total my empirical inquiries led to a sound understanding of the Bang and Olufsen (Automotive) organisation: its culture, value tensions, and routines as highly valuable contextual knowledge to the on-going data analyses. In addition, secondary sources from prior case studies of Bang and Olufsen along with relevant articles from the business press have as well been included when relevant to support claims pertaining to the Bang and Olufsen organisational culture, values and innovation capabilities (e.g. paper 2).

With regards to specific interview techniques questions across all cases were in general focused on accessing the informants' cognitive schemas/scripts (e.g. Thornton *et al.,* 2012; Tollin and Jones, 2009) by for instance asking questions as to how I was supposed to understand a specific sets of routines, changes in these routines, key decisions *et cetera*. Rather than using traditional laddering techniques with extensive 'why?' probing questions, which hardly elicit unconsciousness and values-based motives with informants (Woodside, 2010; Yin, 2009), I strived to engage in simultaneous interpretations of the answers that I received in order to continuously reaffirm my interpretations and have the informants reflect deeper on the meanings of their answers. In this way questions were shifting between acquiring data on practices and changes in practices while seeking to uncover the meanings linked to such patterns of actions.

In the following section the interpretive analytical approach and applied data coding strategies are elaborated as the space limitations set by the respective journal outlets of the three empirical papers (see table 1) left little room for such elaborations.

4.3.3. Data analysis

As a common analytical thread across the empirical papers a focus has been placed on reaching explanatory accounts of the generative structures or values found at deeper unobservable levels of organisational reality; that is, the organisational institutional structures and cultures affecting informants' values, motives, rationales as implied by the use of 'logics'. As briefly touched upon in the above, the process of interpretively analysing the primary data, as predominantly collected through interviews, was commenced *during* the data collection process (Yin, 2009) in a dialectic-hermeneutic relationship with the informants. However, when having to maintain a focus on the interview as a sole researcher, nuances of the informants' utterings and explanations are easily lost during such conversations. To accommodate this issue permissions for digital recordings of all interviews were granted, which allowed for the invaluable opportunity to subsequently go back into the data for a more structured analysis. All interviews were thus digitally recorded and fully transcribed within 48 hours (with few exceptions) to enhance the quality of the transcriptions by being able to remember phrases or general content when recordings were impaired by interruptions or noisy surroundings.

With reference to the critical realist paradigm the informants' accounts of key events, routines, decisions, process procedures *et cetera* were analytically treated as factual descriptions of observable events and phenomena on the actual domain of reality (cf. Bhaskar, 1998), which for purposes of internal validity (Yin, 2009) and accuracy (Woodside, 2010) were sought triangulated with observational, archival, internet data sources *et cetera* (Silverman, 2005).

Pertaining to the Bang & Olufsen case study in paper 4 (Chapter 8) the described interpretations on institutional/organisational culture and logics were triangulated amongst all informants' utterings, observations, and the informal talks, which took place during the stays on site. Thus, pertaining to the particular case study in paper 4 a complementary analytical strategy reflecting a moderate social anthropological approach was deployed as well (Miles and Huberman, 1994).

Pertaining to the Bang & Olufsen case studies (paper 2 and 4) the data comprised of various observational notes, numerous reports on concept design projects, presentations, press articles and transcribed interview material accounting alone for approximately 350 pages of text (font size 12 double spaced). Despite a dominant reliance on analytically switching between an interpretive and hermeneutic immersion a complementary structured analytical approach was applied in order to condense the collected data through coding strategies (Miles and Huberman, 1994; Patton, 2002; Saldana, 2009; Silverman, 2005; Yin, 2009): "The critical task in qualitative research is not to accumulate all the data you can, but to 'can' (i.e., get rid of) most of the data you accumulate." (Wolcott, 1990, p. 35).

The first step in the analysis involved data reduction: "…the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes and transcripts." (Miles and Huberman, 1994, p. 10). For the purpose of data reduction I started with a first cycle coding of the interview data (Saldana, 2009), which entailed an initial *structural* coding ranging from full sentences to whole passages throughout all interview transcriptions to the purpose of categorising the entire data corpus. To assist the coding process *a priori* established categories from theoretical frameworks, as elaborated in each of the papers, were drawn upon. This structural coding helped create a first general overview of the data by simply providing the bits and pieces of the texts with small abbreviations of the overall content. Next, all data were further coded combining *descriptive* and *process* coding approaches (Saldana, 2009). The descriptive coding was used as a natural way to proceed into what the aforementioned structural coding passages and sentences were actually talking about: "(…) attributing a class of phenomena to a segment of the text." (Miles and Huberman, 1994, p. 57) such as *'novel management issue'* (cf. paper 4) or *'external stakeholder identity and values as selection criteria'* (cf. paper 3). The process coding procedure, which has been a central element of the analytical process of all the case studies, then focused exclusively on action-oriented data in the text, such as '*we decided to…*', and on coding the human actions into codes such as '*strategic, tactical, operational, standard routine* or *break with routines'* (Corbin and Strauss, 2008). Pertaining to paper 4 in particular, this process coding was essential to the aim of mapping actions and interactions in the Concept Development department of Bang & Olufsen Automotive as responses to both endogenous and exogenous environmental stimuli.

Importantly, the ambition of this thesis has been to explore how and why actions and associated events unfolded as they did (Eisenhardt, 1989; Yin, 2009); reflected by the suggested explanations provided through the analytical lens of brand oriented logics affecting decisions, the coordination of resources, and the development of capabilities. Informed by this ambition, the coding strategy of *values coding* (Saldana, 2009) also formed an essential part of all three papers. This particular coding strategy was deployed as a central act of interpreting the informants' brand and market oriented values, attitudes, and beliefs as tied to both organisational culture/institutional logics (paper 3 and 4) and social identities (as included in paper 4). Values, as closely linked to the informants' values, knowledge, and experiences (Tollin and Jones, 2009), were coded whenever data reflected an informant attributing a certain importance to for instance 'not compromising the brand identity' or uttering attitudes or beliefs towards a particular routine in relation to firm competitiveness. Altogether these values codes were essential for deriving what kinds of management (competitive) logics that existed in the case companies and importantly how they could be interpreted to understand what was going in the organisations. Closely related, *versus coding* also played a role in paper 4: "Versus codes identify in binary terms the individuals, groups, social systems, organizations, phenomena, processes, concepts *et cetera* in direct conflict with each other" (Saldana, 2009 p. 94). Thus, in line with paper 4's research agenda of exploring multiple logics, data were coded around brand oriented logics versus market oriented logics as conflicting or complementary logics affecting decisions leading to changes in innovation practices. Alongside these coding strategies *literal* or *verbatim* coding was applied by highlighting whole sentences or merely key words such as 'brand' or 'success'. Particularly in paper 3 and 4 the use of verbatim quotes has been a key strategy in order to support findings and bring life to the narratives, which for instance paper 3 applies to demonstrate how the two induced management models (capability structures) were grounded in the data set (Corbin and Strauss, 2008; Miles and Huberman, 1994; Saldana, 2009).

In Chapter 6 (paper 2) case study findings are presented by two separate story narratives structured with a clear beginning, middle and end in relation to innovation success or failure as recommended by Van de Ven (2007) when reporting on cases with event sequences.

Next, these narratives are followed by analyses informing the reader of the key findings used to induce the proposed capabilities framework for 'Sustainable Brand-Based Innovation'. In combination with the on-going interpretive and hermeneutic analytical processes the above described first cycle coding strategies were sufficient in the single case studies of Bang & Olufsen (Chapters 6 and 8).

With paper 3 (Chapter 7), however, in which multiple cases were studied, the data collection approach differed due to no prolonged contact with the case companies. This study departed from a hermeneutic analytical approach as the study had to build solely on a strong interpretive immersion into the available data material. This multiple case study began with a sample of three cases with two emerging ways of structuring management practices in the context of collaborative innovation. Three more cases were sampled in order to further explore whether the two different approaches and their relationships to the focal brand oriented logics would help explain these emerging varieties of patterns of routines (i.e. capabilities). In order to engage in this analytical strategy a second and more complex cycle of *pattern coding* (Miles and Huberman, 1994) was applied. This pattern coding entailed an analytical process in which all the first cycle codes from the single within-case analyses were sought grouped together into more meaningful units of data categories (Saldana, 2009). These groupings were partly guided by theory-driven *a priori* categories such as 'corporate brand identity elements' or 'stakeholder dialogue' as displayed in paper 3's appendix 1 (see Chapter 7). However, reflecting the quasi-grounded theory approach applied in this study, new categories emerged such as ‘proactive stakeholder dialogue‘ and ‘reactive stakeholder dialogue’. These pattern codes were then possible to organize in matrices using digital spreadsheets to group their relations to the respective cases. This exercise then facilitated the analytical process of arriving at the presented cross-case case findings (Miles and Huberman, 1994; Yin, 2009). As prescribed by Miles and Huberman (1994) the analysis of paper 3 thus followed the use of data displays to organize, compress, and assemble the data into a comprehensible overview for conclusion drawing and verification of the emerging patterns; patterns delineated as variations in dominant brand values affecting (as brand oriented logics) variations in brand co-creation capabilities. Importantly, the iterations and analytical reflections in deciding what columns and rows to include in these matrices formed an integrative part of the analysis at this stage. Although I proceeded ‘inductively’ when sampling 3 more cases for the study, the use of analytic memos, understood as conversations with ourselves about our data (Saldana, 2009, p.32), took place from the very start as an analytical strategy for continuously reflecting on possible emergent patterns, relationships, categories, themes, and concepts. Thus, a clear element of deductively verifying the initial emerging patterns unfolded during this later stage of data collection and analysis in order to seek verification of the causal tendencies between different brand oriented logics and variations in capabilities across cases while still remaining open to new and stronger explanations as I proceeded with the analysis.

As an inescapable part of the analyses across all papers, the analytic technique of working with memos thus reflected a deductive reasoning as I interpreted the data in relation to my knowledge of existing theory (cf. Bhaskar’s (1997) transitive dimension of science) while striving to inductively arrive at new perspectives hidden in the data. In coding and organising the data a pure inductive approach (Glaser and Strauss, 1967) was thus abandoned in favour of a more reflexive approach between extant theory and the data (Weick, 1999); embracing the impact of the researcher's subjectivity as an inescapable part of the knowledge creation (cf. Bhaskar, 1997; 1998).

Concluding, writing such analytical memos in between the visits at the Bang & Olufsen site, and in between the 6 cases studied with paper 3, proved a helpful tool to reflect on whether the research agenda was benefitting from the data being collected or whether some adjustments or changes should be made in order to strengthen the analytical outcomes (Saldana, 2009).

4.3.4. Final reflections on research quality and trustworthiness

With this chapter it has been the ambition to provide information on the philosophical grounding of the research undertaken and specifically on how data were collected and analysed to the end of providing the reader with sufficient insights into the creation, credibility and trustworthiness of the findings presented in the three empirical papers.

With reference to Yin (2009), discussing case study *quality* as a matter of ensuring construct validity, internal validity, and external validity, and Lincoln and Guba (1985) discussing techniques and credibility criteria for establishing trustworthiness of highly context-dependent and interpretive/constructivist studies, the following attributes of this thesis' research should be noted.

First, to the end of strengthening construct validity as concerned with the generation of valid and relevant data, the use of theoretical and purposive sampling strategies and data triangulation via multiple and different sources have been applied to validate and support the credibility of the case study findings (Lincoln and Guba, 1985; Yin, 2009). Second, discussions with industry professionals and academic supervisors have served to provide second opinions and tests as to the validity of my interpretations. Moreover, continuous informal and formal checking of data and interpretations with case study informants, over telephone and importantly by providing informants with final manuscripts for feedback and approval of verbatim quotes, served as credibility triangulation (Patton, 2002) for enhancing construct validity (Yin, 2009). Third, the use of coding strategies, including pattern matching in the multiple case study analysis of paper 3, served to strengthen the internal validity of the descriptions provided to explain how certain case conditions were interpreted (Ibid.). Last, pertaining to the Bang & Olufsen case study a prolonged contact with the case setting helped build the necessary trust and relationships and obtain a wide range of data of an obtrusive nature, which contributed to building authenticity into the research (Lincoln and Guba, 1985).

The following Chapters 5, 6, 7, and 8 present the four papers constituting the body of the thesis (see table 1 – Chapter 1).

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Chapter 5 – Paper 1

Implementing firm dynamic capabilities through the concept design process: A conceptual model for creating sustainable competitive advantage*

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Abstract

It is well understood that firms operating in highly dynamic and fluid markets need to possess strong dynamic capabilities of sensing (market trajectories), seizing (to capitalise on these trajectories), and transformation (in order to implement sustainable strategies). Less understood is how firms actually implement these capabilities. A conceptual model showing how managing concept design processes can help firms systematically develop dynamic capabilities and help bridge the gap between the market-oriented and resource-focused strategic perspectives is presented. By placing this model in a design-driven innovation perspective three theoretical propositions is derived explicating both the paper's implementation approach to dynamic capabilities as well as new ways of understanding these capabilities. Concluding remarks are made discussing both the paper's contribution to the strategic marketing literature and possible avenues for future research.

5.1. Introduction

Since the beginning of the 90's the concept of market orientation has become a key marketing term suggesting that firms' capability of adapting to changes in the market leads to sustainable competitive advantage (Day, 1994; Doyle and Bridgewater 1998; Narver and Slater, 1990). Market orientation focuses on market intelligence activities that continuously inform management about competitors' strengths and possible new strategies and about its customers needs and wants. However, it is also dependent on the ability of the firm to strategically exploit this knowledge across the organisation. Coordinating the use of company resources across functional silos is viewed as a key capability in order to reap the benefits of market sensing (Narver and Slater, 1990 pp. 21-22), which suggests that market orientation is compatible with the resource base view of achieving competitive advantage (Barney, 1991; Collins and Montgomery, 1995; Prahalad and Hamel, 1990).

Advanced by Teece and colleagues (Eisenhardt and Martin, 2000; Teece, 2007; Teece *et al|.,* 1997) the concept of dynamic capabilities has been proposed as the true source of sustainable competitive advantage in globalized and high-velocity markets building on the resource based view. Dynamic capabilities propose that firms need to sense the market, seize opportunities and manage the resource base dynamically in order to stay capable of continuously implementing new value creating strategies (Teece, 2007). Inherent in this dynamic capability framework is a clear need for bridging market sensing activities to the internal management of resources. However, little attention has been placed on the business processes needed to implement these dynamic capabilities and particularly on the schism between bridging outside-in (market oriented) and inside-out (market creating) approaches.

With modern consumers' needs and desires shifting more often than ever before, being able to adapt to these rapid changes may in fact call for more proactive and market shaping capabilities which envisage completely new propositions and push them on to the market. It will be argued that simply relying on traditional market intelligence streams for competitive advantage can be viewed as inadequate in certain market contexts. For firms operating in industries where the ability to adapt to the newest and even future market trajectories is paramount to firm performance, new ways of dealing with strategic marketing activities for innovation are needed to transcend the established market orientation concept. In such rapid evolving markets the concept of design-driven innovation has been suggested (Verganti, 2006; 2008; 2009); rather than pursuing strategies pulled by the market, the design driven approach seeks to push the company vision about new product meanings and functionalities onto the market following the realization that with consumer preferences changing this rapidly simply following market trends will not be enough - firms have to develop capabilities that dynamically enhance their ability to predict and set market trends.

This paper contributes to the competitive advantage literature by introducing the business process of concept design in a design-driven innovation perspective (and the associated design practices) as a management realm that can systematically help grow and nurture dynamic capabilities (Teece, 2007). Furthermore, a synthesis of the most prevalent concept design phases and the dynamic capabilities framework suggests that this one coherent design process encapsulates both ends of the strategic management dichotomy of relying either on the pursuit of new market opportunities versus exploiting firm resources as the source of competitive advantage (Barney, 1991; Day, 1999; Lamberg *et al.*, 2009; March 1991; Uotila *et al.*, 2009).

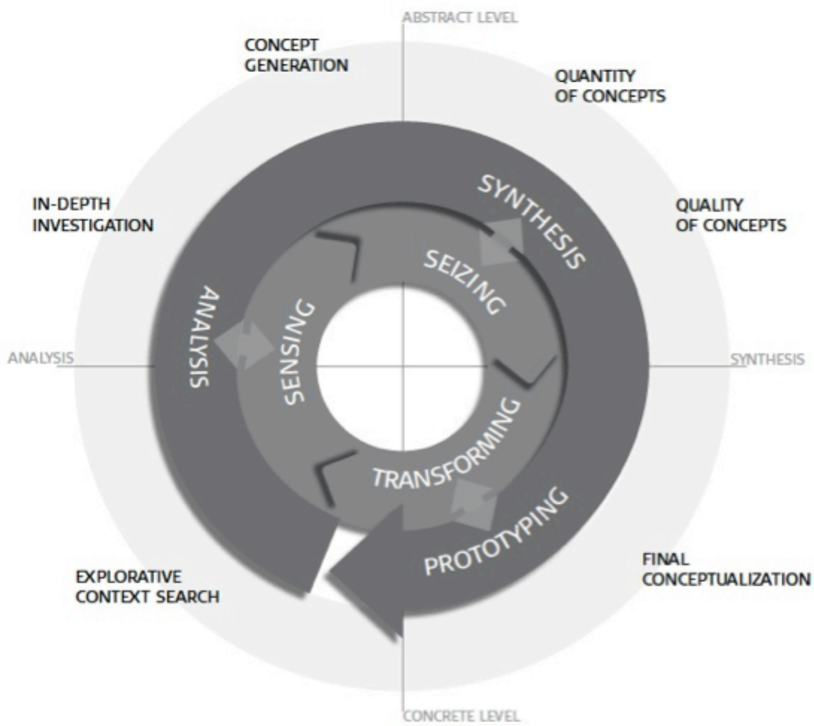
5.2. The Strategic Coordination Resource of Concept Design Management

The ability to market relevant and competitive products and services in a timely manner has become of crucial importance (Eisenhardt and Martin, 2000; Huber 2004; Mohr and Sarin, 2007; Teece, 2007). Thus, the dynamic capabilities of sensing and seizing (Teece, 2007, p. 1319), which essentially correspond to the behavioural components of market orientation as described by Narver & Slater (1990), emphasize the paramount need of firms to continuously stay informed about market trajectories of their competitors and customers. Moreover, firms should ensure cross-functional coordination of their sensing data in order to strengthen their seizing capability and reap the benefits of the market sensing activities. (Day, 1994; Narver and Slater, 1990; Teece, 2007).

However, even though Teece (2007) stresses the need for firms to master both ends of the strategic management dichotomy in his dynamic capabilities framework, it is not clear just how to go about achieving such a balance. Thus, further investigation into which organisational processes and structures that are needed to support this favourable balance is still needed. Interestingly for design managers there is no conflict in this dichotomy as their work constantly moves between applying inside-out approaches to managing design solutions with an (often implicit) understanding of market needs. A case in point might be Apple's ability to develop highly innovative and highly successful products without the use of extensive market research (Verganti, 2009 p. viii). This ability to utilise internal capabilities with an intuitive understanding of the market is what lies at the heart of shaping markets through design management.

Managing design as part of an innovation activity can take place on any organizational level (Best, 2006, p. 17). Owen (2001) distinguishes between the various design activities by dividing them roughly into concept design and craftsmanship and detail-oriented design work; it is the concept design phase that works consciously at the strategic level by achieving competitiveness through a holistic integration with the business strategy (Ibid., p. 28). Reviewing the design process literature Concept Design Management typically revolves around an initial explorative research phase, which is followed by an in-depth analysis that leads on to the development of one or more conceptual ideas. From here, the process moves forward from the abstract stage towards a more concrete one. In this phase a synthesis takes place narrowing down a potentially large quantum of conceptual ideas to a smaller set and eventually just one concept – the one with the strongest strategic fit – which then is invested in for prototype development and in some cases market testing (Borja de Mozota, 2003; Farstad & Jevnaker, 2010; Owen, 2001; Walsh et al., 1992).

Model one shows the adaption of these ideas to the implementation of dynamic capabilities through what we call the Concept Design Process (CDP). The model builds on two 3-stage management processes: firstly, of analysing, synthesising and prototyping and secondly, on moving from concrete problem statements, to the generation of abstract solutions before eventually reaching a decision on a concrete (concept) solution (indicated by the toned down horizontal and vertical axes). The CDP consists therefore of three concurrent processes indicated by the three rings; the outer rim begins with explorative context search a list of sequential stages that ultimately ends up with final conceptualization. The intermediate rim consists of the processes of analysis, synthesis and prototyping. Moving forward the paper will go on to demonstrate how these three core process steps when placed in a design-driven innovation perspective (Verganti, 2009) systematically help firms implement dynamic capabilities. Relational arrows placed between the intermediate and the inner rim work to illustrate this argument.



Model one: Concept Design Process (CDP) for Implementing Dynamic Capabilities

5.3. Advancing Firm Dynamic Capabilities through Design-driven Innovation

Managing design processes for competitive advantage should be driven by a determined strategic approach (Verganti, 2009). Rather than adopting a (market adapting) user-driven design approach, a design-driven strategy aiming at developing (radically) new product meanings has been proposed (Ibid.) Approaching the market this way must be guided by a design strategy describing (amongst many things) the firm's unique design vision – an envisioned future for the firm's design position in the market (Collins & Porras, 1996), thus making design a core growth platform (Jonash, Koehler, Onassis, 2007). To capitalize on such a growth platform, focusing on creating new product meanings by relying on existing market trends obviously will not lead to any radically differentiated market position. And inasmuch as consumers or users are deemed unable to articulate needs and desires that go beyond the existing socio-cultural models, the concept design process must incorporate different sources of inspiration to improve the odds of rendering any substantial competitive advantage (Verganti, 2009, pp. 55-56).

Traditional market research based customer surveys, focus groups, etc. have proven very useful in assessing minor incremental product innovations as in the case of either a technological or design facelift. However, in order for firms to innovate radically and create new product meanings, there is a need for sensing not just what is and has been, but more importantly on what might be (Ibid.; Heskett, 2008; Martin, 2009; Verganti, 2009). According to Verganti (2009) performing such sensing activities upon which one's market analyses should be based must involve a strong immersion into the surrounding design and market discourses. By engaging in a dialogue with key interpreters (academia, futures institutions, sociologists, suppliers etc.), whose common interests in interpreting new design languages and product meanings can be of great value to the firm, the chance of acquiring streams of interpretations of future market trajectories representing potential new value creating meanings to pursue is strongly enhanced. Firms investing in the establishment of strong relations with key interpreters can start feeding their innovation activities with such analyses enhancing the possibility of creating customer value in a proactive way akin to what is now know as a blue ocean strategy (Kim & Mauborgne, 2004).

P1*. In highly dynamic markets, market research based approaches to market orientation are insufficient to create and maintain competitive advantages rather firms should rely on sensing new visionary meanings capable of shaping the market.*

Of equal importance to sensing such new value creating meanings is the ability to capture the right ones (Teece, Pisano & Shuen, 1997). In the second core step of the concept design process the responsible manager must filter through all the various interpretations derived from interactions with external interpreters and the meanings worth developing must then be seized (Ibid.). But, inasmuch as seizing opportunities of such intangible nature are vaguely guided by traditional business planning - most often lacking such forward-looking elements (Heskett, 2008; Martin, 2009) - pursuing a design-driven innovation strategy calls for a refinement of the foundation upon which investment decisions are made. Managerial guidelines will have to encompass visionary pointers on how to identify meanings with the strongest strategic fit to the firm's growth platform. To do this firms must adopt a formalized and visionary design strategy, which links design and innovation activities with corporate vision and strategic intent (Farstad & Jevnaker, 2010, pp. 72-73). If properly elaborated, this strategy can act as a guiding beacon increasing the likelihood of on-strategy rather management subjective strategies being implemented Worth making clear when dealing with the matter of striving to shape markets is the fact that risk will always be a part of the game, however, having in place such a proposed design management tool as a design strategy may enable managers to invest in new meanings, not with greater certainty about the future per se, but with greater certainty that decisions are made on-strategy.

P2. *In highly dynamic markets, managers seize new opportunities (meanings) by relying on visionary design strategies as vital growth platforms.*

Finally, to reap the benefits of the sensing and seizing activities outlined above, the firm must possess or acquire the resources necessary to implement such new initiatives. For firms venturing into rather unexplored territories this inevitably calls for a transformation of the firm over time (Teece, 2007). However, managing the asset and resource base in such a dynamic manner is as mentioned poorly dealt with in the competitive dynamics literature. As the paper's last proposition on how to build this missing link and develop such transformational capability we must look to the last core phase of the Concept Design Process model. This phase, following from the much demanding synthesis phase, covers the activities where the most promising and on-strategy design concept(s) is prototyped to get a quick and more tangible feel for the final outcome with respect to various parameters such as e.g. usability (Farstad and Jevnaker, 2010 p. 88). Employing prototyping practices raises awareness of whether the physical, human and organizational resources needed are all in place or whether the resource base in fact needs to be adjusted. It is through such prototyping activities that alignment can be achieved between the inside-out and outside-in strategic approaches.

P3. *In highly dynamic markets working with prototyping activities based on strategies springing from visionary market sensing the concept design process forms a strategic link between the market and resources in a single business process.*

5.4. Concluding Remarks and Perspectives

A major challenge for companies in highly dynamic markets is to align and apply their resources to the market in order to create sustainable competitive advantage. Whilst the literature on dynamic capabilities offers a theoretical approach, it lacks a clear model of how to implement these capabilities in practice. This paper suggests a Concept Design Process that can be used to address this shortfall. It has been argued that working in a systematic manner with all of the concept design phases makes it possible to link together in one coherent business process the strategic market oriented activities (sensing and seizing capabilities) to the internal resource management activities (transformation capability) hereby presenting a novel approach to the strategic managerial paradox of balancing between the market-oriented and the resource based view. Moreover, it is argued that this design-driven innovation approach to strategic management (Verganti, 2009) provides a systematic framework within which sensing and seizing capabilities be driven by a strategic design vision and aligned to the firm's strategic growth platform. In this way market orientation achieves a stronger fit to dynamic market contexts by stressing that superior competitiveness is not derived from being able to adapt to the market quicker than competitors, but from being able to shape the market quicker and more effectively than competitors. Finally, as this paper has only touched initially upon the convergence between concept design processes and the strategic management and cultivation of dynamic capabilities there is a need for empirically based research of the propositions presented. Such research should not only be limited to traditional innovation fields of research. All too often operating with design approaches and practices is fallible understood and delimited to the development of tangible products, but managing design can in fact be relevant for all organisational processes as a managerial logic when approaching business challenges (Martin, 2009). It is suggested that future research into the convergence of the strategic management and design literatures should reflect this notion.

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Chapter 6 – Paper 2

Sustainable brand-based innovation: The role of corporate brands in driving sustainable innovation*

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&

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Abstract

The role of the corporate brand as a strategic resource in orienting innovation projects has only been cursorily addressed in the literature. As innovation is a key driver of brand growth, this article discusses how corporate brands can contribute to both guiding and driving such innovation processes. The article applies the concept of design thinking to develop a framework for Sustainable Brand-based Innovation. It is suggested that traditional market-oriented strategies should be complemented with intuitive thinking and abductive reasoning as associated with the concept of design thinking. On the basis of this framework, a conceptual model is elaborated integrating the three key management imperatives of: (i) orienting innovation and investments around the brand (brand orientation); (ii) thinking on a human scale to generate unique customer insights (intuitive customer orientation); and (iii) considering the current and future scope of firm resources needed to attain and sustain competitive advantages (resource orientation). The article illustrates the framework through analysing the processes behind new business development and innovation of the luxury consumer electronics brand Bang & Olufsen. Implications for brand leadership in innovation management and avenues for further research into the brand–innovation interface are discussed.

Keywords Brand leadership; Brand orientation; Corporate brand; Design thinking; Radical innovation; Sustainable competitive advantage

6.1. Introduction

Innovation is integral to both building and maintaining strong brands (Aaker and Joachimsthaler, 2000; Weerawardena *et al.*, 2006; Beverland *et al.*, 2010; Keller, 2012). In order for brands to remain contemporary and aligned with shifts in the market, continuous innovation is stressed as a powerful and irreplaceable capability to enhance brand's value propositions and point of differentiation in the marketplace (Aaker and McLoughlin, 2007; Keller, 2011). In this regard, the corporate brand is regarded as playing a key strategic role in developing the company and its brands (Schultz *et al*., 2005). Mainstream brand management literature often mentions innovation as a key corporate brand association of successful corporations (Aaker, 1996) and as a key element of brand positioning strategies (Keller, 2012), although rarely addressing the issue of how innovation as a successful driver of brand equity is successfully managed. There is great potential for advancing our understanding of the brand-innovation relationships. Hultink (2010) notes the scarcity of new product development and innovation topics in the brand literature and the paucity of brand issues in the NPD-Innovation literatures. Calder and Calder (2010) ask why companies do not use brand as a key resource to drive innovation. They note innovation is often driven by either customer insights (through a market-oriented strategy) or through technological development, whereas brand-led innovation is both poorly discussed and poorly understood. Product and corporate brands can be an important path to innovation. However, our knowledge of how they can do this is very limited. Beverland *et al* (2010) suggest that there is a significant knowledge gap in the role of brand positioning in facilitating innovation processes. For decades, the role of brands and brand management practices have predominantly been considered *ex post* to innovation activities typically not addressed until innovation processes moved close towards market launch (for example, Aaker, 2007). However, simply approaching innovation without consideration of the strategic fit to corporate brand strategy may lead to outcomes impairing rather than building brand equity (Beverland *et al.*, 2010). For instance, Calder and Calder (2010) note that brands are a valuable source of growth by providing a sense of direction on how product portfolios may successfully be extended into new and profitable product categories or markets.

Breaking with this dominant *ex-post* approach to the role of brands in innovation (Abbing and van Gessel, 2008; Abbing, 2010; Calder and Calder, 2010), this article considers the reverse view that innovation needs the guidance and direction of the very same brand whose long-term equity it strives to build. To this end, we envision the corporate brand as a strategic (Urde, 1999) and operant resource (Vargo and Lusch, 2004) that firms may favourably exploit in the exploratory and often *fuzzy* front-end of innovation where the idea generation, filtering of ideas (Aaker and Joachimsthaler, 2000) and prototyping of new innovation concepts define the success of innovation projects (for example, Kim and Wilemon, 2002). As we will go on to argue, using brands strategically in driving and designing radical innovation strategies poses a fruitful avenue of exploration of high value to the way we manage and prioritise the complex (and expensive) process of innovation.

Seeking to advance this neglected although growing exploration of the strategic value found in an ex-ante brand–innovation approach, this article aims, according to MacInnis' (2011) typology of conceptual contributions, to contribute to the explication of the corporate brand as a strategic resource in innovation management. Through the elaboration of a theoretical framework, the article delineates how this neglected perspective on brands strategically relates to the management of radical and market shaping innovation as an invaluable driver of sustainable competitive advantages. The framework is grounded in a discussion of the imperative of controlling or cultivating radical and market-shaping innovation capabilities. Focusing on high-velocity markets (Slater, 1993) and firms pursuing corporate brand strategies centred on product leadership (Beverland *et al.*, 2010), it is argued that traditional (exploitative) customer-oriented strategies are often insufficient drivers of sustainable innovation because of their reactive approach. Current approaches (albeit mostly implicit) to innovation in the corporate branding literature are discussed. Perspectives on brands as guiding and constraining strategic resources for innovation processes leading to sustainable competitive advantage are emphasised drawing on the interrelated concepts of *Brand Visioning* (Jones, 2010) and *Brand Orientation* (Urde, 1999). Building on these brand-oriented perspectives, *Situational Intelligence* (Ind and Watt, 2006) is presented as a key concept linking the brand-innovation interplay to the management domains of intuitive (proactive) customer orientation and resource base considerations. As a major contribution to advance the application of situational intelligence, we link to the growing body of research concerned with the unique cognitive style of designers referred to as *Design Thinking* (for example, Kimbell, 2011) as a strategic organisational resource for the creation of long-lasting competitive advantages (Brown, 2008; Martin, 2009). Derived from the framework we accentuate three aggregated management imperatives to the implementation of capabilities for market-shaping innovation processes that strategically fit the platform of the corporate brand. These imperatives are integrated and presented in a conceptual model we name Sustainable Brand-based Innovation (SBBI). On the basis of an on-going longitudinal case study of innovation processes at Bang & Olufsen (B&O), the strengths of the SBBI model are illustrated through the analysis of an innovation failure and a success. Finally, management implications for brand-driven innovation are discussed and avenues for further research into the brand–innovation interface are suggested.

6.2. The innovation imperative and market oriented brand strategies

As markets become ever more chaotic through the processes of globalisation, technological evolutions, increased competition, and rapidly changing consumer needs and wants, traditional market-oriented approaches to innovation have proven to be too slow and reactive for brands that pursue market shaping rather than market responsive strategies to preserve and profit from unique brand positionings (Ind and Watt, 2006; Beverland and Farrelly, 2007; Verganti, 2008; Beverland *et al.*, 2010). For instance, Beverland *et al* (2010) suggest that firms across industries pursuing a product leader brand positioning strategy are reliant on capabilities needed to develop products and services before the market demands or even knows what it wants. For many firms innovation objectives are mainly focused on incremental product innovations to comply with new market trends and customers' preferences as they emerge (for example, Kester *et al.,* 2011). In these cases, the primary aim of the innovation strategy is reactive and concerned with protecting market share rather than creating it. For firms operating in high-velocity markets (Slater, 1993), a proactive perspective on innovation management is paramount to survival and growth, implying that mere incremental innovation will not suffice to support long-term profitability and survival of the firm (Teece *et al*., 1997; Teece, 2007). Long-lasting competitive advantages will rarely spring from incremental portfolio innovations; these are necessary to continuously drive revenues and keep brands contemporary (Keller, 2011), but must be grounded on radical innovative platforms in order to establish or maintain unique market positions and pave the way for margins above industry standard (Verganti, 2009; Beverland *et al.,* 2010). March (1991) proposed that the most valuable accumulation of knowledge in such situations is a combination of explorative and exploitative processes. Explorative processes are concerned with environmental scanning, risk taking and experimentation to gain new information and insights, whereas exploitative processes are concerned with introspection and refinement as the source of learning.

Marketing has a strong tradition for adopting exploitative strategies in the form of market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990; Day, 1994; Doyle and Bridgewater, 1998). Market orientation focuses on traditional market research activities that inform management about the competitors' strengths and possible new strategies and about its customers' needs and wants. The application of such market data across functional activities creates stronger business development processes for competitive advantage (Narver and Slater, 1990). However, with today's consumer needs and desires shifting more rapidly than ever, the ability to satisfy existing and future customer bases is now an even more demanding and highly crucial task. Particularly for firms in high-velocity markets or firms simply dependent on shaping market trends, as for instance high-tech or high-fashion brands, a prerequisite for long-term profitability is linked to the development of visionary, proactive and dynamic market-shaping capabilities (Teece *et al.,* 1997; Teece, 2007, Verganti, 2009). Such explorative strategies are characteristic of product leader brands such as Apple or Samsung, which utilise radical visioning of their brands to drive markets (Beverland *et al.,* 2010). It is the role of such corporate brand-led visioning strategies that is the focus of this article. We concur with Calder and Calder (2010) that, although corporate level brands have been discussed in relation to vision and resources, they have not been explicitly linked to companies' innovation processes in such markets. The next section looks at the ways in which innovation has been, often implicitly, discussed in relation to corporate brands.

6.3. Current approaches to managing innovation in corporate branding

Innovation is not explicitly discussed in relation to corporate brands, but the writing above indicates that the imperative for innovation is not merely concerned with product-level innovation, but lies at the heart of the organisation. Schultz (2005) suggests that corporate branding is explicitly linked to processes of organisational change simply because of its strategic nature within the organisation, that is, corporate branding results in the need for organisational innovation. What is not clear is how corporate branding can drive innovation? Although not explored explicitly, the concepts of Brand Vision (de Chernatony, 2001; Hatch and Schultz, 2001; Jones, 2010) and Brand Orientation (Urde, 1999; Urde *et al.*, 2013) are central to how organisations use corporate brands to manage innovation.

These are discussed in relation to the ability of the firm to direct internal resources around the corporate brand to maximise brand potential. We then refer to the related concept of Situational Intelligence (Ind and Watt, 2006), which suggests that application of managers' knowledge of internal resource configurations and external market configurations can be used to direct explorative strategies to manage brand–innovation processes.

The role of vision has been discussed in the literature in relation to corporate success (Collins and Porras, 1991) and in relation to the corporate brand (de Chernatony, 2001; Hatch and Schultz, 2001; Jones, 2010). However, its explicit role in relation to organisational growth, innovation and strategy has not been fully explored. Collins and Porras (1991) suggest that vision is a strategic tool that guides the organisation and its allocation of resources into the future. Vision is typically defined in terms of 'top management's aspirations for the company' (Hatch and Schultz, 2001, p. 130). De Chernatony (2001) argues that a well-conceived brand vision provides a framework within which internal stakeholders can direct their efforts. It defines the expressive strategy of the firm (Jones, 2010) and as such is a future-oriented expression of core brand values and personality often expressed through the brand story (van Riel, 2000). To illustrate the value of strong brand vision and leadership for firms' market-shaping capabilities, we can look at the case of Apple's iTunes. Apple was struggling to survive in the mid-1990s when the late Steve Jobs took charge of the company and launched the groundbreaking iTunes platform driven by a clear vision of how the Apple brand could create a new market space by making a proposal to the market that would satisfy latent consumer needs and desires for the new age of music consumption (Jonash *et al.,* 2007) Apple's leadership believed in the fundamental shift in consumption and distribution of music and understood that there was a need for a very different type of digital music experience' (Ibid., p. 29). This vision did not emerge through a traditional market-oriented strategy but was based on strong brand and design leadership. Apple's innovation strategies reflect strong consumer insights applied to resource acquisition strategies and the use of management knowledge and intuition transcending the scope of what traditional market-driven strategies can provide (Ind and Watt, 2006; Beverland and Farrelly, 2007).

Whether based on revealing market data analysis or visionary ideas on how to grow the business, the brand must orientate itself towards the market. Urde (1999) suggests that organisations must seek to align their internal activities in such a way as to support the brand identity in order to constitute a sustainable avenue of growth. This brand oriented approach to innovation implies that firms should not simply implement whatever promising innovation opportunity they may stumble upon in their endeavours to fulfil untapped market needs unless such an opportunity fits within the boundary framework of the brand, what the brand stands for, wants to stand for, and what it is capable of (Urde, 1999; Urde *et al.*, 2013). Firms should be aware of the long-term consequences of slavishly seeking to adapt to every market trajectory, albeit substantial short-term revenues may seem plausible. Pursuing such market-oriented strategies may lead firms to stray too far from the corporation's core brand identity; in the end, this will erode brand equity as the symbolic value of the brand ends up losing its idiosyncrasy, credibility and integrity, and thus its foundation as a key strategic resource on which firms may rely on for sustained competitive advantage (Urde, 1999, p. 121). By focusing on integrating the brand mind-set across the organisation, internal resources are combined with external market orientation to implement successful innovation strategies. However, how brands specifically should manage the relationship between company resources and customer needs under the umbrella of the brand is not explicated. Furthermore, how can brands be used to direct the intuitive thinking behind innovations such as that illustrated in the development of iTunes?

The concept of situational intelligence suggests that managers must simultaneously consider brand strategy and vision, resources and capabilities, and organisational culture and stakeholders to strengthen their ability to generate market-shaping innovation opportunities and seize only those that fit with these situational constructs (Ind and Watt, 2006). 'Situational intelligence thus represents a duality of organisational self-knowledge about brands, core competences, capabilities, culture and stakeholders (particularly customers) and the ability to use that knowledge to focus, resource, motivate and effectively form and implement strategies that fit within and reflect these situational constructs' (Ind and Watt, 2006, p. 331).

The brand is identified as the key component in situational intelligence around which innovation processes revolve. Unlike Urde (1999), who sees the brand as a resource in relation to key customer groups, Ind and Watt (2006) see the brand as a foundational element in relation to innovation processes; the brand can assist management in focusing decision-making processes by acting as a guiding beacon and defining clear boundaries via the brand positioning, core promise, and values and vision for creative thinking and innovation (Jones, 2010). In this way, both Urde and Ind and Watt note that market orientation must be considered within and in relation to brand. However, the notion of situational intelligence moves one step further by suggesting that management innovation capabilities should incorporate a duality between orientation to the market and orientation to the brand. However, there remain two issues that are less than clear. First, what is the relationship between innovation strategies and the firm's resource strategies that are necessary to underpin these strategies? Second, how is the customer perspective incorporated into the innovation process?

As managers face decisions regarding the prioritisation of scarce organisational resources to devote to new innovation projects, they pull from both internal knowledge of the products and services they can potentially offer and the external insights they glean about the market and its potential (Jonash *et al.*, 2007). In these circumstances, innovation rests on complex market-sensing (Day, 1994; Teece, 2007) abilities that include in-depth understanding and management intuition on the dynamics of market trends and latent customer desires (Ind and Watt, 2006). The key issue facing managers and which this article addresses is how can companies within the framework of their corporate brands manage these processes to create value-creating products and experiences and the ability to deliver them to create competitive advantage?

6.4. Design thinking: A driver for market-shaping innovation

As we have noted, the link between corporate brand culture and vision and innovation is not clear in the literature. However, a model of the relationship between vision, culture and image does exist (Hatch and Schultz, 2001). Here Hatch and Schultz argue that strategic corporate brand platform must lie on the alignment of these three elements, but they do not consider innovation. Taking this model further we propose that the link to innovation, as suggested in the previous section, lies in building creative innovation platforms around the corporate brand. A proactive and market-shaping approach to innovation is paramount for implementing brands operating in high-velocity markets and for firms pursuing corporate brand positioning strategies based on industry leadership (Beverland *et al.,* 2010). Firms succeeding with such strategies often excel in speed-to-market capabilities and base their innovation investment on expensive R&D processes concerned with the development of new technologies that enable entries into new markets or the launch of leading products (Ibid.).

As an alternative to such technology-dependent innovation approaches, the concept of design-driven innovation (Verganti, 2008; 2009) suggests that long-lasting competitive advantages can be achieved by pushing radically new product or service meanings, transcending the existing socio-cultural models for consumption, to create new market spaces and customer value (Vandermerwe, 2000; Kim and Mauborgne, 2005).

Verganti (2009) argues that the process of design-driven innovation builds on a particular cognitive style associated with the concept of design thinking (Kimbell, 2011). Design thinking evolves around the need to accept that when dealing with innovation processes aimed at transforming the market agenda and one's business, management must accept arguments that do not only rely on traditional management reasoning logics such as induction and deduction (Martin, 2009). Design thinking suggests that instead managers must embrace abduction – the logic of what might be – and rely upon intuitive reasoning supported by the management's vision for the brand (Verganti, 2009). This approach makes logical leaps that synthesise past (market) data with (intuitive) propositions on profitable future market opportunities (Brown, 2008; Martin, 2009). The application of design thinking may facilitate a more favourable equilibrium between the reliance on traditional market data (favouring reliability) and the need for validating intuitive hunches about future market opportunities emerging from the consideration of future ways of human living, needs or desires (favouring validity); furthermore, it provides a useful avenue to accommodate March's perspectives on balancing explorative and exploitative organisational learning processes (1991).

Key characteristics of design thinking relevant for corporate branding innovation capabilities are:

- The application of a holistic mindset that incorporates consideration of firm resources, market trends and customer life situations (Ind and Watt, 2006; Brown, 2008).
- Empathy allowing for valid immersion into the human lives that constitute one's respective target audience and potentially future ones (Brown, 2008; Verganti, 2009).
- Integrative thinking, which as we have learned is grounded in an ability to observe (for example, applying anthropological methods) and to analyse and state hypotheses of what these observations may mean for future business opportunities (Ind and Watt, 2006; Brown, 2008; Verganti, 2009).
- The abductive approach that allows managers to switch between using market data, customer insights and intuition to drive innovation processes (Martin, 2009).

In many ways the design thinking concept stands diametrically opposed to user-centred strategic approaches to innovation and design, which have been criticised for promoting merely adaptive and incremental innovations systems operating within, instead of breaking with, existing sociocultural models for living, interacting and so on (Verganti, 2009). This approach transcends traditional innovation processes because it is not directly connected to user inputs or to incremental product-centred innovations but is based on visionary ideas of how the symbolic meanings of products and services can be changed radically on the basis of deep insights into users' everyday life and managers' intuition of how their everyday life may be improved. Firms focusing solely on exploitative approaches to business will reach a point where improvements in efficiency can no longer outweigh the inefficiencies of poor market alignment in high-velocity markets that render the old business algorithms obsolete or out-dated (March, 1991; Teece, 2007; Martin, 2009).

6.5. A model for Sustainable Brand-Based Innovation

Derived from our discussions and theoretical elaboration of a framework for SBBI, we now present a conceptual model (Figure 1). The model rests on three key imperatives, which we term: Think Brand! Think Human! and Think Resourceful! These imperatives respectively relate to the growing envisioning of brand as a strategic resource (brand orientation) in relation to market-shaping innovation capabilities (intuitive customer orientation) and strategic resource considerations (resource orientation). Furthermore, the contribution of this model lies in the way it combines all three imperatives in an integrative (holistic) way by drawing on the logics of design thinking (Brown, 2008). With the elaboration of this conceptual model it is our ambition to advance how we envision and identify the concept of brand as a valuable strategic resource in an innovation context (MacInnis, 2011). Through this conceptual model and underlying framework, we furthermore seek to conceptually delineate brands as resources for innovation processes. The resultant model is proposed as the basis for future theory building and advancements of procedural norms for the management of long-term viable business innovation (MacInnis, 2011). Before presenting the model, short descriptions of the three core imperatives are provided:

- Think Brand! Ensures that innovations are ‘on brand’ in that they not only align but also strengthen the brand. Brand vision is used to stimulate new ways of thinking about what is possible. Think brand encourages the firm to consider what is possible in relation to the universe of the corporate brand: its personality, position, value, culture and vision (Urde, 1999; Ind and Watt, 2006; Urde *et al.,* 2013).
- Think Human! Concerns the visionary and intuitive immersion of managers into customers’ lives, behaviours and preferences to stimulate the creative design process.

It consists of two elements; first, it focuses on human insightfulness into markets, market trends and customers' life situations to create radical innovations embodied in the role of the manager as the source of creative innovation (Verganti, 2009), but widened here to focus on the role of intuition and insightfulness in the innovation process (Ind and Watt, 2006). Second, it reminds us to focus on the ways in which value must be created for customers in their life situation and that innovations need to focus holistically on creating solutions to customers' problems (Brown, 2008).

- Think Resourceful! Focuses the innovation process on resource consequences. Innovation longevity can only take place if the firm has the required resources or capabilities (or can acquire them) (Teece, 2007). The firm needs to consider, in line with the resource-based view, whether these resources can form the basis of sustainable competitive advantages (Ind and Watt, 2006).

Figure 1: Model for sustainable brand-based innovation

6.6. Sustainable Brand-Based Innovation (SBBI) led by design thinking: The case of Bang & Olufsen

In order to illustrate the application of the SBBI model, we chose to apply it to an on-going longitudinal case of the Danish luxury consumer electronics manufacturer Bang & Olufsen (B&O) (Yin, 2003). In-depth interviews with key top management and directors involved in B&O new business innovation projects were carried out in the period of fall 2009 and spring 2010. Managers were asked to retrospectively reflect upon failures and successes of recent new business ventures in the B&O Group. In addition to interviews archival data, encompassing market surveys and management reports were included as part of the case analysis (Yin, 2003). Our motivation for the choice of the B&O case is grounded in the corporate brand's substantial equity considering the relative size of the company compared with rivals in the industry such as Sony or Samsung. Furthermore, B&O both operates in a global and high-velocity market and has a long history of pursuing design-driven innovation strategies to shape the market in order to support its product leadership positioning within the category of high-quality audio, video and multimedia consumer products. Thus, a theoretical sampling approach was applied to the purpose of this article (Eisenhardt, 1989; Miles and Huberman, 1994; Yin, 2003).

Roughly a decade ago B&O decided to establish a subsidiary for new business activities. This unit was established to exploit a recently acquired proprietary acoustic lens technology, which allowed B&O to make loud speakers capable of distributing sound evenly across a room creating perfect sound quality experience, regardless of the listener's position relative to the speakers. On the basis of these unique resources within sound engineering, the firm's historical capabilities within industrial design and a strong belief in the power of the corporate brand to exploit this technology into new business innovations, B&O was driven by a vision of exploring how to stretch the B&O brand experience from the home to other use situations. One option identified was the development of a mobile phone. The strategy was simple: to offer the market a state-of-the-art sound quality experience presented in a unique B&O industrial design. Another new business strategy, which the management found viable, was to exploit the acoustic lens technology in the in-car sound system market. These two cases are considered in relation to the SBBI model (Figure 1).

6.6.1. The failed entry into the mobile phone market

In 2006, B&O launched the Serene mobile phone. In line with the corporate brand vision of having the 'Courage to constantly question the ordinary in search of surprising, long-lasting experiences' (Bang and Olufsen website, 2011a), Serene represented a uniquely styled B&O design including a new approach to the mobile phone keypad reflecting a design-driven innovation approach to market success (See, Verganti, 2009). However, Serene was a failure; the product was merely on the market for roughly 5 years before being discontinued. Retrospectively, many reasons have been suggested as to why Serene turned out to be a disappointing investment for B&O. Although this present article cannot address all possible reasons in an exhaustive manner, the novel design of the Serene certainly divided opinions and the fact that the keypad design was poorly designed for text messaging are but some of the possible downsides often discussed (Lee, 2006; Edwards, 2007). As VP and Managing Director of today's B&O Automotive business, Mr. Zinck explains: 'the increasing rise of text messaging as a key function of a modern mobile phone was not properly drawn into the design and concept development. This obviously left this new product development output less attractive as the keypad being designed with the keys going in a round circle made it a rather painstaking affair to finish a text message' (Interview, Jens Peter Zinck, 18 November 2009). Two weaknesses can be identified: B&O did not apply sufficient customer insights to predict the importance of text messaging (they did not think human) and they did not consider the resource implication of being on the mobile phone market. Simply put, competing with consumer electronic giants launching incremental product innovations on an almost monthly basis and with the smart phones category simultaneously increasing its market shares, the amount of continuous R&D investments needed to stay competitive far succeeded the scope of the Danish luxury niche brand (they did not think resourceful).

6.6.2. The growing market success of the B&O Automotive division

Fortunately, the mobile phone market was not the only possible avenue of growth pursued by B&O in their new business activities. Application of intuitive consumer insight told managers that if the target audiences are willing to pay a high price premium for quality and design sound-systems for their homes they might also be willing to pay for such when buying a new car. B&O was convinced of the possibility of shaping a new position in the in-car stereo category (Kim and Mauborgne, 2005). Learning their lesson from the failed mobile phone launch, the management placed a greater emphasis on customer insights; their research showed that the target audience spends much time in the car, as these people are very often characterised as successful professionals living a very mobile life. The strategy was to transpose the B&O experience with the consumer into their car, thus extending the brand where customers are locked-on in one market space and to move them into a new as information, knowledge and relationship with the brand was already established (Aaker and Joachimsthaler, 2000; Vandermerwe, 2000). On this basis, the company saw the possibility of transposing the established luxury brand position of B&O into new markets and allowing them to establish an immediately credible market position in an otherwise empty market segment. Management was convinced that on the basis of strong firm capabilities they would be able to deliver a superior sound quality, at the time unmatched by the incumbent brands, combined with offering a superior crafted and bold design with brand connotations of a true luxury lifestyle brand.

However, it proved to be an uphill struggle to convince the targeted car brands that a sound system, priced six times higher than the most expensive ones on the market, could offer a mutually beneficial collaboration. Having toured various potential high-end car brands using traditional presentation tools to convey the message of their business proposition without great luck, the management finally decided to seek market data that could support their intuitive hunch of the project's viability. An external consultancy was hired and a market analysis carried out with findings in great favour of the proposition. The findings suggested that: the automotive industry was clearly moving in the direction of customisation and personal choices as key sales drivers; that adding a branded stereo as an option of such customisation would benefit car brands substantially; that the B&O brand in fact was one of the most favoured brands in the in-car stereo category even though it was not on the market; and finally that there simply did not exist a high-end brand alternative for the target audience. This research made it possible for B&O to argue on more reliable grounds the business viability of the project to potential clients. The German high-end car brand Audi became the first to engage in a constructive on-going dialogue. However, it soon became apparent that the company was facing a wall of scepticism from the Audi procurement officers as to whether B&O would actually be able to deliver on its promise of such a radical new product. To prove Audi otherwise, it was decided to purchase an Audi A8, one of Audi's most expensive sedans, and make a 1:1 prototype of an Audi with an integrated B&O sound speaker system. The prototype was driven to the headquarters of Audi and the CEO of B&O was brought along to a meeting with the CEO of Audi. The strong engineering capabilities present in B&O spoke for themselves and combined with the functionality and aesthetics of the prototype as well as by the possibilities for the establishment of a strategic co-branding partnership the Audi CEO was quickly convinced and agreed to pursue a collaboration with B&O – redeemed by an unambiguous and to the point German rhetoric: 'Das machen wir!' (Let's make this!).

Ever since the first launch in 2005, the B&O Automotive business has experienced tremendous growth to include a customer portfolio now comprising highly esteemed brands such as Aston Martin, BMW and Mercedes in addition to Audi. Today, B&O Automotive accounts for a substantial part of the B&O group's aggregated turnover. Powered by the corporate brand vision, this case was a vindication for B&O of the price premium strategy and the power of sustainable brand-based innovation leading to massive market success and numerous awards since 2006 for the best brand in the in-car stereo category (Bang and Olufsen website, 2011b) building and nurturing the intended B&O brand image of a highly innovate brand with a distinct attitude towards designing magical experiences (Bang and Olufsen website, 2011c).

6.7. Towards a better understanding of the corporate brand as a strategic resource

As the first vignette on the Serene mobile phone illustrates, driving the business innovation process on the basis of exploiting existing resources, in this case B&O's engineering and design skills and the brand's image and positioning, will not necessarily elicit a long-term market success. Even though the initial decision to move into the mobile phone market was largely aligned with the corporate brand vision statement of pursuing surprising and long-lasting experiences, a lack of situational intelligence in two key areas ensured failure: first, in terms of not recognising the lack of on-going innovation capabilities to support the incremental development of the product over its life time; second, the lack of a sound understanding of how the use and consumption of mobile phone services was increasingly moving towards new ways of communicating ultimately. As Mr Zinck (Interview, Jens Peter Zinck, 18 November 2009), Managing Director of the Serene project, explained, there was a consensus across the management layers that venturing into the mobile market was the right thing to do at that point in time. The decline in B&O's landline phone business made the growing market for mobile phones a logic area for development in order to continue generating revenues in the telephone category.

Looking back at the reasons for the decision to enter the mobile phone market, it seemed only rational to do so, at least from a market orientation perspective (Narver and Slater, 1990). However, had the management demonstrated a stronger situational intelligence they may have avoided this costly investment and its knock on effects onto the B&O brand. The lesson to be learned, however, is that if what the customers are demanding lies beyond the scope of your brand's resources, capabilities or simply does not fit within the boundaries of the corporate brand platform (Urde, 1999), then exercising true brand leadership may entail disregarding the market, and instead make the investments necessary to ensure customer value creation and brand deliveries in new market spaces that truly align with the brand platform (Helm and Jones, 2010). Finally, customer insights focused on eliciting core product and brand meaning through explorative and exploitative strategies need to be central to brand decision-making (Verganti, 2009). The missing design-usability dimension of the product illustrates the imperative of thinking human and showing how a lack of a humanistic market orientation may ultimately lead to unfavourable product usability. The key learnings to be drawn from this business case are that an overreliance on the exploitation of market data should be balanced by the application of explorative strategies that more fully consider the future market. Moreover, failing to think resourceful, that is, to consider the resources needed long term to stay at par with the rapid development in the market, made it impossible to stay competitive and deliver the B&O performance – a key element in justifying a price premium.

Thus, although supported by the B&O corporate vision stressing an innovative and explorative approach to business activities, it seems that the part stating 'long-lasting experiences' was not properly attuned to the project illustrating the risk of brand vision misinterpretation. Finally, it seemed that a lack of holistic design thinking bringing together and aligning the SBBI imperatives of thinking brand, thinking human and thinking resourceful resulted in an improper balance between resource exploitation and market exploration (March, 1991; Martin, 2009), illustrating why the design thinking imperative of integrative thinking (Brown, 2008) to enhance the business viability of innovation projects is vital to the equation of sustainable brand-based innovation.

6.7.1. B&O Automotive: A successful case of Sustainable Brand-Based Innovation

B&O had much greater success with the idea of stretching the brand into the automotive industry and as we shall demonstrate this case represents a sustainable brand-based innovation. First, the B&O management team strongly believed in the brand as a resource to be exploited for its competitive positioning, image and reputation. On the basis of their unrelenting belief in the corporate brand, they targeted high-end car brands capable of launching sound systems priced six times higher than the closest competitor: American Bose. However, besides acting as a door opener owing to the clear co-branding benefits that the business proposition represented, the B&O management let the brand play out a much more crucial role as the brand vision encouraged abductive reasoning: '…it helped us justify that we kept on going forward with the project despite of the absent results to start with', as explained by Mr Zinck (Interview, Jens Peter Zinck, 9 December 2009). However, in many cases, especially in a business-to-business context, pure belief is not always going to be enough (especially for co-branding partners) and a market analysis was therefore carried out.

This created a more balanced approach between the management's vision of 'what might be' and 'what the market actually can tell us', thus placing the automotive management's development practice in the schism between exploitative and explorative strategies (March, 1991). This then led to the all-important decision to make the first product prototype integrated into a genuine Audi vehicle, portraying the capabilities and resources present in the B&O organisation to deliver as promised. This prototype process and on-going market data inquiries helped validate the management's intuitive hunch of the project's viability, thus corroborating the logic of abductive reasoning (Martin, 2009). Significantly, from a resource perspective, the in-car sound stereo market did not require more financial resources than the B&O Group could master in terms of future incremental updates. Contrary to the cost of constantly producing software updates, as in the case of operating in the mobile phone industry, the sustainability of this innovation rested on designing and producing sound systems built on proprietary acoustic technologies and engineering and design capabilities present in B&O. Thus, exercising brand leadership – making decisions in support of the corporate brand platform – must include considerations to whether the longevity of innovation investments are viable to truly capitalise on the investments and increase shareholder value. This situational intelligence with regard to a great awareness of the corporate brand's core customers' lives and unarticulated desires shows how thinking brand served as an inspiration for market-shaping innovation and a management decision-making heuristic, enabling the management to make the logical leap from an initially questioning of how to innovate to better serve the brand's customers to actually moving forward to actions that support and strengthen the corporate brand.

This human approach allowed the corporate brand vision to play a crucial role of guiding an abductive management reasoning and decision-making. Finally, bringing together the three imperatives of the SBBI framework, this new business innovation was aligned with the resources and capabilities within the range of the B&O organisation long term. The sustainable aspect of this business case was thus found in the strategic link to the core brand promise, which for B&O focused on the ability to deliver high-quality and long-lasting experiences.

As illustrated in the intersection of the SBBI model's three imperatives, the ability to balance reasoning between logical leaps and reliable market data is to be viewed as the mindset and managerial practice preventing managers of either ending up seeking only variance within the present structures or 'heedlessly' exploring new markets without any considerations of the long-term implications of implementation. Thus, the notion of design thinking acts as the backbone of our framework and is simply a key imperative in letting the brand vision and possibilities vested in the brand values and competitive positioning drive an explorative market approach.

6.8. Implications for brand leadership in business innovation

Managing processes for the development of radical and market-shaping innovation requires the consideration of all three imperatives of the SBBI model (Figure 1). The role of the corporate brand is twofold: as a key resource to guide the development and implementation of innovations so that they are 'on brand', and as a source of stimulation for new innovation projects. Although a successful corporate brand allows the values and vision of the organisation to infiltrate the whole organisation from the board, top management and functional directors/middle management level, the SBBI framework requires a parallel mind-set, based on design thinking, to approach market possibilities abductively. On the basis of the two business cases analysed and discussed brand leadership, imperatives for top management are presented in support of the SBBI framework model's three imperatives and the supporting mind-set of design thinking.

6.8.1. Top management's embracement of the corporate brand as a strategic resource

First, innovation projects must be secured by letting the corporate brand act as a heuristic – an everyday rule of thumb. Adhering to this brand-oriented management logic (Urde, 1999) can help ensure that a strategic beacon for decision-making is always readily accessible. The extent to which the brand can successfully act as such a heuristic will always rely on a commonly shared and sound interpretation of the brand platform as a whole (Schultz and de Chernatony, 2002). Situational intelligence depends on the cultivation and pervasiveness of the brand throughout all organisational layers. This should preferably start with top management embracing the brand as a strategic resource communicating about how decisions should be made within such a brand-oriented logic, creating the transparency and clarity needed to set an example for functional or divisional directors to follow through for instance powerful narratives as mentioned above.

6.8.2. Humanistic and intuitive market orientation

Second, the SBBI framework has advocated an intuitive market approach that transcends the traditional approach to how a business should seek to satisfy the wants, needs and desires of its customers. This approach requires the development of deep insights into the human experience to define new innovative propositions capable of shaping the market. Rather than relying solely upon market data on which to make decisions, management should focus on developing abductive skills in market interpretations that focus heavily of the manager as a key source of insight (Verganti, 2009). In line with the concept of situational intelligence, this requires a high level of self-awareness about the brand vision, mission, culture, core stakeholders (especially customers), key resources and capabilities.

6.8.3. Resourcefulness of organisational capabilities and constraints

Third, in high-velocity markets, organisations have to prioritise innovation and this will be reflected in their prioritisation of resources. Unfortunately, as noted earlier in this article, organisations tend to focus on short-term incremental innovation projects based on exploitative mind-sets. Failing to prioritise explorative activities may result in intuitive ideas of highly radical innovation potential residing with managers or any other stakeholder and will remain tacit and untapped. Many firms are fortunately very aware of this agenda and do in fact allocate resources for pursuing the validation of intuitive market insights, such as B&O, has done so for decades in close collaboration with various top designers (Verganti, 2009). However, one thing is to allocate the resources needed to develop a potentially innovative and lucrative business idea, but a much more vital thing is to also consider whether the product or business model in fact fits the organisational resource base in the long term. Strategic considerations with regard to the resources needed to secure on-going value creating brand delivery must be of the highest priority for top management. Failing to consider the amount and nature of resources to stay competitive can result in implementations of new products or diversifications that ultimately will end up impairing rather than building brand equity.

6.8.4. Implementing a design thinking culture to fully harvest the value of the SBBI model

Aligning the mind-sets of top management with the notion of design thinking provides a strategic focus for brands operating in high velocity and can drive sustained competitive advantages (Urde, 1999). For most businesses this will imply a shift (for some a radical one) in the organisational management culture. Supporting the emergence of such a culture requires top management promote an organisational culture that values abductive arguments alongside inductive and deductive ones to innovate in support of the corporate brand's long-term vitality.

As argued elsewhere (for example, Schultz and Hatch, 2006), corporate brands require a cultural foundation within the organisation. The process of cultural change has been described in Schultz and Hatch (2006) in terms of cycles of corporate branding. We note that much of this literature focuses on top management's perspective. We believe that to create and maintain sustainable brands, companies cannot just rely on top management initiatives but should draw on the whole ecosystem (Gyrd-Jones and Kornum, 2012) of the brand consisting internal workgroups and external stakeholders. From a structural perspective, we recommend the encouragement of decentralised processes that encourage flexibility and knowledge sharing among and between internal and external workgroups. A good example of this is the matrix organisational form as practiced by Google and LEGO. The corporate brand can act as an important lever (Uggla, 2006) between these groups by providing a common vision. Strength in the decentralised system can be maintained through a strong focus on communication tools such as narratives and metaphors, ensuring relevant clues to the cultural enactment of delivering on the brand identity and core promises across different professions and subcultures (de Chernatony, 2001; Schultz and Hatch, 2006).

6.9. Further research

The role of brand in framing corporate innovation strategies is underresearched and provides a fruitful area for exploration. We believe there are in particular two areas that require attention. First, in the area of outcomes, an exploration of the role of corporate branding in relation to new product development, business model and process innovation outcomes could be useful. In each case how can the corporate brand promote relevant and sustainable innovations? Second, the issue of context needs to be further developed. Beverland *et al*

(2010) examine the organisation of innovation efforts in relation to brand positioning at a descriptive level. Our research has focused on brands that pursue radical, market-shaping strategies. What processes are relevant for brands that seek incremental innovation? How do they compare with the model presented in this article? This article addressed internal brand competencies, but as has been argued it is increasingly relevant to look beyond the firm to its broader stakeholder ecosystem. Further research is needed to study the role of corporate brands for those brands that rely on external partners and stakeholders for innovation (Prahalad and Ramaswamy, 2004).

We have raised the issue of brand leadership, where we describe B&O as a leadership brand. Further research could examine the role of leadership: for instance, what is the role of charismatic leaders in sustainable brand-based innovation and how does this compare with values or vision-based leadership that is not entrenched in an individual? What is the role of culture in achieving sustainable brand-based innovation? Finally, our overall focus is on the role of the corporate brand in the creation and maintenance of a sustainable competitive advantage. We have noted the need to focus on internal resources and capabilities, but further research should be carried out to study the configurations of both internal and external resources and capabilities in relation to the corporate brand and innovation processes. The SBBI framework presents a tool for radical and market-shaping innovation processes that underlines the critical role of the corporate brand in innovation management processes. The key finding is that the brand should be considered an equal partner to the strategic management of resources and intuitive market orientation. As suggested, it is only through this triumvirate that truly radical innovation can secure long-term brand sustainability.

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Chapter 7 – Paper 3

Managing the brand co-creation potential of supply-side stakeholders*

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Abstract

Purpose – Research into brand co-creation has hitherto been explored in relation to consumers and customers. This paper contributes by examining the co-creation of corporate brand identities with supply-side stakeholders in the context of market-driving innovation.

Design/methodology/approach – A theoretical framework for brand co-creation is presented in which the analytical lens of corporate brand orientation is introduced. A multiple case study of brands operating in design-intensive industries is applied to study how brands allocate scarce resources to management practices and structures around collaborative market-driving innovation with external designers as suppliers of complementary creative capital.

Findings – Two dominant management models of brand co-creation practices emerge in the ways in which organisations use and interpret their brand identity in relation to innovation processes: protecting brand identity through balancing the paradox between maintaining semantic consistency and semantic novelty.

Research limitations/implications – With findings based on six cases operating in design-intensive industries generalisations to a broader context is limited. However, congruous with the theory building agenda of the study the paper provides novel insights into management issues and practices for strategically aligning corporate brand identities and collaborative innovation strategies.

Practical implications – The study suggests that allocating resources around brand co-creation practices should depend on management's conceptualisation of how brands intend to build and nurture favourable stakeholder relationships.

Originality/value – First, the paper is the first to study the role of supply-side stakeholders in the co-creation practices around brands. Second, the paper introduces the concept of (corporate) brand orientation as a novel analytical approach to advance the field of brand co-creation research.

Keywords Brand co-creation, Corporate brand orientation, Supply-side stakeholders, Market-driving innovation, Multiple case study, Design-intensive industries

7.1. Introduction

The imperative of innovation for continuously ensuring superior customer value creation is increasingly considered an unquestionable part of modern brand management (Beverland *et al.*, 2010; Kapferer, 2012; Nedergaard and Gyrd-Jones, 2013). For the past decade innovation has progressively been discussed on terms of co-creation understood as firms embracing a collaborative involvement of all possible internal as well as external stakeholders capable of contributing to the development of new products, services or experiences in the mutual interest of the firm and stakeholders (Prahalad and Ramaswamy, 2004). In recent years, however, the concept of co-creation has been extended from its origins in the (user-driven) innovation perspective (Prahalad and Ramaswamy, 2004) into the domain of corporate brands and corporate branding (Hatch and Schultz, 2010; Payne *et al.*, 2009). In this regard the concept of brand co-creation is gaining a strong foothold across industries, helping to build and sustain brand momentum in the marketplace (Gyrd-Jones and Kornum, 2013; Hatch and Schultz, 2010; Merz *et al.*, 2009).

With the advent of brand co-creation, a shift from a firm-centric approach to brand management (Aaker, 1996; Aaker and Joachimsthaler, 2002; Keller, 2008) towards a new paradigm viewing brands as co-created with consumers is implied (Fueller and Von Hippel, 2008; Merz *et al.*, 2009; Von Hippel, 2005). This, however, leaves unexplored the co-creation potential of other possible stakeholders in the brand's business ecosystems (Jones, 2005; Merz *et al.*, 2009). From an innovation perspective little is still known about the practices, issues of risk and challenges associated with the stakeholder brand co-creation taking place across and beyond the boundaries of the firm (Nedergaard and Gyrd-Jones, 2013). As brands across industries, ranging from hospitality (e.g. Chathoth *et al.*, 2013) to technology-based services (e.g. Kristensson *et al.*, 2008), become more reliant on harnessing the creativity and involvement of multiple stakeholders, more research is needed into the structures and processes necessary and conducive to achieving this. As a case in point, managing tourist destinations for providing visitors (consumers) with unique and innovative experiences is today largely a matter of empowering visitors in co-designing their experience on-line and 'on destination'. Equally important, however, is the management issue of ensuring that the entire stakeholder network involved in the tourism experience, such as suppliers of accommodation, air travel and infrastructure, contributes and adds value to the destination brand (e.g. Binkhorst and Den Dekker, 2009). Thus, brand co-creation is defined here as the collaboration between a firm and one or more of its stakeholders for the purpose of creating valued innovations, which contribute to brand equity. As the scope of core brand activities becomes spread across an ecosystem of brand stakeholders, however, issues of brand identity and control become critical (Christodoulides, 2009; Ind and Bjerke, 2007; Pitt *et al.*, 2006). For instance, in relation to consumers, it has been argued that consumer (community) identities can create significant barriers to the management of the brands, whereby the brand loses control of the core brand identity (Fournier and Avery, 2011; Pitt *et al.*, 2006). This paper focuses on the ways in which brands manage the paradox of harnessing stakeholder innovation capabilities in alignment to the management of the corporate brand identity. To address this, the paper examines practices of *corporate brand co-creation* in design-intensive industries (Dell' Era and Verganti, 2009) from the underexplored aspect of *supply-side stakeholders* (Hatch and Schultz, 2010; Merz *et al.*, 2009).

The focus on design-intensive industries was purposely chosen (Eisenhardt, 1989) due the high prevalence of brand co-creation with external creative stakeholders, such as designers, acting as suppliers of creative capital and co-designers of the physical manifestations of the core brand promise and values (Kapferer, 2012; Olins, 1989; Urde, 2013). Using an inductive approach the paper explores brand co-creation practices from an innovation management perspective; analysing the role of corporate brand identities as management logics in relation to such management practices (Evans *et al.*, 2012; Urde, 1999). By attending to this neglected, or at most implicit, perspective in the literature, the objective is to explicitly recognise corporate brand identity as a key analytical core of brand co-creation research. In doing so, the paper also makes a valid contribution to the (corporate) brand management literature by answering the call for more integrative research into the scarcely explored nexus of brand and innovation management (Calder and Calder, 2010; Hultink, 2010).

The paper begins by outlining the scope of current stakeholder approaches to brand co-creation. Practices of brand co-creation and collaborative innovation in design-intensive industries are then discussed. Next, the concept of brand orientation (Urde, 1999; Urde *et al.*, 2013) is introduced as an analytical lens for understanding the underlying brand management values and priorities as a management logic (Prahalad and Bettis, 1986) affecting brand co-creation management practices (Evans *et al.*, 2012). This analytical framework is then applied to a qualitative multiple case study (Yin, 2009). The analysis suggests two brand co-creation management models (structures of practices) for driving markets with supply-side stakeholders:

1. The *proactive tightly-coupled* brand co-creation model – driven by the dominant brand-oriented logic of *semantic consistency.*
2. The *reactive loosely-coupled* brand co-creation model – driven by the dominant brand-oriented logic of *semantic novelty.*

The two brand-oriented logics of semantic consistency and novelty were found to co-exist across all cases as culturally embedded values. Findings suggest, however, as a central contribution to the brand co-creation literature, that these brand-oriented logics varied across cases in terms of their dominance and inferiority, which in turn affected variations of brand co-creation management practices and resource allocations in relation to identifying and nurturing external stakeholder relationships.

Finally, management implications of the benefits and risks of the two brand co-creation management models and underlying logics are discussed, followed by a description of the limitations of the study and of avenues for further research.

7.2. The scope of brand co-creation: Innovation as a driver of brand meaning and value

Co-creation is emerging as a dominant business model for innovation. Existing conceptualisations of co-creation envisage collaborative practices between the focal firm and its customers (Prahalad and Ramaswamy, 2000; 2004). These practices are typically enabled through enhancements in firm-stakeholder dialogue, accessibility/transparency and risk assessment (Prahalad and Ramaswamy, 2004). More recently, the concept of co-creation has been applied to the corporate brand management literature (e.g. Hatch and Schultz, 2010). As envisioned by Merz *et al.* (2009), co-creation is to be viewed as a new age of branding embracing a collaborative approach to the management and creation of brand meaning. This suggests that managers should strive to build strong relationships with not only internal, but *all* stakeholders of the firm (Jones, 2005) to fully harvest the potential of such stakeholders as operant brand co-creation resources (Vargo and Lusch, 2004). Subscribing to this logic, Ind and Bjerke (2007) advocate a participatory approach to the market as they argue for the inclusion of customers into organisations' brand development processes. In the same vein, Hatch and Schultz (2010) suggest that firms should embrace a full stakeholder model that transcends the narrow and dominate focus on firm (brand)-consumer stakeholder interaction.

However, even in their own work Hatch and Schultz's (2010) empirical illustration using the LEGO case revolves around insights from the brand user and fan communities (Muniz and O'Guinn, 2001), hardly deviates from the dominant demand-side focus on user and consumer stakeholders in the extant literature (Ind *et al.*, 2012; Prahalad and Ramaswamy, 2004). Some work is emerging that investigates organizational antecedents and consequences of stakeholder co-creation. For instance, Gyrd-Jones and Kornum (2013) found that co-creative innovation processes can be achieved by focusing on the basis of value and cultural complementarities. Gyrd-Jones and Kornum's analysis of LEGO's Mindstorms and Architecture product ranges suggests that market-driving innovation can be achieved through the interplay between a lead-user initiated dialogue and a process of co-design. Strategically engaging in dialogue with consumers, users or fans (demand-side stakeholders) in product innovations implies a market-oriented (outside-in) approach to brand co-creation. Such outside-in approaches to brand co-creation may pose various legitimate ways to manage, for example a brand's product development in relation to the market. By viewing and bringing in a brand's demand-side stakeholders as endogenous operant value co-creation resources (Vargo & Lusch, 2004), firms move from processes of marketing *to*, towards processes of marketing *with*, stakeholders (Merz *et al.*, 2009). The praised benefits of such deeper interactions with demand-side stakeholders revolve around deeper customer insights for value creation processes (Gyrd-Jones and Kornum, 2013; Prahalad and Ramaswamy, 2004; Prandelli and Verona, 2008); enhanced management of total brand experiences (Helm and Jones, 2010); and strategic flexibility in relation to the market (e.g. Gylling *et al.*, 2012). However, the (unintended) consequence of such market-oriented (outside-in) approaches to brand co-creation may be that the market (demand-side stakeholders) appropriates a core element in the articulation of the corporate brand identity (Fournier and Avery, 2011; Urde, 2013). Thus, an overly market-oriented focus on demand-side stakeholders as brand co-creators may reduce the brand identity to an unconditional response to the market (Urde, 1999; Urde *et al.*, 2013) and thus erode the corporate brand as a source of sustained competitive advantage (Balmer and Gray, 2003; Nedergaard and Gyrd-Jones, 2013).

This paper looks at brands operating in design-intensive industries in which brand equity is predominantly built by *driving* rather than adapting to the market (Verganti, 2009). Where the source of competitive advantage resides in the brand values, semantically referenced through product designs (Karjalainen and Snelders, 2010), customer value creation is driven by *pushing* original, distinctive and bold brand visions and values onto the market as value propositions manifested in the products' design languages *(*Ibid.). Such design-driven innovation strategies imply that organisations, from an inside-out perspective, drive the brand value creation process. In this case, in order for brands to harvest the creative capital of external stakeholders for inside-out processes of brand co-creation, the dominant focus on demand-side stakeholders needs to be redirected towards supply-side stakeholders.

7.2.1. Collaborative innovation in design-intensive industries as inside-out brand co-creation

Based on analyses of how successful brands operating in design-intensive industries, such as the furniture (e.g. Herman Miller) or lighting industries (e.g. Artemide), collaborate with external creative stakeholders to stay competitive and realise price premiums, the framework of *design-driven innovation* is suggested (Verganti, 2008; 2009). It is described as an innovation strategy focused on novelty of message and design language compared to novelty of functionality and technology (Verganti, 2003). Similar to the essence of the concepts of value innovation (e.g. Dillon *et al.*, 2005) and blue ocean strategy (Kim and Mauborgne, 2005), the design-driven innovation approach seeks to build brand equity by linking first-mover (market-driving) advantages to the brand identity by pushing new *meanings* and *design languages* of distinctive and original products (Kapferer, 2012; Verganti, 2009). As argued by Kapferer (2012), products (co-created or not) may in fact be viewed as key brand touchpoints for both implementing and sustaining brand identity. By conveying the 'physique' of the corporate brand identity through distinctive forms, design elements, materials, colours, performances and experiences, products may both (semantically) reference the brand identity (Karjalainen and Snelders, 2010) and generate brand values through which the brand seeks to build strong relationships with its target audience (Kapferer, 2012). Compatible with Kapferer's ideas, the design-driven innovation approach holds that such intangible new meanings, rather than mere functional benefits, create strong emotional and hedonic buying motives in consumers. Sharing many similarities with the core essence of open innovation theories of integrating exogenous and endogenous technological knowledge to reach (radical) innovations (Chesbrough, 2003), the design-driven innovation approach emphasises changing the emotional and symbolic content of products by means of incorporating exogenous design visions and fresh interpretations of burgeoning socio-cultural trends (creative capital) as the main components for market-driving innovations (Verganti, 2008, p. 436). Building on the key premise of consumers being largely incapable of articulating desires beyond the existing and widely accepted socio-cultural models of what a given product may mean to them, approaching brand co-creation within the strategic framework of design-driven innovation thus implies a break with the dominant demand-side stakeholder approach (Verganti, 2009). As argued elsewhere, such market-oriented innovation approaches may, due to their reactive nature, rarely result in enabling brands to set new standards and drive markets (Beverland *et al.*, 2010; Jaworski *et al.*, 2000; Nedergaard and Gyrd-Jones, 2013; Verganti, 2006; 2008). Pursuing such ideals will lead brands to lose their identity and regress to homogeneity, "…it's up to each brand to pursue an ideal of its own" (Kapferer, 2012, p. 164). Thus, as a valuable complementary capability to the often dominant market-oriented strategies for innovation, an inside-out perspective, accentuating brand values and visions as drivers of market-driving value propositions, is increasingly advocated (Ind and Watt, 2006; Martin, 2009; Nedergaard and Gyrd-Jones, 2013).

For the purpose of implementing such design-driven innovation strategies, Verganti (2009) suggests that firms:

1. Clearly identify a unique vision for how they wish to approach design.
2. Immerse themselves in the design community to gain access to and an overview of the creative capital in the community.
3. Communicate the brand's design vision to both prospective and existing collaborative networks.
4. Find and build strong relationships with key stakeholders capable of providing the creative capital for enriching the lives of the brand's target audience.

With reference to the brand co-creation literature, the design-driven innovation framework thus aligns well to the management prescriptions of making an effort to identify and assess which stakeholder relationships may contribute the most to strategically maintain and strengthen the desired brand meaning and value (Gregory, 2007; Jones, 2005).

Gyrd-Jones and Kornum (2013) propose that managing brand co-creation should focus on values and cultural complementarities. Stakeholders may possess complementary resources and capabilities (Vargo & Lusch, 2004); however, failing to account for value and cultural clashes may work against the desired co-creation synergies. Thus, as a fundamental basis for value co-creation processes, assessing for organisation-stakeholder cultural or value distance is suggested. Drawing on the organisation cultural study of Martin and Siehl (1983), such cultural distances between the co-creation parties may be categorised as:

1. *Enhancing* – indicating a strong overlap in core values sets.
2. *Orthogonal* – indicating a moderate overlap of core values between cultures with simultaneously separate, but not conflicting, values sets.
3. *Antagonistic* – indicating directly conflicting values sets (Gyrd-Jones and Kornum, 2013).

Despite these recent advancements in the literature, however, investigations into how and why firms approach co-creation practices with external supply-side stakeholders in relation to engaging in dialogues with them; identifying the right ones to collaborate with; and providing access and transparency to manage for the potential of brand-supportive co-creations, are still lacking in the literature. As elaborated upon in the following and final section of the present framework, these key research issues are attended to by introducing the concept of brand orientation (Urde, 1994; 1999) to the field of brand co-creation research.

7.2.2. Brand orientation: Management logics for brand co-creation in design-intensive industries

As an analytical lens for enhancing our understanding of how practices of co-creation relate to the management of (corporate) brands, the concept of brand orientation is applied (Evans *et al.*, 2012; Ewing and Napoli, 2005; Urde, 1994, 1999; Urde *et al.*, 2013). Grounded in the resource-based view on firm competitiveness, the brand orientation literature suggests that brand-oriented organisations sustain competitive advantages by coordinating and aligning decisions and business processes around the protection of the (corporate) brand identity (Urde, 1999). The concept of brand orientation suggests that managers should *mentally* connect to the focal brand identity as a strategic management resource for guidance and direction (Balmer, 2013; Hankinson, 2001; Urde, 1999, 2013). Envisioning brands as strategic resources implies a symbolic interactionist perspective (Blumer, 1969), in the sense that managers deploy their knowledge of the corporate brand identity as a set of distinctive and ideological guiding values and beliefs (Urde, 1999; 2003) to rely on when aiming to "… to find the innovations that will transform markets and add real value to customers and the brand" (Ind and Watt, 2006, p. 337).

The Corporate Brand Identity Matrix (CBIM) (Urde, 2013) is adopted for interpretative analyses of how managers in charge of brand co-creation relate to corporate brands as strategic resources for structuring practices and processes of collaborative innovation. With strong reference to Kapferer's (2012) brand identity prism, the CBIM framework delineates the key internal, external and 'core' brand elements, as well as the interrelationship between them specifically designed for analysing *corporate* brand identities. From an inside-out approach, internal elements of *mission*, *vision*, *culture* (deeply held values and behaviours) and core *competences* of organisations constitute the main drivers (Urde, 2013). The focus of attention of an outside-in approach to corporate brand management, in contrast, is placed on the driving elements of value proposition, positioning and brand-stakeholder relationships (Ibid.). Whether driven by either or both internal and external identity elements, these elements inform the task of brand identity management around the interrelated formulation and communication of brand personality, core brand promise and values, and finally (as a pivotal element of this paper) the physical manifestations or *expression* of the brand core values through processes of design (Olins, 1989; Urde, 2013).

Drawing from the design management literature, which is closely related to the brand identity literature (see Johansson and Holm, 2006 for a discussion on these similarities), core brand values are envisioned as central to provide direction for expressing the identity (semantics) of brands into visible and physical manifestations (for example, industrial product designs) (Karjalainen and Snelders, 2010; Olins 1989) that clearly convey the core brand promise and values (brand semantics) (Abbing and van Gessel, 2010; Beverland and Farrelly, 2007; Borja de Mozota, 2003; Cooper and Press, 1995; Stompff, 2008). However, as noted by Krippendorf (1989), “Design is making sense (of things)” (p. 9). Thus, in design-intensive industries the management issue of striving to *make* something new and truly different from existing designs to stand out from the competition (hereafter *semantic novelty*) may pose a key management paradox in relation to the issue of having designs make *sense* to stakeholders by being able to link the design to the focal brand (hereafter *semantic consistency*) (Ibid.). Congruent with Krippendorf (1989), Beverland (2005) empirically observed that in the wine industry managing the tension between wine designers' values of stylistic consistency (remaining true to the brand's heritage of craftsmanship and quality etc.) and the brand-marketing imperative of remaining current in the marketplace equalled a difficult balancing act between protecting identities while adapting to changes in the market place. In the same vein, Kapferer (2012) discusses the paradox of managing brand identity and change, arguing that: “A clear sense of identity is necessary, for the brand meaning to be reinforced by repetition. On the other hand market fragmentation, competitive dynamism and the need for surprises call not for reinforcement but for diversification” (p. 243). Thus, in relation to brand co-creation these contradictory *management logics* understood as “... the way in which managers [in a firm] conceptualise the business and make critical resource allocations decisions” (Prahalad and Bettis, 1986, p. 490) may, as explored in the present study, pose valid explanatory perspectives for understanding how brand co-creation practices are structured around the management of corporate brand identities. Hence, by analysing the constituents of corporate brand identities in design-intensive industries (cf. Urde, 2013) in relation to practices and structures of co-creation dominant brand-oriented management logics may be uncovered grounded in either:

- **Semantic consistency –** Manifested in brand co-creation practices being predominantly driven by deeply held values of protecting the brand identity long term by further developing and sophisticating the brand's idiosyncrasies: Stylistic approach (e.g. specific design elements) and / or the brand's (design) heritage (e.g. a specific approach to or philosophy of design) (cf. Beverland, 2005), or
- **Semantic novelty –** Manifested in brand co-creation practices being predominantly driven by deeply held values of protecting the brand identity's long-term competitiveness by keeping the brand identity dynamic and surprising through product design diversification (cf. Kapferer, 2012).

7.3. Methodology

From this outset, the empirical section of this paper explores how the seemingly competing management logics of semantic consistency versus novelty, as culturally embedded in corporate brand identities, affect the structuring of brand co-creation practices with supply-side stakeholders for market-driving innovations. A multiple qualitative case study approach (Yin, 2009) was chosen as appropriate to the explorative and theory building objective of the study (Eisenhardt, 1989; Strauss and Corbin, 1994). With the central goal of inductively exploring the role of corporate brand identities (Urde, 2013) in brand co-creation, six Scandinavian niche brands (small and medium-sized enterprises) operating in design-intensive industries, all pursuing a corporate brand strategy (with product line designators), were included in the study. Following the strategy of theoretical and purposive sampling (Eisenhardt, 1989), all cases were chosen based on their publicly explicated core brand values centred on driving their respective markets (product categories). Equally important for gaining insights into relationships between corporate brand identities and brand co-creation practices, the selected cases openly rejected market-oriented approaches to product innovation in their brand communications, stressing their dominant use of external designers as driving forces of innovation. Table 1 provides an overview of the cases (pseudonyms used for the sake of anonymity) and data collection.

Table 1. Overview of data collection

Cases	Industry	Size in employees[a]	Age (years)	Data sources
Retro-Kool	B2B/B2C; Interior designs	Small	10+	Interview with Design Director, corporate website, brochures, business press.
Pure-Lines	B2C; Household objects	Small	50+	Interview with Design Director, corporate website, design brief, marketing material, brochures, tour of facilities,
Bright-Lights	B2C; Lightning	Small	10+	Interview with Design Director, corporate website, brochures, case publication.
Easy-Living	B2C; Furniture and lightning	Medium	10+	Interview with CEO (acting as Design Director), corporate website, brochures, business press, tour of facilities.
High-Fly	B2B/B2C; Furniture	Medium	100+	Interview with Design Director, brand book, brochures, corporate website, social media, tour of facilities.
Wood-Tex	B2B/B2C; Furniture	Medium	100+	Interview with CEO (acting as Design Director), brand book, corporate website, social media, tour of facilities.

[a] Small: <50 and medium: <250. Based on definitions by the European Commission: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm retrieved the 2013-12-06.

The primary data collection consisted of in-depth semi-structured interviews with key management representatives (Evans *et al.*, 2012; Tollin and Jones, 2009). The respondents were chosen based on their executive responsibility for implementing brand co-creation projects with multiple external stakeholders (designers and other creatives) and were all strategically involved in the management of the respective corporate brand either as the head executive or as part of corporate brand committees. The interviews lasted 75 minutes on an average, were digitally recorded and fully transcribed. In addition to interview data, internal design briefs and brand books were collected when possible along with secondary data from the business press and social media to strengthen construct validity (Yin, 2009). In addition, to further increase the study's internal validity (Yin, 2009) in analysing for patterns between brand-oriented logics and brand co-creation practices, data from corporate websites and social media were used as triangulating analytic tools to discuss and validate the respondents' answers during the interviews, which aided in obtaining more trustworthy data for construct validity (Yin, 2009).

Based on a comprehensive literature review, Balmer (2013) found nine schools of thought for approaching the concept of brand orientation. In accordance with the *hybrid* school of brand orientation (Ibid.), this paper adopts both the *cultural* and *behavioural* conceptualisations of brand orientation as a multi-dimensional construct:

"The philosophical foundation views brand orientation to be embedded in the organisation's thinking and reflected in organisational culture and deeply held values and beliefs. Conversely, the behavioural foundation concentrates on the orientation in terms of implemented behaviours and activities. Thus, brand orientation is conceptualised as a multidimensional construct encompassing the organisation's values, beliefs, behaviours and practices towards brands" (Brïdson and Evans, 2004, p. 404).

Initial interview questions were about corporate brand identity elements and focused on how these elements related to design and innovation objectives. Next, in keeping with Hatch and Schultz' (2010) recommendations for research into brand co-creation, the original building blocks for co-creation of dialogue, accessibility, risks and transparency (cf. the DART framework, Prahalad and Ramaswamy, 2004) was broadly applied to explore practices of brand co-creation. The respondents were asked to elaborate on their approach to structuring practices of stakeholder dialogue, search and segmentation; providing access and transparency, and perceived risks and issues associated with collaborative innovation strategies. Probing questions into the guiding role of corporate brand identity elements were continuously incorporated to assess for brand orientation logics (see appendix 1 for an overview of interview topics/codes for analysis and for guiding research questions).

Illustrated by the paper's theoretical framework, a quasi-deductive element thus played a role in both the data collection and pattern matching, as recommended for construct validity when exploring areas of scarce prior research (e.g. Yin, 2009) (See appendix 1 for the role of theory in the data collection and analysis). However, aligned to the explorative research objective of the paper a grounded theory methodology (Strauss and Corbin, 1990) was broadly applied to inductively arrive at the paper's findings. This approach facilitated a more reflexive (Weick, 1999) structuring of the data in the process of within- and cross-case analyses (Yin, 2009), which followed Miles and Huberman's (1994) prescriptions on qualitative data analysis. The analysis involved an iterative process of data coding (see appendix 1); reduction, display and conclusion drawing (Ibid.) to explore relationships between corporate brand identities as culturally embedded (Brïdson and Evans, 2004) management logics (Prahalad and Bettis. 1986) and the structuring of brand co-creation management practices.

7.4. Findings

All cases demonstrated a dominant brand-oriented (inside-out) approach to managing their corporate brand identities through practices of brand co-creation. Congruent with the concept of brand orientation a management emphasis was placed on the development and protection of the core brand promise and values (Urde, 1999) through design and marketing practices of co-developing their respective product portfolios. As example 1 and 2 illustrate, market-driven approaches to product development were clearly abandoned in favour of relying on pushing novel value propositions onto the market driven inside-out by core brand values (cf. Verganti, 2009):

Example 1: *If the desire to satisfy customers requires us to make trendy choices* [i.e. be market-oriented]*, then we're paddling upstream and choosing what's new based on our gut feeling.* (Wood-Tex, brand book)

Example 2: *We wish to continue the Scandinavian design heritage. Not by dwelling on history and tradition, but by refining and developing the Scandinavian design heritage. We don't want to follow in anyone's footsteps* [i.e. be market-oriented]*, but walk our own. Our programme should signify a new and innovative approach to product design and within its category* (Pure-Lines, Design brief to external designers).

Practices of stakeholder engagement and segmentation were predominantly affected by missions and visions pivoting around building and sustaining a strong relevance and positioning in the market by continuously striving to drive their respective markets through value propositions stressing high product quality, superior functionality and, most importantly, design excellence (aesthetics). Despite being deeply engaged by the values of product quality and functionality, however, these particular brand attributes were viewed by respondents as mere drivers of the corporate brands' points of parity in the respective markets (Keller, 2008). The key source of points of difference (Ibid.) and building long-term brand value was uniformly attributed to collaborations with external designers:

Example 3*: Pure-Lines has the vision to be the most innovative, trendsetting, ahead-of-its-time brand-design house based on the Scandinavian design philosophy in which the best designers in the world have the desire to work for.* (Pure-Lines, website)

Example 4: *We work determined to develop lamps that raise the bar in terms of design and quality. In advance we have set a high standard, thus we collaborate with a range of the most skilled and visionary architects and designers.* (Bright-Lights, website)

Example 5: *With a vision to make a difference in the design industry Easy-Living cooperates with a large number of Danish and international designers – each with their individual expression … In common is the passion for design and creating objects that challenge conventional thinking.* (Easy-Living, website)

With respect to the corporate cultures, however, data revealed that two competing sets of *design-oriented values* were present across all cases, each representative of a *brand-oriented logic* affecting co-creation practices. In support of Beverland *et al.* (2010), describing two types of brands aiming for market-driving innovation labelled *Craft-Designer Led* and

Product Leader brands, these dominant logics for managing brand (identity) co-creation were grounded in:

- *Craft-Designer Led Values* – centred on driving markets by "… a desire to continue a craft tradition (…) building a strong heritage of high-quality, timeless products that transcend fashion" to support the long-term distinctiveness of the brands' design heritage/philosophy (Beverland *et al.*, 2010, p. 40), or
- *Product Leader Values* – centred on driving the market through product designs that radically change or redefine the functional, emotional and hedonic consumer/customer buying motives (cf. Verganti, 2009) to support the brand identity of a true industry pioneer (Beverland *et al.*, 2010, p. 41).

The co-existence of these design-oriented values indicated a tension in balancing the expressions of the corporate brand identity (through product designs) around *semantic consistency* (*Craft-Designer Led Values*) and *semantic novelty* (*Product Leader Values)* (cf. Krippendorf, 1989). As exemplified by the case of High-Flyer (example 6), these competing and contradicting *brand-oriented logics* presented a difficult balancing act for all cases in seeking to drive the market from the inside-out rather than allowing for fashion trends and fads in the market to steer the expressions of the brands:

Example 6: *We want to balance between creating that novelty value* [semantic novelty] *and design longevity* [semantic consistency]*... but we definitely strive not to be too fashion-oriented* [i.e. market-driven innovation approach]. (High-Flyer, interview)

The brand-oriented logics of semantic consistency and novelty, however, differed in terms of their dominance. The focus on either semantic consistency or semantic novelty affected brand co-creation practices around stakeholder dialogue and segmentation and the degree of access and transparency provided to these external supply-side stakeholders. Brands were involved in balancing internal, culturally embedded brand oriented logics with outside-in considerations of brand-stakeholder relationships with key supply-side stakeholders and the targeted consumer segments. The following sections describe the two dominant management models of brand co-creation with supply-side stakeholders characterised by:

(1) *Proactive* engagement with a *tightly-coupled* stakeholder network approach to ensure semantic consistency, and

(2) *Reactive* engagement with a *loosely-coupled* stakeholder network approach to ensure semantic novelty.

7.4.1. The dominant logic of semantic consistency: Proactive tightly-coupled brand co-creation

With the cases of Pure-Lines, Retro-Kool, High-Flyer and Bright-Lights, the dominant brand-oriented logic of semantic consistency guided management practices of brand co-creation. Embedded in values of protecting the design heritage/philosophy of the focal brand, this dominant brand-oriented logic affected resources being allocated to proactively initiate and nurture prolonged stakeholder dialogues with an emphasis placed on allocating resources for a suitable degree of firm accessibility and transparency, as elaborated upon in the following.

7.4.1.1. Proactive stakeholder dialogue and value complementarities

These companies were involved in balancing the need for novel design elements with semantic consistency. Segmentation and choice of supply-side stakeholders in the design community centred therefore on identifying the presence of *enhancing* and *orthogonal* design-value complementarities. Their main concern was that potential brand co-creations should be recognisable and understandable by the brand's target audience; the design values and stylistic approach of supply-side stakeholders should preferably not deviate too much from the brands' core design values and heritage firmly rooted in Scandinavian craft and design philosophies. As evidenced by examples 7 and 8, identifying supply-side stakeholders in the nexus between *enhancing* and *orthogonal* design-value complementarities was important to ensure a proper expression of semantic consistency in relation to the brands' respective core design values and philosophies:

Example 7: *… it's important for us to have designers different from us* [orthogonal value complementarities]*, but fundamentally with a similar attitude towards design* [enhancing value complementarities] *[…] In other words it's imperative that you sit down with people* [external designers] *where at least the basic outline is the same … then it's okay if it dashes a bit from pillar to post.* (Retro-Kool, interview)

Example 8: *You need a design philosophy in place before you approach a designer. You choose an image* [stylistic approach] *when you choose a designer. Thus, it's important to know what this image is and how it fits with your brand* [enhancing complementarities] *… You should not choose designers who say that they will make whatever you tell them to* [orthogonal complementarities] *[…] so start by hand-picking designers so you achieve a common thread* [semantic consistency] *across the product range.* (Bright-Lights, interview)

Core promises and values with which to build strong brand-stakeholder relationships (cf. Kapferer, 2012; Urde 2013) were associated with the brands' stylistic approach and heritage of unique design values. In order for the brands to support the aspirational self-images of the brands' target audiences and existing customers as design savvy individuals, these brand idiosyncrasies were important to protect. Thus, the risk of straying too far from the consumer-valued semantics and heritage of the brand would jeopardise the brand's symbolic meaning in assisting consumers in their personal and social identity projects of being part of the 'cultural elite' and in minimising the consumers' perceived risk of social disapproval based on their choice of designs:

Example 9: *It's that balance … we have to move forward* [semantic novelty]*, but people [the brand's target audience] still need to feel that it is a safe choice* [semantic consistency]*, that's really important.* (High-Flyer, interview)

With these concerns in mind, a copious amount of time was allocated to carefully considering past and current design languages (design portfolio and espoused design ideologies, stylistic approach and aspirations) before committing firm resources to a new co-creation project. Dialogues to assist such segmentation practices would pivot around assessing for stakeholders' genuine willingness to study and empathise with the focal brand's core design values, heritage and philosophy. Stakeholders that made no effort to demonstrate a heartfelt commitment to engage in dialogues of exploring a mutual understanding of one another's values and visions were excluded from being considered a viable strategic co-creation resource:

Example 10: *There are many designers out there who are struggling to open up … they are so afraid to share their work and ideas and just say 'hey what do you think? Let's brainstorm a bit on this together'… and that's how we want to work with external designers.* (Retro-Kool, interview)

Thus, prolonged dialogues with stakeholders were prioritised to ensure collaborative innovation projects result in product designs with qualities of semantic novelty, yet upholding a suitable amount of semantic consistency to the brand's design heritage and philosophy as expressed in prior and existing product portfolio designs.

This structured brand co-creation management approach to stakeholder dialogue and segmentation also played a role in proactively preparing the ground for the brand prospectively being approached by other design community stakeholders sharing design values and the needed collaborative skills. Many resources (time and travel) were allocated to reach mutual understandings of both parties' need and desire to reflect a corporate brand management approach to building brand-stakeholder (designers) relationships. For these brands it was important that they were recognised in the design community for prioritising *mutually* beneficial outcomes for both the designer and the brand:

Example 11: *I am more than willing to spend a lot of time on that* [dialogues with designers] *and that's what we wish to stand for* [relationships] *[…] it is really the dialogue and the interplay that is important and then suddenly to have the final product in your hands and* *give each other a 'high-five' and say this we did damn well together.* (Bright-Lights, interview)

Example 12: *… it's not like we just hand out a brief and after half a year sign off on a design […] In fact, we sort of demand that if we initiate a collaboration with a designer then they have to come here and spend time with us.* (High-Flyer, interview)

On a weekly basis all brands would receive dozens of unsolicited design proposals on-line from stakeholders across the globe. However, the resource heavy (time-consuming) off-line dialogues with stakeholders were preferred in order to gain a proper first-hand feel of the individual(s) behind the 'designer'. On-going dialogues with known stakeholders (such as industrial designers, architects and performing artists) were nurtured as well as searching for new stakeholders of potential value to future collaborations through participation in local (national) and international industry trade fairs and design exhibitions, or by participating in design competition as impartial judges (cf. Verganti, 2009).

7.4.1.2. Access and transparency: Tightly-coupled stakeholder network

Pure-Lines, Retro-Kool, High-Flyer and Bright-Lights were all characterised by a strong reliance on established stakeholder relationships. To exploit the synergies of past collaborations and the accumulated deep understanding of one another's values and aspirations (enhancing value complementarities), a high degree of firm accessibility was provided through several and continuous physical meetings. Spending resources on such accessibility and providing transparency around the brands' design heritage, visions and product portfolio strategies (before and after initiating a collaborative innovation project) was viewed as an intrinsic part of the brands' core competence of co-creation with designers.

Example 13: *When we have the initial meeting … I tell about who we are and make it perfectly clear to them how we work … we do not make small artistic curiosities and the light function has to be prioritised. I highly emphasise honesty […] I do not think that anyone is in doubt about what Bright-Lights stands for when I present and initiate the first meeting and when I hand over a brief […] it is that synergy, which in my opinion makes a great end result.* (Bright-Lights, interview)

Executives responsible for co-creation provided clear and comprehensive design guides to external designers to guide their creative design processes. Concerned with upholding semantic consistency, the brands made use of both verbal and written means to provide the needed transparency around the corporate brand identity (visions, missions and design philosophies). Through providing transparency of business objectives, the probability of having design process outcomes reflecting a positive synergy between the brand's design heritage/philosophy and the distinctive style and values of the designer would be strengthened. At the same time, the interviewed executives were conscious of the need not to forge a creative straightjacket for external designers that might effectively remove all forms of semantic novelty.

Example 14: *It is that balance between giving the designers the freedom to come up with new ideas and then it is my job to decide who does what and how and make sure that we stay on* *track in the process, but as a rule the designers do not need to know too much … that is what we as a company bring to the table […] it is important to us with the links to our history, but it must not become a straightjacket.* (High-Flyer, interview)

As a supplement to design guides, these companies typically established exploratory workshops with key external designer stakeholders. This enabled them to present their brand strategy and visions whilst allowing more open interpretative sessions on design methodologies, creative visions and knowledge in relation to future projects. Furthermore, in order to exchange information and insights, as well as foster a synergistic relationship with the segmented stakeholders, transparency of the brands' product portfolio strategy was in addition to design briefs communicated by openly providing access to not yet launched product design concepts (cf. Verganti, 2009).

Example 15: *We are very open about our products … for example we display next year's product launches … and that is very important so that they* [tightly-coupled stakeholders] *can see and understand our ways of thinking ahead and what is to be extracted from our design brief. That kind of openness is important to give them food for creativity and let them see where they may fit in and contribute.* (Pure-Lines, interview)

7.4.2. The dominant logic of semantic novelty: Reactive loosely-coupled brand co-creation

With the cases of Easy-Living and Wood-Tex the dominant brand-oriented logic of semantic novelty guided management practices of brand co-creation. Grounded in deeply held product leader brand values of challenging existing product design languages (semantics) in the industry, resource allocations were directed on *reacting* upon design proposals from the design community stakeholders rather than proactively engaging in intensive stakeholder dialogues and segmentations. These brands favoured a cultivation of a broader, loosely-coupled network of design community stakeholders with little emphasis on allocating resources for firm accessibility and transparency.

7.4.2.1. Reactive stakeholder dialogue and value complementarities

Easy-Living and Wood-Tex placed little emphasis on protecting their design heritage and a specific design philosophy. Instead a search for highly *orthogonal* or *antagonistic* stakeholder design values dominated the stakeholder collaborations with the brands embracing poorly overlapping or even conflicting stakeholder design values compared to past and existing product design languages.

Example 16: *It is always the design and the original idea that wins … we do not tie ourselves to a particular line* [i.e. semantic consistency]. *For Easy-Living 'brand mobility' is an important value.* (Easy-Living, website)

Example 16, continued: "*… it* [the Easy-Living brand] *has to be a lifestyle … it may move in many different directions and that's what we aspire to* [semantic novelty] *… of course it takes time to build up, but it's actually quite deliberate that we don't want to be locked in to some fixed boxes* [cf. semantic consistency]. (Easy-Living, interview)

Thus, allocation of scarce resources for extensive dialogue with existing and potential supply-side stakeholders for strengthening synergistic effects of brand co-creation was largely jettisoned in favour of being exposed to as many diverse concept design proposals as possible. Accordingly these brands chose to predominantly rely on receiving massive amounts of unsolicited design proposals online from the local and global design community, as well as on spotting new design prototypes still to be manufactured at, for example trade fairs, competitions and exhibitions.

Example 17: *It* [stakeholder dialogue] *is still all about the designers pitching random proposals to us […] many times we do not even face the designers … some of them I have never met…it takes place online … we have no preferences with regards to geography, demography or formal education* [i.e. stylistic approach and design methods] *it all comes down to the idea. We are constantly in dialogue with hundreds of designers on different levels … we have only tasked a few products, but it works best that things come to us. Of course we do see stuff that is far out there, but that is to prefer than not seeing them at all…* (Easy-Living, interview)

With Easy-Living and Wood-Tex the core brand promise and values were not conceptualised around past design collaborations and styles (heritage) or a specific aesthetic approach (design philosophy). To support the aspirational self-images of the brands' target audiences (cf. Kapferer, 2012; Urde 2013) and build strong relationships, a corporate culture celebrating design-oriented values of breaking barriers and challenging the industry status quo formed the basis of the dominant brand orientation logic. The ambition was to enable consumers to reflect their personal identities and lifestyles as design aficionados by demonstrating to themselves and their surroundings through the ownership of the brands' product designs a belonging to an exclusive club of design visionaries. Thus aiming to push novel design semantics onto the marketplace with the potential to divide opinions among consumers was important to enable the brand to tap into the hedonic buying motives of consumer segments striving to express their individuality by disassociating themselves from broadly acknowledged design values (aesthetics).

Example 18: *If you buy competitor X's products* [competitor brand deploying the logic of semantic consistency] *you let it control your own personality by what you communicate with that product … but if you choose our most significant products then I believe that you convey your own personality … so if you're a customer in our universe then you are a person informed about design who takes a stance, whereas the customer of competitor X is more influenced by the peer recognition based on the broad knowledge of competitor X's brand … and that sort of erases one's own personality.* (Wood-Tex, interview)

Design community stakeholder dialogue and segmentation assessments were purposely downplayed in favour of sharing values of risk taking and boldly swimming against the current with an attitude of anything goes. Thus, affected by the dominant logic of semantic novelty a design philosophy of what can best be described as *eclecticism* was adopted (bringing together what appears to be the best in various doctrines, methods or styles).

Example 19: *… the value* [of rejecting a strong focus on semantic consistency] *lies in that our customers can pick and choose from the brand ... I am actually quite content if we make a design that existing customers find unattractive because that's what I call 'edge'* [semantic novelty] *and if the product does not have an edge then no one has been committed … it's that* *simple […] if the products we develop have the quality to stand alone … have an iconic quality based on their own personality then they may easily fit together … it all crumbles away if one decides to make thematic stuff where every piece has to fit into some sort of system* [i.e. semantic consistency] *… what I have learned is that over time these personalities* [i.e. design languages] *merge together so it does not matter at all that designs are fragmented … and we are praised for that approach … the foreign designers love our collections because they see what we dare to do.* (Wood-Tex*,* interview)

This reactive approach to stakeholder dialogue may suggest at first hand that the 'co' of co-creation was left out of the equation. However, this could not be further from the truth. In order to receive as many novel meanings as possible to choose from, this reactive supply-side stakeholder strategy focused on stimulating stakeholder-initiated dialogues by means of purposively communicating an explorative and pioneering corporate culture and vision boasting values of stakeholder inclusiveness. Eclectic product portfolios are central to the communication of an eclectic design philosophy. Furthermore they encouraged and empowered a broad spectrum of stakeholders to engage with the brand and send off their work for the design executives to react upon.

Thus, dialogues for new co-creation projects were mostly initiated by the supply-side stakeholders and prolonged by the design executives of the brands if an opportunity to fine-tune and market a quality design proposal with high semantic novelty revealed itself. This brand co-creation management model thus implied less focus on managing stakeholders' creative processes with extensive dialogues and largely rejected the segmentation of stakeholders based on perceived enhancing value complementarities *ex ante* to the creative design process. Rather, resources were deployed to focus on a broad, rather than narrowed down, loosely-coupled network of brand co-creators and segmenting directly on the design values of the designers as expressed in the novelty of the concepts' or prototypes' semantics. This supply-side stakeholder approach was important to avoid a myopic stakeholder focus due to constraints of a particular design philosophy or stylistic preference. Consider this interview excerpt from the Wood-Tex case:

Example 20:

Interviewer (I): Is it mostly the designers that Wood-Tex knows from previous collaborations that you make use of … how would you describe your approach?

Respondent (R): … It's evident that they [known stakeholders] *take up some of my time, but recent collaborations with designer X, Y and Z just came out of nowhere, but that has to do with my approach being specifically about the product … I really don't care about the designer … well besides that I prefer them to be nice people because we have to work with them.*

I: So what they [designers] *have formerly designed … their portfolio…does not matter that much to you?*

R: No it doesn't! Well … I am not completely indifferent about that because I think they [portfolios] *may tell a lot about the designers ... but a marriage-like relationship to a designer* [sic] *because of their design-philosophy and style may cause a myopic view so that you may overlook what is right in front of you.* (Wood-Tex, interview)

7.4.2.2. Access and transparency: Loosely-coupled stakeholder network

With no ambition to try to steer or guide the external designers' creative process for the purpose of semantic consistency across the product portfolio, these brands did not provide detailed brand handbooks. For them their corporate brand identities were expressed through dynamic and surprising design values (semantics). The need to strengthen stakeholders' brand knowledge was not perceived as a critical brand co-creation issue due to the low focus on enhancing value complementarities. Instead, resources were allocated to the highly demanding task of browsing through, evaluating and responding rapidly to unsolicited proposals from a vast amount of stakeholders grounded in a cost-benefit analysis that this approach would lower the costs of finding the next suitable design to cement the product leadership brand values.

Example 21: *… we lay our eyes on a lot and not a day goes by where we do not receive 5-10 proposals and after fairs, having met a lot of people, it may be 15-20 proposals a day. And the thing about working with designers is also to be viewed as a cost at the end of the day … so* [by this approach] *we have an opportunity to lower our costs compared to not receiving any proposals … so there is a strength to it as well.* (Easy-Living, interview)

Although accessibility and transparency were downplayed, access to production facilities, techniques and know-how was provided to supply-side stakeholders in the phase of prototyping and detailing a design proposal of interest to the brands. However, due to the risk of external designers trying to fit their creativity into fixed boundaries of a focal firm, providing knowledge (accessibility) of the existing resource base in the concept development phase was purposely restrained. Thus, in order to align processes of brand co-creation with external designers, a relaxed focus on access and transparency dominated the brands pursuing the reactive loosely-coupled brand co-creation management model.

7.5. Management implications and concluding discussion

Brands across industries are broadly recognising the innovation benefits of co-creation with external stakeholders in the brand's ecosystem. With innovation practices increasingly taking place across and beyond the boundaries of the firm, however, new issues of control and identity management arise as potential risks to the long-term sustainability of the corporate brand. Through an examination of brands in design-intensive industries this paper set out to explore how brand co-creation with supply-side stakeholders is approached in relation to corporate brand identities. Based on the results of the present study two dominant management models for structuring brand co-creation with supply-side stakeholders are suggested. The two models are respectively aligned to culturally embedded brand-oriented logics of: 1) Protecting the corporate brand identity (design heritage) through working with supply-side stakeholders (grounded in dominant *Craft-Designer L Values*); or 2) co-exploring how to evolve and keep the corporate brand identity dynamic through working with supply-side stakeholders (grounded in dominant product leader values) (cf. Beverland *et al.*, 2010).

Importantly, despite their opposing variances the two models presented here both suggest that corporate brand co-creation with supply-side stakeholders for market-driving innovation calls for a sophisticated form of (corporate) brand orientation. In order to guide and structure practices of brand co-creation in support of corporate brand identities, a merger of a strong *introverted* as well as *extroverted* brand orientation is needed. In order to continuously be able to physically manifest the brand core promise and values through their designs, organisations must simultaneously deploy the corporate brand identity as a strategic resource by focusing attention inwards towards the internal and external identity elements (Urde, 2013) (introverted brand orientation), whilst focusing outwards towards the identity and values of potential supply-side stakeholders to assess for a high prevalence of either enhancing, orthogonal or antagonistic value complementarities (extroverted brand orientation).

7.5.1. Deploying the logic of semantic consistency: Issues, paradoxes and risks

For firms focusing on *protecting* corporate brand identities in co-creational relations with their supply-side stakeholders, it is suggested that they focus on achieving *semantic consistency* in the expressions of the brand across the product portfolio (Urde, 2013). This implies allocating resources for *proactively* engaging in intensive and prolonged dialogues with supply-side stakeholders to gain deep insights into stakeholders' design values (design philosophies, visions, and skills). Managing the brand co-creation potential is then to be based on carefully assessing for *enhancing* and *moderate orthogonal* design value complementarities (cf. Gyrd-Jones and Kornum, 2013). In order to further support this brand-oriented logic of protecting the brand identity, it is proposed that resources be allocated to practices of firm-stakeholder accessibility and transparency within a tightly-coupled stakeholder network to preserve a moderate degree of control of the brand co-creation (design) process.

Adopting this *proactive tightly-coupled* management model, the aims are firstly to:

1) avoid design processes ending up with outputs that would potentially alienate existing and prospective consumers valuing the brand as a risk-reducer in terms of its widely acknowledged aesthetic qualities (design heritage and philosophy); and secondly to:

2) develop long-term, co-creative relationships with valuable designers and thus enjoy a competitive advantage over competitors equally interested in the creative capital of these stakeholders (cf. Verganti, 2009).

However, the security of developing tightly-coupled stakeholder networks can risk culturally locking-in brands to a closed set of supply-side stakeholders and reducing their ability to develop novel designs. If faced with stakeholders failing to deliver the desired degree of synergistic design solutions over time, brands may choose to compromise on semantic consistency and accept the risk of confusing and dissociating existing and prospective customers while relying on future returns of further nurturing stakeholders' knowledge and empathy for the brand's design heritage and philosophy. Conversely, choosing not to follow such a pragmatic approach in favour of avoiding the risk of brand identity dilution in the market place, brands may surely retain semantic consistency, but in return potentially harm stakeholders and community relations by failing to meet their implicit expectations for a mutually beneficial relationship. If designers are too often faced with neither being financially compensated or professionally acknowledged for their efforts due to a lack of creative quality (e.g. poor incorporation of the brand's design heritage), management may risk a negative impact on the stakeholder network's future propensity to provide it with first-in-line access to ideas and creativity before the competition.

7.5.2. Deploying the logic of semantic novelty: Issues, paradoxes and risks

For firms wishing to dynamically evolve their corporate brand identity through co-creation with supply-side stakeholders, it is suggested that they focus on achieving a continuous flow of *semantic novelty* across the product portfolio. Product leader strategies may be enhanced through an eclectic approach to design semantics (Urde, 2013). This approach implies allocating resources for *reactively* engaging in dialogues with a broad array of supply-side stakeholders on the basis of identifying stakeholders directly on design proposals (sketches or rough prototypes). Managing the brand co-creation potential is then to be based on design process outcomes in a search for *orthogonal* and even antagonistic design value complementarities (compared to existing or prior portfolio designs) (cf. Gyrd-Jones and Kornum, 2013). To support the objective of identifying stakeholders capable of supplying such orthogonal-antagonistic design value complementarities, resources should be allocated to immersing the brand in a broad loosely-coupled stakeholder network. Brands should make sure to communicate an *inclusive* approach to collaborative innovation to encourage supply-side stakeholders to initiate dialogues for the brand to react upon. Importantly, through such democratisation of the brand co-creation process, this model implies an acceptance of loss of control in the creative brand co-creation process and yet it offers high control on the design output dimension.

Adopting this reactive, loosely-coupled stakeholder management model the main objective is to avoid the notion of embedded agency understood as cultural rules and logics shaping organisational actions (e.g. DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Brands would potentially run the risk of designers becoming constrained, vis-à-vis in-house designers (Dell'Era and Verganti, 2009), by being too mindful of specific organisational politics, heritages, values or resources present in the organisation, thus counteracting the imperative for novel outside-the-box designs to see the light of day (semantic novelty).

One of the benefits of this approach is the opportunity it provides to avoid being blinded by a design values dogma that might inhibit seeing "the next big idea." A disadvantage is that it may potentially result in products that are too radical or out of touch with the target audience and thus harm both the brand and the supply-side stakeholder involved. Failing to run the risk of market failure may in the long run, however, damage the integrity of brands boasting pioneering (product leader) values to both consumer and design community stakeholders. Consequently, avoiding the risks associated with the high uncertainty of semantic novelties gaining a foothold in the market may end up being perceived as brand hypocrisy by all stakeholders. Eventually this may result in supply-side stakeholders prioritising other brands as a conduit for releasing their design visions or as a consumer to reflect their self-images as a design visionary (Kapferer, 2012).

7.5.3. The balancing act of brand co-creation practices

As corporate brands differ widely on the basis of their foundational identity elements of cultures and core values so do the roles that corporate brands may play in stakeholders' lives and identity projects (Urde, 2013). Thus, as a general imperative for managing brand co-creation, practices should not be a question of faith, but guided by the culture and thus the relationships which the brand strives to achieve or nurture with its core target audience (Ibid.). However, no matter the approach taken to stakeholder brand co-creation for market-shaping innovation, it is suggested that a fine balance between keeping stakeholders at an arm's length and at a close distance must be found. On one hand, practices of dialogue, access and transparency for strengthening stakeholder brand knowledge and for enhancing the synergy of design-value complementarities may pose the risk of investing scarce resources in nurturing the rotten apples in the barrel and, secondly, of running the inherent risk of institutionalising stakeholders and transforming the brand identity into a creative straightjacket. On the other hand, jettisoning the ambition of semantic consistency, the brand may risk having to sort through thousands of design proposals on no grounds other than gut feelings, while further running the risk of marketing designs that are too radical and that only receive the abstract support of the (corporate) brand as a proponent of the next new icons.

7.6. Limitations and further research

Although examined in-depth, a limited number of 6 cases were included in the study, thus restricting the external validity. However, with regard to theory building aiming for theoretical rather than statistical generalisation (Eisenhardt, 1989), the paper makes a valid contribution to advance research into brand co-creation by exploring management structures and practices pertaining to a hitherto neglected supply-side stakeholder perspective on brand co-creation. In addition, the paper introduced the theoretical concept of brand orientation as a novel path forward for analysing, discussing and deepening our understanding of brand co-creation. However, future research into supply-side stakeholder brand co-creation should include new case studies focused on other industries and types of corporate brands to strengthen the richness, accuracy and potential generalisability of the present findings (Woodside, 2010), as well as to possibly uncover alternative brand-oriented logics and management practices besides the ones presented here. As this study focused on brand co-creation with supply-side stakeholders from the empirical lens of the firm, future research could benefit from investigating key supply-side stakeholder brand co-creation mechanisms affording positive impacts on (consumer-based) brand equity by including in-depth consumer perspectives on supply-side stakeholder brand co-creation projects. Furthermore, studies exploring the possible existence and mechanics of interaction between external supply-side and demand-side stakeholders around third party brands may help generate understanding on how to manage the integration of various stakeholder groups in support of co-creating brand value. Such studies would pose a highly fruitful avenue for advancing the theory of brand co-creation and how to practice and reap the full benefits of a full stakeholder approach to the co-creation of corporate brands.

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Appendix 1. Overview of interview guide, data codes and links to extant theory

Topics / Codes for analysis	*Research questions*	*Theoretical foundations*
Corporate brand identity elements	• What would the market miss if you (corporate brand) were not there? What do you aspire to achieve? • How do you differ from the competition in terms of how you work and seek to create customer value? • What are your customers/stakeholders to always expect from you (corporate brand)? • Describe how you strive to create strong relationships with your target audience and possibly other stakeholders. • What makes you particularly good at product design and –innovation?	To clarify the essence of the corporate brand identity, questions drew on Urde's (2013) indicative questions on Corporate Brand Identities centred on mission, vision, culture and values; core promise; market positioning; value propositions; brand-customer relationship; and (design innovation) core competences.
Corporate brand identity expressions (Design innovation approaches and – objectives)	• How do you approach product design innovation and what changes do you strive for? Key challenges? • What are the key dos and don'ts? • How do you intend to have your products express what you (corporate brand) stand for? • How do you seek to connect with your customers and other stakeholders?	Elaborations on the brand's design visions, philosophies and competences in relation to corporate brand identity elements to understand brand co-creation objectives. Links here to Krippendorf (1989) on design paradoxes (novelty versus semantic consistency) and Olins (1989) on visual identity as an expression of the core brand promise and values; and Verganti (2009) on different approaches to innovation and driving markets through radical design languages (meanings).
Brand co-creation practices (structures and processes) of: Dialogue (and segmentation), access and transparency with supply-side stakeholders in the design community (e.g. designers, architects plus Co-creation benefits/risks	• How would you describe a perfect stakeholder collaboration? • If so, how do you search for proper stakeholders to collaborate with? • How are dialogues with stakeholders initiated and how do they take place? • What makes a stakeholder interesting to you and why? (i.e. segmentation) • Why the use of external designers and not internal? • What are the key benefits/challenges of collaborating with external designers? • When and why do such collaborations not work for you?	In alignment to Hatch and Schultz' (2010) recommendations for research into brand co-creation, the original building blocks for co-creation (cf. the DART framework, Prahalad and Ramaswamy, 2004) was broadly applied to explore practices of brand co-creation. These practices centred on: ***D****ialogue* as interactivity, deep engagement and a propensity to act – on both sides (firm and consumer). (Ibid.) ***A****ccess* and ***T****ransparency* to decrease firm-stakeholder opaqueness. With greater access, greater transparency and vice versa (hardly distinguishable, as noted by Hatch and Schultz, 2010). ***R****isk:* With more transparency (and access) firms may risk harming the stakeholders or impairing the corporate brand identity (cf. the next row on brand-oriented logics).
Dominant brand-oriented logics affecting co-creation practices	• For example: "Why structure your stakeholder engagement as you described? What are the benefits for brand X in this regard? • For example: Why did that particular collaboration not work well for you? What was missing?	Probing questions into motives/rationales for co-creation, resource allocations and practices were continuously incorporated to uncover the ways in which the respondent conceptualised how best to serve the interest of the corporate brand identity (cf. Prahalad and Bettis, 1984)

Chapter 8 – Paper 4

Flux and duality: Exploring complementarities between brand and market oriented logics in managerial response to environmental change*

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Abstract

This paper investigates how corporate brand orientation, in interplay with the forces of market orientation as generative mechanisms, relates to the change in firm (innovation) capabilities. This paper applies a competence-based view of the firm and extends the brand orientation literature by providing an explanatory account of how brand affects firm capabilities for sustained competitive advantage. The paper presents a conceptual framework, which delineates brand and market orientation as institutional (competitive) logics. These logics are presented as competing yet complementary schemas that both constrain firm behavior and provide organizational actors with opportunities for change. Through an embedded case study of Bang & Olufsen, the article empirically explores the role of brand and market oriented logics and associated schemas as they relate to strategic change and implementation of product innovation capabilities. The study discusses case findings and presents propositions with implications for theory, management practice, and future research into brand orientation.

Keywords Brand orientation; Market orientation; Institutional logics; Sensemaking; Organizational change; Innovation capabilities.

8.1. Introduction

8.1.1. Purpose and contribution

There is increasing recognition of the power of corporate brands as a driving force for the creation of long-lasting competitive advantages (Balmer, 2013; de Chernatony, 2010). Multiple strands of research on corporate vision (Collins and Porras, 1991; Jones, 2010), culture (Hatch and Schultz, 2001) and identities (Balmer, 2008) are brought together under the banner of (corporate) brand orientation (Urde, 1999; 2003; 2013; Urde *et al.*, 2013) to inform this paper. Sustained competitive advantages are the dogma of the brand orientation concept. Sustained competitive advantage may be achieved in the shape of strong brands by aligning organizational cultures, mind-sets and behaviors (Urde *et al.,* 2013) with the core brand identity (Urde, 1999; 2003; 2013). The concept of brand orientation thus endeavors to describe a strategic approach to brand management that aligns a moderate, rather than a dominant, market-oriented approach (outside-in) with a strong internal identity-led strategy anchored in the corporate identity and culture of the organization (Bridson and Evans, 2004; Gromark and Melin, 2011; Urde, 1999; 2013). The emergence of brand orientation as a source of sustained competitive advantage adds a third leg to the accepted wisdom that corporate strategy requires the application of firm idiosyncratic capabilities in order to exploit market opportunities (Day, 1994; Teece, 2007).

With regards to managing brands in relation to the market, the coexistence of market oriented and brand oriented logics presents an apparent management paradox for organizations; a paradox, which Urde *et al* (2013) suggest can be bridged through hybrid strategies that incorporate elements of both. However, little is known about how this paradox materializes in organizations. While the impact of market orientation on firm capabilities for competiveness and performance is widely studied and empirically supported (Narver and Slater, 1990; Day, 1994), research into how brand orientation relates to the advantageous development and change of firm capabilities for long-term competitiveness remains unclear. This paper sets out to study the relationship between brand and market orientation and the changes in firm innovation capabilities from the perspective of institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 2008; Thornton *et al.*, 2012) as a propositional approach to extend the brand orientation literature and to reflect the call for studies into strategic orientation hybridism (Urde *et al.,* 2013, pp. 18-19) through a conceptual-empirical blend (MacInnis, 2011).

There is a growing body of research in the field of brand orientation suggesting that organizational actors *mentally* connect to their (corporate) brand identity for guidance and direction on how to build and sustain competitive advantage and performance (Bridson and Evans, 2004; Ewing and Napoli, 2005; Hankinson, 2001; Urde, 1999). The suggestion is brand orientation manifests through management's symbolic interaction (Blumer, 1969) with the brand identity in processes of organizational sensemaking and decision-making (Wallpach and Woodside, 2009). This study draws on the institutional logics perspective (Thornton *et al.,* 2012) to present a theoretical framework that views the co-existing and contradicting mind-sets or logics in organizations (cf. market orientation and brand orientation) as complementary, and as an aid to managerial sensemaking and decision-making in uncertain environments.

Most empirical studies of brand orientation suggest positive brand orientation – firm performance relationships. However, these studies are largely based on (quantitative) variance model research designs that draw solely on organizational senior executives as single sources of data on firm brand orientation in relation to competitive advantage and performance variables (Bridson and Evans, 2004; Ewing and Napoli, 2005; Gromark and Melin, 2011; Napoli, 2006; Wong and Merrilees, 2007; 2008). Such studies broadly advance the legitimacy of the brand orientation concept by presenting static inquiries of brand (orientation) capabilities at a given point in time and thus overlook the underlying organizational mechanisms affecting the dynamic nature of management processes (Van de Ven, 2007), as well as the role of agency across organizational layers (Woodside, 2010). This paper contributes to the brand orientation literature by investigating how managerial sensemaking and decision-making lead to change and how the operational implementation of brand supports innovation capabilities. The paper applies a competence-based view to follow this research agenda and to examine how corporate brands manifest logics and associated schemas in relation to the emergence of changes in firm innovation capabilities.

The paper first presents a conceptual framework as a roadmap into studies of hybrid orientations by delineating brand- and market-orientations as contradictory institutional logics (Friedland and Alford, 1991; Thornton *et al.,* 2012). The empirical part of the paper then accounts for the methodology of the paper, introducing the case of the B&O Automotive Division of the Danish luxury consumer electronics manufacturer Bang & Olufsen. Analyses and findings from the case study follow, reporting on the roles of brand- and market-logics in relation to the observed changes in the B&O Automotive Division's design management practices reflecting burgeoning changes in the division's innovation capabilities. A discussion of the implications of the paper's findings for theory and management practice, and the theoretical propositions derived to inspire future research, conclude the paper.

8.2. Brand and market oriented logics: Institutionally embedded schemas for decision-making

8.2.1. Organizational sensemaking in brand oriented strategies

Organizational members are constantly making sense of their environments, both internal and external (Daft and Weick, 1984; Tollin and Jones, 2009). They do this to arrange an otherwise ambiguous environment into something meaningful they can analyze and act upon (Weick *et al.,* 2005). Significantly, they construct this meaningfulness within a social and cultural context fundamentally concerned with identities, including the identity of the organization as a whole (Albert and Whetten, 1985), departmental identities (Gyrd-Jones, *et al.,* 2013), professional identities (Patriotta, 2003); and (corporate) brand identities (Urde, 2003; 2013). Such identities create constraints on individual agency as cultural and cognitive schemas that shape actors' situational awareness and hence organizational structures (e.g. DiMaggio and Powell, 1983; Meyer and Rowan, 1977). However, we also know that multiple sources of meaning characterize organizations. These sources may be considered as *institutional logics* through which managers define their perceptions of the world: "(…) the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, and rules by which individuals and organizations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences." (Thornton and Ocasio, 1999, p. 804).

Tollin and Jones (2009) propose that chief marketing officers may act on the basis of different mind-sets or logics; they suggest four such logics, although they acknowledge that there may be others. These logics influence the ability of managers to sense their environments and, significantly, to envision new solutions for responding to environmental changes. Such logics often cage managers to such an extent that they cannot see new possibilities (DiMaggio and Powell, 1983). One such "cage", the silos that exist in organizations (Gyrd-Jones *et al.,* 2013) hinders cross-silo knowledge sharing and consequentially the effective implementation of a coherent strategy. The professional isomorphism within such institutional silos (which exist both inside the organization and across organizations) helps create organizational efficiencies, predictability and stability, but can also hinder change and innovation and the implementation of the brand.

This framework delineates market orientation and brand orientation as two distinct institutional logics on the organizational level that underpin sustainable competitive advantage in the context of corporate brand strategy: (Urde, 1999; 2013; Urde *et al.,* 2013). A *market oriented logic* contends that an organization's goals and processes in particular are oriented around the satisfaction of customer needs, wants, and desires, as the core organizing principle for ensuring a sustained competitiveness and profitability (Kohli and Jaworski, 1990; Narver and Slater, 1990). Friedland and Alford (1991), and Thornton *et al* (2012), adopt an institutional logics perspective and suggest market orientation is an expression of a cultural symbol. From this point of view, *customer satisfaction* is a distinct mind-set of deeply held values and beliefs that conditions the types of knowledge gathered by the organization and the issues and goals addressed around practices or routines needed for strong market responsive capabilities (Tollin and Jones, 2009). As a central caveat of brand orientation such market oriented logics may reduce brands to unconditional responses to the market (Urde, 1999), posing the strategic risk of brands losing their identities over time, and thus their potential power as resources for sustained competitiveness (Balmer and Gray, 2003; Urde, 2013).

Similarly, a *brand oriented logic* seeks to define a cultural symbol or mind-set within the organization. Urde (2013) contends that achieving a competitive advantage occurs by continuously striving to align the processes of the company around the identity of the corporate brand. The orienting principle of the brand oriented logic is the protection of the idiosyncrasies of the corporate brand identity. Brand oriented logic therefore implies an approach of serving customers *within* the boundaries of a brand identity with the intention of avoiding damage to the integrity of the brand (Urde, 1999).

Thus, both market and brand orientation concepts describe strategic intent (Hamel and Prahalad, 1989) or logic of organizations. From a competence-based view of firm competitiveness, compatible to the extant market orientation (e.g. Narver and Slater, 1990) and brand orientation (e.g. Urde, 1999) literatures, these logics each account for an "…operative rationale for coordinating and deploying resources and capabilities in ways that help it to achieve its strategic goals in its competitive context." (Sanchez, 2008, p. 48).

8.2.2. The Institutional logics perspective on organizational change

Traditional neo-institutional theory is mainly concerned with processes of organizational stability and isomorphism (e.g. Dimaggio and Powell, 1983.). The theory suggests that organizations, their structures and processes, are predicted by institutional norms; “Individuals come and go, but organizations preserve knowledge, behaviors, mental maps, norms, and values over time” (Daft and Weick, 1984, p. 285). Neo-institutional theorists use this approach to explain the existence of anomalous behaviors, myths, and structures in organizations. As a counterbalance to such theories of isomorphism, the institutional logics perspective provides a framework capable of explaining the emergence of organizational heterogeneous change (Thornton *et al.,* 2012). Central to this stance is an emphasis on how agency, albeit subject to institutional constraints, may also change institutional logics. Kornberger (2010) argues that brands are fundamentally concerned with the management of firm idiosyncratic change. He states: “Organizations do not simply react to change and mimic others, as institutional theory suggests; rather, through brands, organizations become agents of organized heresy” (p. 114). The institutional logics perspective shares the notion of embedded agency, cultural rules, and cognitive schemas shaping actors’ situational awareness, and hence organizational structures (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), and also suggests that embedded agency may be partially autonomous and capable of shaping and transforming such organizational macro structures. Even the most dominant institutional logics are not meant to be viewed as static structures *per se*, but rather they are meant to be seen as agency-driven endogenous structures that may alter over time (Thornton *et al.,* 2012). Benson (1977) notes actors’ consciousness may from time to time break free of the institutional context in which they exist and “(…) become very purposeful in trying to reach beyond the limits of their present situation in accordance with alternative conceptions of its purposes, structures, technologies, and other features." (p.7). Within the institutional logics perspective actors have agency to artfully mobilize different, contradictory, or competing institutional logics (cf. Friedland and Alford, 1991). Furthermore, multiple institutional logics characterize organizations. Contradictions inherent in the multiple co-existing institutional logics may provide actors with the possibility of choice to employ less dominant logics to make sense and take action when faced with novel or ambivalent issues (Seo and Creed, 2002; Thornton *et al.,* 2012).

8.2.2.1. Attentional focus for sensemaking and decision-making: Implications for firm capabilities

The theory of attention (e.g. Ocasio, 1997) includes a key microfoundation for understanding organizational change. The conceptual analytical framework advanced in this paper adopts the theory of attention to explain how institutional logics constrain and provide opportunities for micro level decision-making. "Institutional logics guide the allocation of attention by shaping what problems and issues get attended to and what solutions are likely to be considered in decision-making." (Thornton *et al.,* 2012, p. 90). Institutional logics and organizational practices condition the environmental stimuli that individual actors focus their attention on and diagnose as issues of high concern (Thornton and Ocasio, 1999). Subsequently their attention activates individual cognitive schemas, social identities (e.g. Meyer and Hammerschmid, 2006) and goals (Thornton, 2002) for making sense of how to reach decisions for actions that address the issue at hand. Institutional logics thus provide "(…) building blocks for focusing attention through the set of social identities, goals, and schemas contained within each logic." (Thornton *et al.*, 2012, p. 91). Individuals embedded in situated organizations and practices learn and develop identities, goals, and schemas as part of social networks (Ibid.). These social networks may also influence the foci of attention of top-down organizational actors, conferring the notion of individuals' cognitive limitations (e.g. Simon, 1947); that is, certain environmental stimuli are paid attention to and cognitively processed as salient issues, while other stimuli are not. Scripts may reflect such well learned cognitive schemas behaviorally as well-learned patterns of action in a given situation (cf. DiMaggio and Powell, 1991). However, Thornton *et al* (2012) note cognitive schemas and behavioral scripts are two sides of the same coin as the authors merge the level of social interaction and individual cognition to explain these mechanisms: "Individual cognitive scripts are invoked in the social production of behavioral, interactional scripts; behavioral, interactional scripts are stored in individual memory as cognitive scripts." (p. 88). The paper is grounded in this explanation and henceforth uses the term schemas to reflect this interdependency between cognitive knowledge-structures and behavioral patterns.

Focus of attention, decisions, and action are ingrained in the traditional treatment of embedded agency and are automatically driven by cognitive scripts as well-learned behavioral routines (cf. DiMaggio and Powell, 1991). However, embedded scripts may not fit well when making decisions or plans to accommodate novel, complex, or equivocal situations, where controlled rather than automatic attention may be necessary for change to occur. This framework thus aims to explore decision-making leading to changes in concept design capabilities. It places an analytical focus on the controlled processes of attention that affect how actors make sense of and take action when having to cope with environmental stimuli that are raising novel or ambiguous issues (Weber and Glynn, 2006). Included in this framework, Thornton *et al* (2012) apply a model of human behavior to further explain how institutional logics may provide opportunities for change. This model draws on perspectives from dynamic constructivism to complement the abovementioned intra-subjective cognitive perspective. Dynamic constructivism posits that individual sensemaking processes often occur as intra-individual sensemaking processes that are grounded in the domain of social psychology (Brett, 2010). The symbolic interaction (Blumer, 1969) and negotiation amongst individuals who are embedded, culturally (Zukin and DiMaggio, 1990), and situationally (Ross and Nisbett, 1991), in social networks (Granovetter, 1985) constrain the issues that actors focus their attention on, the schemas, identities and goals they apply, choices they make, and consequently the actions they take (Weick *et al.,* 2005). The theory of dynamic constructivism explains that the cultures humans rely on for sensemaking and making choices may best be understood as a *network* of learned knowledge structures (schemas) distributed amongst cultural members, rather than monolithic ones (Swidler, 1986). These dynamic views on culture are pivotal for applying the theory of multiple contradictory or even conflicting institutional logics (cf. Friedland and Alford, 1991) in the context of organizational change.

A dynamic constructivist approach suggests that in addition to top-down processes, environmental stimuli may shape attention separately or conjointly. This bottom-up perspective holds that certain environmental stimuli may achieve a high salience in the organization: "Salience may result from multiple factors: from unusual or unexpected actions and outcomes, from novelty, or from explicit attention control by other social actors." (Thornton *et al.*, 2012, p. 92). Highly contextual and situational factors may also focus attention (cf. Gioia and Chittipeddi, 1991) on salient events that may act as a key trigger of change as discrepancies between organizational outcomes (e.g. new product development) and the desired stimuli from the environment (e.g. increased sales or brand equity) may raise crucial issues about the adequacy of the dominant schemas. Whether or not such non-routine situations lead to change will depend on the activation and deployment of other available logics on how to accommodate salient management issues that are reflected in the replacement or recombination of less dominant schemas for sensemaking and decision-making.

Figure 1 below illustrates this paper's theoretical framework and analytical approach to analyzing the ways in which organizational actors draw on the complementarities of market and brand oriented logics and inherent schemas, identities, and goals in their response to environmental stimuli. Our work demonstrates that decision-makers in organizational contexts in which these logics co-exist are equipped with opportunities to flexibly deploy one or a combination of these logics to make sense of their environment, to make decisions and to take action that results in new practices reflecting changes in innovation capabilities. Against this backdrop, the paper addresses the following explorative research question: How do the co-existence and inherent complementarities of market and brand oriented logics provide meaning and materialize in organizations affecting desirable change in practices? The paper explores this research question within the empirical context of concept design management as it relates to product innovation in the sections that follow.

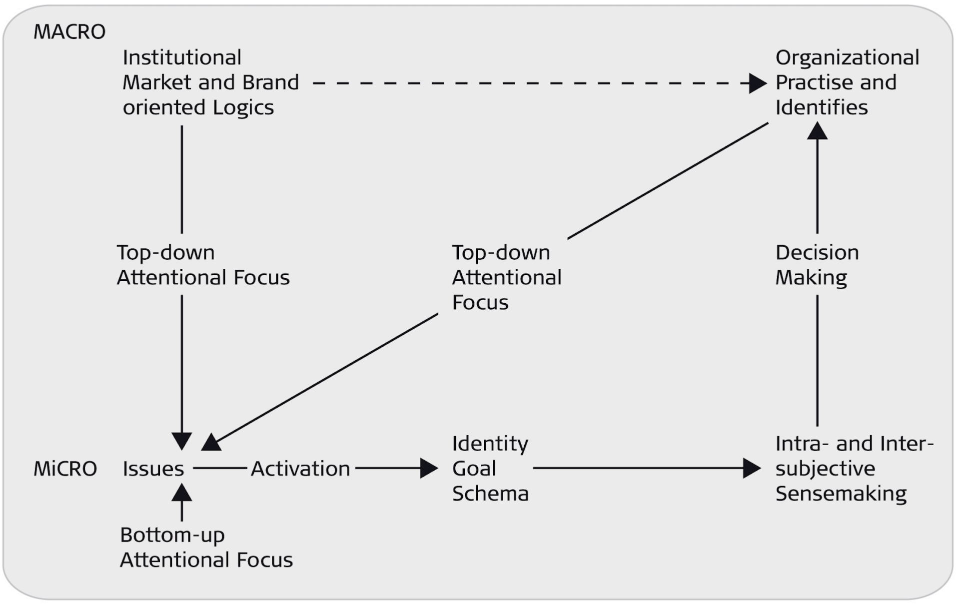

Figure 1: Cross-level model of market and brand oriented logics combining macro-micro and micro-macro levels of organizational analysis (adapted from Thornton *et al* (2012)).

8.3. Empirical Study

This study applies an embedded case study of Bang & Olufsen (Yin, 2009) to understand and explain the complex sensemaking and decision-making processes in relation to co-existing institutional market and brand oriented logics within a real-life organizational context. The focus of the study remains consistent with our theoretical framework (cf. Figure 1) and explorative research agenda, which focuses on the following units of analysis: 1. An organizational department operating within an institutional context characterized by the co-existence of market and brand oriented logics. 2. Key decision-makers' focus of attention and issue diagnoses. 3. The activation of identities, goals and schemas employed in intra- and inter-subjective sensemaking; and 4. Embedded decisions and their implications for new practices.

8.3.1. The case

A collection of in-depth data from the Concept Development Department of the business division of Bang & Olufsen Automotive (B&OA), part of the Scandinavian luxury electronics manufacturer Bang & Olufsen Group (B&O), provides the context for this case study. We purposively chose this particular case study (Eisenhardt, 1989; Glazer and Strauss, 1967; Miles and Huberman, 1994) to provide an information-rich case that strongly aligns with the research objectives of the project (Patton, 2002). Information from B&OA representatives clearly indicates that the company competed in a business-to-business market (since 2005), characterized by powerful customers and aggressive competition, which led to dominant market oriented logic in the Division over the entrepreneurial start-up years. However, it is also clear and equally important for this study that the B&O Group anchors its corporate strategy in an identity-based visionary approach to driving markets through bold and radically innovative product designs (Nedergaard and Gyrd-Jones, 2013; Verganti, 2009).

Consequently, this case study embodies the co-existence of market and brand oriented logics and is useful for investigating possible changes in capabilities as a result of this multiple logics availability to the organizational actors (cf. dynamic constructivism) (Thornton *et al.*, 2012). Furthermore, the case highlights the micro level issue diagnoses through processes of attentional focus, sensemaking, decisions, and practices on three levels of management: strategic (defining overall policies and strategic agendas), tactical (managing processes and structures), and operational (implementation of strategic agendas manifested through product design innovations) (Best, 2006 p. 17). This research design provides an opportunity to empirically extend the emerging theory of hybrid market and brand orientation in the context of strategizing, coordinating, and implementing identity-based innovation processes in interaction with customers. The below Figure 2 illustrates the cross-level research design in which the role of sensegiving as a process of attentional focus down through the management levels is essential for studying processes of strategy implementation (Gioia and Chittipeddi, 1991).

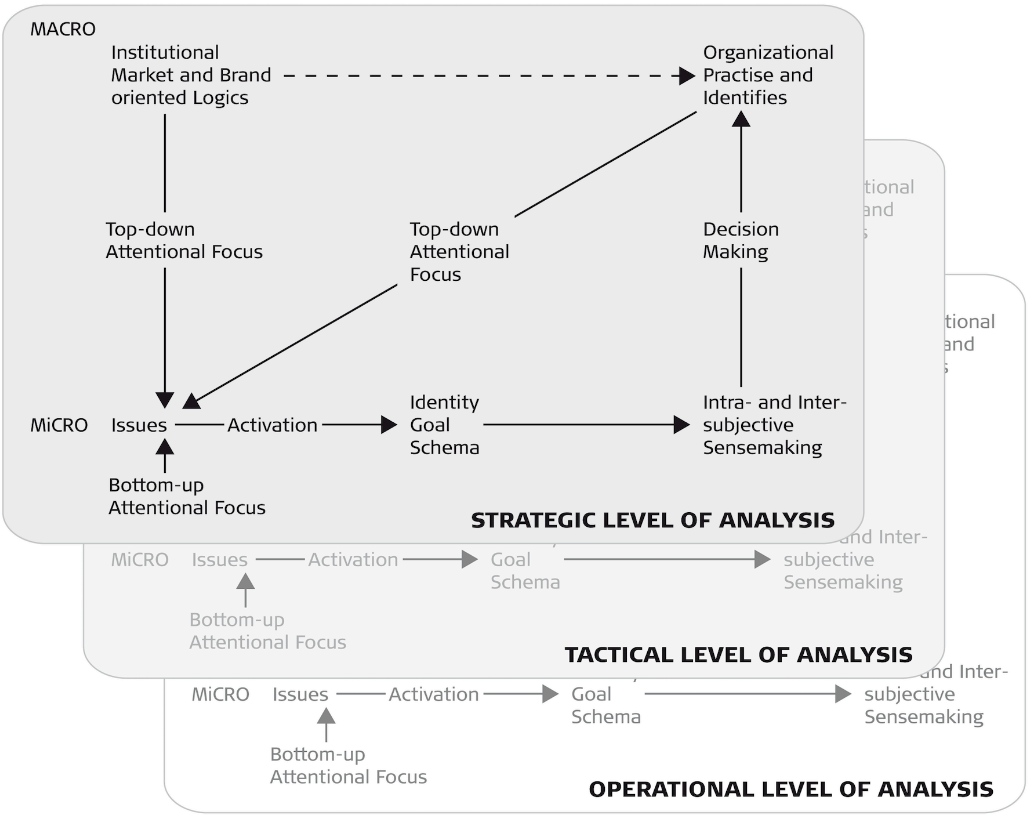

Figure 2: Cross-level (macro-micro/micro-macro) and cross-organizational layered research design (adapted from Thornton *et al* (2012)).

8.3.2. Data collection and analytical approach

Data collected through semi-structured interviews with key actors in the B&OA organization during a period from October 2009 to February 2012 are the primary sources of data (see the below Table 1 for an overview of interview data sources). The data are split into two main periods of investigation. The first period focuses on data pertaining to the B&O brand identity and the B&OA organization; practices (routines); culture(s); business model; competitive strategy; competitive landscape; and the dynamics of the automotive market. While this is not strictly a longitudinal case study the researchers consider the data can provide a sound understanding of the case context and can be highly valuable to the interpretive analysis of the data into the embedded agency in the B&OA Concept

Development Department from the next period of inquiries. The focus of the second period of data collection includes data from key decisions-makers' individual accounts of troubling issues pertaining to their respective responsibilities and function in the Department; the decisions made and associated practices implemented in response to issues; and retrospective explanations for the choices made as sensemaking. Data from the second cycle reveals the activation of schemas, social identities, and the goals embedded in the market and brand oriented logics. Information in addition to the total of 21 interviews and a top-management workshop includes several direct observations made by the researchers during entire days spent on-site including: guided tours around the facilities (10 visits on site of 3-6 hours duration) and taking photos and field notes to document the material aspects of the department's practices (and changes in practices) as reflected by physical artefacts on site (Yin, 2009). The analysis of data also includes archival data, such an internal documents, reports, presentations and spread sheets. This information is included to support and enhance construct validity (Yin, 2009) and the trustworthiness (Lincoln and Guba, 1985) of the case findings.

Table 1: Summary of interview data collection

1st cycle interviews		
Date	Title of informants	Location and interview code
November 18 ‘09	Director of Concept Development	On-site (DCD1)
November 18 ‘09	Head of Marketing	Telecom (HM1)
November 18 ‘09	Managing Director (B&O Group VP)	On-site (MD1)
November 19 ‘09	Brand Cooperation Manager	On-site (BCM1)
December 8 ‘09	Head of Marketing	On-site (HM1)
December 9 ‘09	Director of Concept Development	On-site (DCD2)
December 9 ‘09	Managing Director (B&O Group VP)	On-site (MD2)
March 10 ‘09	Brand Cooperation Manager	On-site (BCM2)
23 February ‘10	Top-management workshop Director of Concept Development, Group VP and Managing Director, Director of Quality and Production, Senior Key Account Manager	On-site (TMWorkshop)
2nd cycle interviews		
Date	Title of informants	Location and interview code
26 April ‘11	Director of Concept Development	On-site (DCD3)
26 April ‘11	Design Manager One	On-site (DMO1)
7 July ‘11	Design Manager Two	On-site (DMT1)
7 July ‘11	Design Manager One	On-site (DMO2)
7 July ‘11	Director of Concept Development	On-site (DCD4)
8 July ‘11	Industrial Designer One	On-site (IDO1)
8 July ‘11	Design Manager Two	On-site (DMT2)
8 July ‘11	Key Account Manager One	Telecom (KAM1)
20 February ‘12	Industrial Designer One	On-site (IDO2)
21 February ‘12	Director of Concept Development	On-site (DCD5)
21 February ‘12	Key Account Manager Two	On-site (KAM2)
21 February ‘12	Design Manager Two	On-site (DMT3)
21 February ‘12	Industrial Designer Two	On-site (IDT1)

8.3.2.1. Data analysis

All interviews undertaken have on average a duration of 75 minutes. The transcripts are digitally recorded and transcribed by one of the researchers, which facilitated immersion into the data as much as possible (Patton, 2002; Silverman, 1993). We reviewed the interview transcripts and initially structurally coded them to provide an overview of the content using our units of analysis as a point of departure (Saldaña, 2009). The next step of the study combines a descriptive and process coding approach (Miles and Huberman, 1994; Saldaña, 2009; Wolcott, 1990) to chronologically map the various issues and responses arising across the management layers (Van de Ven, 2007). A values coding strategy (Saldaña, 2009) was applied to assess culturally embedded values, core beliefs and attitudes (schemas), social identities, and goals activated by key decision-makers in order to trace the embedded agency related to key issues diagnoses and decisions. A case narrative (Aarikka-Stenroos, 2010; Mäläskä *et al.*, 2011), validated by all case study informants to enhance construct validity (Yin, 2009), was constructed to report on practices in the Department as they changed over time.

8.4. Findings: The case of Bang & Olufsen Automotive

Prologue. Information gathered from representatives of the B&O Group's top management indicates a decision was made to grow the business in the early 00's to extend the B&O brand into the automotive OEM market. The results of that decision show that by establishing the B&O Automotive division (B&OA) B&O could begin to offer high-end luxury car manufacturers an opportunity to engage in strategic partnerships and co-branding with the esteemed luxury brand of B&O. The information shared by the company managers shows the action enabled car manufacturers to differentiate their brand experience through innovative, uniquely designed, and high-performing state-of-the-art sound systems, which resulted in the creation of a blue-ocean market space for B&O (Nedergaard and Gyrd-Jones 2013). The company history also shows that additional European high-end and luxury car brands were signed up for partnerships and that since the first launch of B&OA's designs in collaboration with German Audi in 2005, B&OA enjoyed tremendous growth in the following years (TMWorkshop).

Later history reveals that at the commencement of this research project in late 2009, competitors began slowly eroding the first mover advantage of B&O by using penetration pricing strategies to gain market shares from B&O, and by putting pressure on B&OA to reinforce its brand position in order to maintain price premiums (Interview MD2). Reinforcing this brand positioning was clearly articulated by the Managing Director in late 2009 to strongly focus on product innovation competences: "…a brand is nothing without a substantial competence behind it…it is the product that builds the brand…what I mean is, that it is our skills within sound and design that builds the brand."[2] (Interview MD1).

Case study findings structured around three levels of decision-making focus on the key actors on the strategic, tactical and operational management levels in the Concept Development Department (henceforth, the Department). Information obtained through the second cycle of data collection is used to describe how the organizational actors, embedded in the co-existing market and brand oriented logics, coped with novel issues arising from environmental instability. Each section outlines key issues and decisions of key informants and discusses them in relation to the embedded practices and activated schemas of the decision-makers.

8.4.1. Strategic management level: The Director of Concept Development

8.4.1.1. Attentional focus on strategic issues of competitiveness

Practices of the Department in the period from the establishment of the B&OA division until the commencement of this research are consistent with a reproduction of dominant market oriented logic. Several material practices reflect this outcome: the Department's customer surveys (Interview, HM1), the Director of Concept Development (henceforth, the Director) and the attendance of the division's key account managers at industry trade shows and customer visits. On a more daily basis, it is the routines and practices of scanning competitor

[2] All interviews were undertaken in Danish and translated into English by the authors.

product launches and frequent interaction with key account managers that continued to shape the attentional focus of the Director on the need for stronger market responsiveness from the Department in order to sustain B&OA's competitiveness and ensure its long-term survival.

Issue One – How to enhance market responsiveness? Data contributed by B&OA show that their customers increasingly tendered for sound system concepts from suppliers very late in their own concept design cycles, putting pressure on the Department's ability to rapidly present ready-for-production design concepts: "What we have been able to do so far, on a sort of ad-hoc basis, is no longer possible…before the tasks were kind of spread out, but that is not the case anymore. Now it is a constant load of innovation and design development that is needed to keep us in business" (Interview DCD3).

Issue Two – How to enhance design innovativeness? Notwithstanding Issue One, the interview data offers an explanation that customers were explicitly calling for a next generation of B&O automotive concept designs that would radically break with the first generation product designs and deliver the novel and magical designs and experiences associated with the B&O brand (bang-olufsen.com, accessed 3 June 2013). The information clearly spells out that the challenge for B&OA was to develop designs that could simultaneously reflect the focal customers' and B&O's brand (design) identities (Interview DCD2). The evidence obtained from Key Account Management indicates that customers wanted to benefit from the B&O brand equity as part of their car-interiors whilst still having the product customized to reflect their respective design identities and brand values: "The customers have a big wish to differentiate their brands from competition so they definitely do not want a copy...that's crystal clear" (Interview KAM1).

8.4.1.2. Sensemaking and decisions: Implications for change in capabilities

Issues One and Two developed concurrently and created a seeming paradox for B&OA; should they be responsive to customer demands as hitherto or should they allow their brand identity to drive the innovation process? Information from the Director indicates that customer interaction (Issue Two) triggered the activation of the co-existing brand oriented logic, which had been dormant with the Director. "We've been using a great deal of our resources on product development [incremental updates], logistics and that sort of operational stuff and proportionally a [too] small amount on concept development and on ensuring new [radical] innovation, which basically isn't our heart's desire." (Interview DCD4). This emergent focus on the need to ensure that innovation efforts of the Department strategically align with the B&O identity as product leader brand, led the Director to speculate that his existing practices in terms of resource allocations for new product development, embedded in the dominant market oriented logic, would not suffice. In fact these practices conflicted with organizing his Department's resources in relation to B&O's brand ethos of 'breaking barriers to move their customers with magical experiences' (bang-olufsen.com, accessed 3 June 2013).

However, this conflict in logics implied that routines embedded in the market oriented logic of adapting to customers' explicit needs and wants and focusing on enhancing operational efficiencies for timely deliveries on product updates would not suffice as organizing practices. In order to accommodate the discrepancy between these existing practices and the newly activated goal the Director deployed an emergent schema, embedded in the brand oriented logic of protecting the B&O identity, of delivering on customers' expectations for market driving, rather than market adapting, product design innovations. With support from top management the Director decided on the following two interrelated initiatives to be implemented with implications for emerging new practices that would help achieve a stronger strategic fit between the innovation capability of the Division and the dynamics of the market:

Decision 1 – Invest resources in proactive concept development: The Director decided to invest in a proactive approach to the concept development. Shaped by a combination of the market oriented logic and the rising salience of the brand oriented logic this decision would allow the Department, in a proactive fashion, to stock up new design concepts enabling the unit to respond more rapidly when tenders were actually put out and be able to cut time from the conceptual to the production stage. Moreover, this new direction would enable B&OA to stay ahead of market demands to the end of being perceived in the market as a strategic partner of innovation for customer brand differentiation, rather than just another OEM supplier. "A lot of our competitors take a very rigid approach…if a customer needs something done they are billed for it…but that is not the way we have chosen to do business...we have decided to employ a different strategy implying that we are willing to invest and explore new things for a client and use the energy and resources even if the order has not been placed yet and perhaps never will be…and that is what makes it more of a strategic partnership with our customers." (Interview DCD4). This decision implied the acceptance of a higher degree of risk in terms of allocating scarce resources, but was justified by the Director with reference to B&O's cultural values of daring to take bold decisions in order to preserve the corporate brand identity exemplified in their long-standing corporate vision: "Courage to constantly question the ordinary in search of surprising, long-lasting experiences." (bang-olufsen.com, accessed 5 April 2011)

Decision 2 – Invest in creative processes for enhanced innovativeness: The Director directed more resources (especially man-hours) in the early creative concept development phase, which was strongly believed to be the most crucial phase for ensuring radically design outcomes. This was intended to support the identity and values of B&O of taking pride in going the extra mile to 'break barriers and set new standards' (bang-olufsen.com, accessed 3 June 2013): "Our customers need to perceive us as: 'Wow! B&O is really engaging in some exiting new stuff!' and 'Wow! They're really a treat to cooperate with!'" (Interview DCD4). This implied strengthening the practices of idea-generation and analyses for meeting customers' *future* demands for customized B&O designs, that would break (radically) with first generation designs: "If we don't deliver [next generation concepts] it's game over ...then we can't live up to our customer's demand and help them differentiate their brand." (Interview DCD4). This decision made sense to the Director from both a market and brand oriented logic perspective, as serving customers' needs would require the Department to enact the core values of the B&O brand.

As an act of sense giving these meaningful strategic changes were past on by the Director to the tactical design management level through a Department meeting. Reflecting a controlled attentional focus (bottom-up) the lead Design Manager (henceforth, the Manager) was clearly instructed to pursue the goal of implementing these envisioned changes with an initial focus on customer X in collaboration with his fellow design manager colleagues and team of industrial designers.

8.4.2. Tactical management level: The Design Manager

8.4.2.1. Tactical issues of concept development process optimization #1

Tactical issue – How to implement an enhanced proactivity and innovativeness? With the challenging goal of breaking with existing design languages to develop radically new design concepts the design manager was faced with a highly puzzling task. Data revealed that engaging in proactive innovation implied no formal design objectives provided by customers; usually the case since the B&OA's first generation product launch. Instead, design objectives were now very fuzzy leaving the Manager confronted with the key issue of how to proactively pursue the strategic goal of developing a *radically* new design concept, which should meet the objective of being a strong synthesis of B&O's and customer X' respective design identities and visions: "(…) this approach of seeking to show possible future scenarios or visions for a customer's design without having been asked for it or paid to do so is quite different from the previous processes where we were brought into the picture very late in the process thus working backwards on concept designs for existing customer products and not future ones.." (Interview DMO1).

8.4.2.2. Sensemaking and decisions: Implications for change in capabilities #1

Drawing on knowledge structures embedded in the market oriented logic the Manager reasoned that new insights on customer X were needed to proactively engage in meaningful concept development activities directed at this particular customer. However, based on past experiences the Manager understood that the schema of traditional, reactive market research (market oriented logic) would prove of little use to direct the learning process fit to the new situation:. "(…) as a marketing colleague tried…having the customers describe in a survey whatever they would love a future sound systems from B&O to be like is not a viable way…it just simply isn't….[customers would say] 'that was an undesirable way of doing this and that…there wasn't enough bass' [last time]…that is what you get from such an approach." (Interview DMO2).

In order to make sense of how to cope with the conflicting limitations of existing (market oriented) practices and move forward the Manager combined the dominant product development schema of 'know your customer to better serve your customer' (market oriented logic) with the now burgeoning salience of enacting the B&O brand identity. This brand oriented logic, made highly (cognitively) available to the DM through his social interactions with the DCD and fellow executives during various department meetings (internal report, acquired 7 July 2011), triggered the schema of relying on an identity and vision-driven approach to the design process.

Decision – Run explorative workshop: Shaped by the rising brand oriented logic the Manager decided to run an explorative workshop at customer X's dealership. Interview data showed that this new practice also entailed hiring a multi-artist to join the workshop. Embedded in the brand oriented logic of taking an inside-out (identity) design process approach the Manager's professional and overlapping social identity as a patron of the contemporary design and arts was activated: "…we had this customer X setting…and then we hired an artist…a guy that I have gotten to know…and he is just really great with organic shapes and stuff…and we had a bit in advance been thinking along those lines of something organic…so maybe we could be inspired by his way of working which is often very meditative…dreaming his way to stuff." (Interview DMO1). This new and highly explorative practice made sense to the Manager in order to immerse participants in customer X's brand universe and (design) visions while simultaneously having the artist engage all the participants in meditative creative sessions and generate thematic ideas for future design concepts.

In relation to the new strategic goals set for the Department by the Director this would help to synergistically merge the generation of radical new ideas with an analysis on what might fit customer X's future designs within the boundaries of the B&O design identity and vision. Thus, a complementary schema embedded in the brand oriented logic was transposed into the dominant market oriented logic of the Department. As a result the workshops promoted a learning process, which combined idea-generation and (design) analysis in a dynamic flux between an *introspective* (focused on articulation of B&O's brand identity) and *extrospective* brand orientation (focused on articulation of customer X's brand identity) (Interview

DMO1). Following the workshop industrial designers were encouraged to cover the walls of an entire conference room with posters and cuttings clustered into various inspirational themes from the workshop as a visualization of the various new ideas for proactively generating a stock of new radical concept designs (field observation, 7 July 2011).

8.4.2.3. Tactical issues of concept development process optimization #2

Around forty initial design concepts were generated through this new practice of analyzing, visualizing and categorizing interpretations of design themes (field observation, 7 July 2011). Before further advancement these concepts needed to be evaluated by a top-management decision-committee.

Tactical issue – How to implement a new concept design evaluation structure? Faced with an abundance of very different concept design proposals the decision committee's usual schema for guiding the evaluations of designs (embedded in market oriented logic) proved inappropriate. The committee ended up relying on gut-feelings and subjective opinions. This conflicted with the professional identity of the Director as a top-manager and his ability to present objective grounds for his choices to the Managing Director and B&O Group top-executives (Interview, DMO2).

Triggered by observing this incongruence between existing schema of concept evaluation (embedded in market oriented logic) and the new proactive strategy, the Director explicitly demanded that the Manager should incorporate a stronger strategic focus in the evaluation practice in order to avoid overly subjective and opaque future evaluations: "…there was simply too much to choose from and it was not sufficiently boiled down in order to ease the decision-making…this approach was not a proper way to do it…the ones who are specialized in this area should chew the food a bit more before such committee decision meetings are held…it was all a bit to coincidental…we need to have different decision criteria in place to support us in judging the quality of the various ideas." (Interview DCD5).

8.4.2.4. Sensemaking and decisions: Implications for change in capabilities #2

Triggered by the Director's discontent with the Manager's practices of narrowing down candidate concepts, the Manager faced a novel and ambiguous issue of how to reshape the practices for evaluating the industrial designers work. It was clear to the Manager, from having participated in the decision-committee meeting, that the existing routines as embedded in the market oriented logic conflicted with the goals of proactivity and a more radical innovation strategy. As the Manager had observed, this dominant collective schema for evaluation led to negotiations on what types of product design concepts were feasible in terms of existing customer needs and manufacturing resources rather than negotiations on what kind of concepts would be strategically feasible to keep the B&OA division competitive (Interview with DMO2).

Activated by the Director's demand that there should be fewer and more strategically well-founded concept designs to evaluate in future decision-committee meetings, the Manager drew on his dominant design management schema for structuring evaluations. This implied setting up various and weighted criteria to function as a decision-making protocol (evaluation spread sheet, acquired 7 July 2011). The usual criteria focusing on functional features derived from customer briefs, such as number of sound speakers and mandatory requirements pertaining to safety etc. (concept initiation report, acquired 7 July 2011), would be of poor use to him and his team of industrial designers for pre-evaluating concepts in relation to B&OA's visionary outlook. Thus, new and more vision-oriented evaluation criteria were needed, activating the alternative brand oriented logic. In close interaction with a fellow design manager the Manager rationalized that criteria pertaining to the B&O brand and in particular its design identity and vision needed to carry weight in future evaluations. As explained by the fellow design manager: “We have to make something with an evident B&O DNA to it...that we won’t compromise on...but we also need to be able to find some elements in the car… in the customer’s brand...which we may sort of morph into the product and I believe the better you do that the better the result” (Interview with DMT1). However, with the main objective of proactively reaching new concepts expressing a *synthesis* of the B&O and customer X brands these new evaluation criteria would also have to pertain to the customers’ design identities and visions: “…so far we have been saying ‘this looks cool’…[however] it may look cool, but does it actually fit customer X? And does it as well correlate to the B&O brand and values?” (Interview DMO1). Based on these reflections the Manager tried to plot the Department’s interpretations of customer X’s brand identity and design visions, discussed during the recent workshop at customer X’s dealership, into an evaluation spread sheet. However, embedded in the brand oriented logic, the newly activated schema of not compromising the B&O brand identity and in fact having it play a key role in guiding future evaluations was not easily plotted into a spread sheet. The Manager quickly realized that he and his colleagues were lacking a sufficient and holistic overview of the B&O identity for it to properly guide them.

Decision – Enhance and explicate knowledge of the B&O and customer X brands: In consultation with his team of industrial designers and the fellow design manager, the Manager decided to implement a new practice by setting up a brain-storm meeting to collectively flesh out the core tenets of the B&O brand and design identity; using posters and post-it notes to explicate all the various interpretation in the Department (field observation, 8 July 2011). Implementing this new practice would serve the purpose of identifying B&O design values and elements compatible to customer X: “…with the designers we brainstormed on ’what is actually B&O? What is it that characterizes B&O?’ and we wrote it down…listed it…and there were a lot of different points there...then we prioritized them and said 'which are the most important when we have to evaluate and judge…and then some [points] stood out, which I am proceeding to make an elaborate description of… moving forward we are supposed to use this…the values that makes it [concept designs] B&O…because that should be the basis of our decisions." (Interview DMO2). Springing from this brainstorm session the Manager became increasingly focused on cultivating a collective understanding of overlapping B&O and customer brand and design identity elements. This gave rise to further efforts to explicate and visualize the new evaluation criteria on large boards in the department's open office space (field observation, 20 February 2012).

Following these new practices of materializing the brand oriented logic the industrial designer (henceforth, the Designer), associated with the customer X account, was entrusted by the Manager to collaborate with his fellow industrial designer (ID2) to move towards more viable concept design solutions focused on synthesizing the B&O and customer X brands. The newly defined proactive and radical innovation strategy posed new issues of brand implementation at the operational design management level (section 4.3).

8.4.3. Operational level: The Industrial Designer

8.4.3.1. Operational issues of implementation

Operational issue – How to design a 'B&O experience'? The industrial designers' attention was dually directed by top-down strategic and tactical management priorities and bottom-up interactions with customers. A design brief from the customer made it very clear to the lead Designer that future projects should focus less on tangible design elements (technical and performance related design specifications) and to a much higher degree on customer X's desire for a (radical) new B&O *experience* (Field observation, 8 July 2011); raising the bar for customer satisfaction substantially: "…it has to be something that can cause a stir and stage the music in the cars…as an 'experience', which should be distinct to B&O while dedicated to customer X…it has to be some kind of fusion…and a design hard to imagine in a competitor's car." (Interview IDO1). Having participated in the aforementioned brainstorm (cf. section 4.2.4.) pivoting around explicating and visualizing the B&O brand identity, the Designer was forced to consider the essence of the B&O *experience*: "one thing is to be make a loudspeaker grill, but it is a completely different thing having to come up with an experience...where the former is very craft-oriented then the latter is a new and less material approach to design…'to design an experience'…so that is causing some trouble." (Interview IDO1).

8.4.3.2. Sensemaking and decisions: Implications for change in capabilities

Faced with the issue of making sense of how to transcend the dominant schema of incremental product design and deliver a radically new experience, the two industrial designers intensively discussed possible avenues for moving forward. Through negotiations with his colleague (ID2) the Designer's professional identity as a designer was reinforced; this activated a schema reflecting a dual embeddedness in the market and brand oriented logics. The ability to manage this dual embeddedness activated a design-thinking style of balancing analytical knowledge and intuitive originality when faced with high-complexity innovation problems associated with radical change (see, Martin, 2009): "I thought that first we had to critically relate to what we had previously done for the customer: what had worked out successfully and not as successfully, and what we [B&O] would like to continue doing and improve on." (Interview IDO2). Combining these two logics made sense for the two industrial designers as both the customer and B&O identity should have a clear say in the concept design development. By reasoning in this nexus between reliable knowledge of customer X *and* valid design visions viable design outputs would be reached. Approaching and balancing the objectives of a new *customised* (market oriented schema) yet distinctively B&O experience (brand oriented schema) posed a troubling paradox to the Designer. The Designer's response was influenced by the recent discussions initiated by the Design Managers on new evaluation criteria and the importance of the brand 'DNA' (cf. interview DMT1, section 4.2.4.). This heighted the salience of the brand oriented logic activating the schema of protecting the B&O brand and design identity: "We don't like identifying ourselves too much with the [customer] brand so that we make something that this brand would do for themselves… we are not this brand, we are B&O…we should be more like 'we are B&O and this is our philosophy...we understand your [the customer] task and we can modify it this way'… but we do not necessarily need to take their shapes and their [design] essence...we have our own identity and that is why they like us...you can have a part of us...and we can find a connection." (Interview IDT1). The Designer began reflecting on his personal knowledge of customers' likes and dislikes combined with (intuitive) interpretations of plausible future customer desires gleaned from: Key account managers' customer insights on the customer design discourse; customer corporate websites, and; concept cars recently displayed at automotive trade shows. A collective understanding emerged when the Designer's colleague's social identity as a patron of the fine arts provided a meaningful analogy: "…you go to the opera…which is the car [customer X]…and for instance listen to the Royal Philharmonic Orchestra…and these are the two things you go for where B&O is the orchestra…the building or car has to give an impression and B&O should provide the sound and that way contribute to the whole experience…not sticking out in the interior, but a symbiosis of the sound and interior like in the opera." (Interview IDT1). By symbolically juxtaposing the B&O design to the crucial, yet subtle, role of a fine arts orchestra, a cognitive map for a viable design synthesis further crystallized. Based on these sensemaking efforts the

Designer decided to develop a fictitious customer design brief to assist him and his colleague in maneuvering their way through the complex design process.

Decision – To develop a fictitious customer design brief: New practices emerged embedded in both the market and brand oriented logic in order to fill out the details of this design brief. The Designer engaged in retrospective analyses of the B&O design heritage combined with intuitive and visionary visualizations of how to stretch and renew the B&O design identity to meet the desire for a radical new concept still recognizable as a B&O design (Interview IDO2). Simultaneously the Designer scrutinized previously executed customer projects and their recent concept cars as representations of their design visions. Furthermore, they browsed through the B&O design archives to pinpoint the idiosyncratic design elements clearly referencing the design philosophy of B&O mindful of what might be useful for a clear and seamless integration of the B&O and customer brand identities in one design concept (design brief, acquired 20 February 2012).

8.5. Theoretical propositions

Based on this case study we identify four major contributions to the understanding of how the co-existence of brand and market orientation, examined as institutional logics and associated schemas, unfold in organizations in a dynamic interrelationship and affect decisions with implications for change in firm (innovation) capabilities. These findings are presented as a set of four propositions, which we then discuss in order to explicate our findings and inspire future research into the organizational dynamics and interplay between brand and market orientation.

P1a. Decision-makers are embedded in both market oriented and brand oriented logics. The consequent issue diagnosis reflects no predetermined prioritization between the two logics but reflect a dynamic response to emergent environmental contingencies.
P1b. Practices embedded in each of the logics interact and inform new practices associated with the complementary logic.

The phenomena of coexisting market and brand oriented logics are not be viewed as static deterministic structures of organizations resistant to change, but rather as logics in a continuous state of flux whose impact on social action is to be viewed in a dynamic interrelationship. In this case the strategic management level of analysis demonstrates how the enabling aspects of the market oriented logic (schemas linked to practices of customer intelligence) affected a top-down process of attention to novel strategic issues of enhancing the Department's proactiveness and innovativeness (need to transcend incremental change). Notably, through market oriented practices of customer interaction, the less dominant brand oriented logic was activated and made salient in the organization as social interactions with customers explicitly focused (bottom-up) attention to issues of existing processes for delivering on the B&O identity; market expectations linked to B&O as a leading-edge product design and innovation brand. Thus, the case demonstrates how market oriented practices may strongly affect salience of firm brand orientation; in this case linked to breaking industry barriers through highly innovative product designs. Interestingly, the case shows that this dynamic interrelationship may be a two-way street in which the logics' affect one another over time and on different management levels. For instance, the rising salience of the brand oriented logic on the strategic management level affected an observed discrepancy between routine practices embedded in market oriented logic and the need for implementing proactive and radical innovation processes. This led to the formation of new and more sophisticated customer oriented practices with the B&O brand values and design visions being merged into the market oriented schema of satisfying future customer needs.

P2a. Organizational availability of both market and brand oriented logics enables the activation of complementary embedded identities, goals and schemas in sensemaking and decision-making.

P2b. The duality of market and brand oriented logics coordinate flows of decisions and use of firm resources to develop novel configurations of firm capabilities.

The case shows the availability of brand oriented logic and schemas provided necessary alternative and complementary identities, goals and schemas to reach decisions to which traditional schemas embedded in market oriented logic proved inadequate. Organizational co-existence of market and brand oriented logics provided actors with valuable complementary repertoires of knowledge structures to face novel situations affected by environmental instability. To understand this mechanism we must consider the mediating factors of processes of attention and the activation of identities, goals and schemas in relation to sense and decision-making. When actors are faced with situational shifts to which existing routines are incongruent to guide decisions and reach desired management process outputs, they become more likely to *control* their attention (opposite automatic attention control, cf. DiMaggio and Powell, 1983) and if needed depart from a dominant logic to rely on alternative logics. This may activate a broader repertoire of identities, goals and schemas to make sense of how to organize action in ways to reach desirable outputs. This was seen when strategic issues of competitiveness were made salient at the strategic management level reflective of the Department's dominant market oriented logic. However, the Director of Concept Development's strong embeddedness in the identity of B&O activated: a professional identity as a leader of change; schemas linked to preserving the integrity of the B&O brand, and; new goals of living the values and supporting the market positioning of B&O. Breaking the dominant market (responsive) logic the complementarity of brand oriented logic resulted in meaningful decisions to reconfigure practices of resource allocation and reshape the Department's innovation capabilities for building and sustaining competitive advantages embedded in the competitive logic of brand.

P3. Brand oriented logic, when complementary to market oriented logic, prevents brand identity-eroding isomorphic change in firm capabilities by facilitating organizational sensemaking leading to identity-based decision-making and learning processes.

Practices embedded in the market oriented logic affected attention to strategic issues of proactivity and radical innovation. However, singlehanded or unaided, schemas embedded in the market oriented logic proved insufficient for organizational actors to make sense of how to accommodate the very issue(s) that the market oriented logic itself affected attention to (cf. the paradox of embedded agency, see Holm, 1995). Numerous findings from the case study indicate that organizational decision-makers refrained from inertia; the co-existence and availability of brand oriented logics (identities, goals and schemas) provided meaningful resolve for engaging in identity-based learning processes to overcome the deficiencies of market oriented schemas. For example, at the tactical management level, the Manager was faced with the issue of how to brief his industrial designers without detailed customer design objectives. Shaped by the goals of his superior (Director of Concept Development) of breaking free from reactive (market oriented) routines, a complementary schema linked to exploring the B&O identity and design vision was activated. In conjunction with the schema of customization this led the Design Manager to run an explorative workshop focused on producing new visionary insights and ideas pertaining to both the B&O and customer identity and design vision. The complementary brand oriented logic affected the implementation of new and more sophisticated ways to reshape innovation processes and organizational learning *ahead* of actual market demands (tenders). With references to competence-based theory on firm competitiveness, which places organizational learning as central to development of unique capabilities for sustainable competitive advantages, brand oriented logic may thus be viewed as central to the activation of schemas related to processes of *learning-before-doing* (e.g. Pisano, 1994). Importantly, the idiosyncrasies of brand (design) identity and vision provide the basis for activation of sense and decision-making reflective of what Kornberger (2010) calls "organized heresy"; in terms of this paper, the organization can be seen in terms of the emergent practices and routines shaped by brand oriented logics, which combine the coordinating logics of the market with the idiosyncratic "heresy" of the brand. The consequent sensemaking enables identity-based learning processes to overcome purely isomorphic market responses.

P4. In any given organization there may exist a dominant logic. However, the primacy of this logic does not exclude existence and indeed desirability of extreme flux and strategic flexibility between complementary logics in order to maintain competitive advantage.

Firms may exhibit decision-making traits reflective of either a dominant market oriented or brand oriented logic. While the dominant logic may change over time and move towards hybrid forms of orientations, it is expected that the resultant hybrid logic will be tied to (dependent) on historical dominant logic (Urde *et al.*, 2013). However, this case study demonstrates that within a limited period of time organizations may move from one end of the market–brand identity dichotomy to the other. This extreme flux may occur in response to issues that require a radical shift in schemas or novel combinations best described as embedded in a *synthesis* of the dual qualities of market and brand oriented logics. In fact, the case demonstrates that shifts in a firm's environment may necessitate a synthesized use of both market and brand oriented schemas as cognitive flexibility (cf. Sanchez and Heene, 1996) to reach meaningful decisions and reshape practices on the strategic as well as tactical and operational management levels of implementation in order to sustain competitive advantages. Organizational actors may intentionally mobilize schemas from both market and brand oriented logics and through sensemaking processes synthesize seemingly contradictory, yet complementary, schemas to reach meaningful decisions and reconfigure existing routines as needed. For example, the case shows how practices of evaluating the business viability of early concept designs had been dominantly embedded in market oriented logic but radically shifted to emphasize evaluation criteria grounded in the B&O corporate brand identity. When faced with a need to shift from incremental to radical innovation objectives the Design Manager could not draw from schemas embedded in the market oriented logic. Instead, the complementary brand oriented logic and schemas provided a platform for organizing future evaluations against brand values and design vision of B&O while still being mindful of the customer's brand and design vision. Moreover, the operational issues of how to design a radically new B&O experience, yet customized to the focal customer, needed a synthesized brand and market oriented schema to reach a meaningful understanding of how to proceed with the design syntheses of these highly ambiguous innovation objectives.

8.5.1. Management implications

We suggest two main strategic management implications for brand leadership. The implications focus on ensuring the suggested benefits of multiple complementary organizational logics in relation to firm capabilities with a specific focus on brand and market orientation as distinct competitive logics.

- Firstly, brands need to develop capabilities of protecting their identities through continuous expressions of the idiosyncratic values of the company whilst simultaneously being capable of adapting to the dynamics of the market as customers' needs, wants and desires change. This duality implies that a search for *the* most suitable strategic logic should be avoided and that top-management must acknowledge that the Holy Grail of competitiveness is more likely found in the dynamic guidance of multiple logics. As the case shows the availability of multiple logics enhances strategic flexibility (Sanchez, 1995; Wang and Ahmed, 2007) by allowing members to pull from different logics and inherent schemas when faced with ambiguous issues. Thus organizations should master to embrace both ends of the strategic management dichotomy in order to proper balance between the protection of their brand identities and adapting their identities in alignment to market dynamics as complementary means to the end of achieving and sustaining competitive advantages.
- Secondly, multiple logics available to organizational decision-makers are highly valuable for making sense of how to reshape firm capabilities when appropriate and implement new strategic agendas (Teece, 2007). As we saw the availability of the brand oriented logic provided decision-makers with complementary knowledge structures, which ignited new learning processes arguably preventing organizational inertia across several organizational layers. Thus, organizational schemas limited to a single logic may induce a paralysis of action needed to radically change or adjust firm capabilities when incongruities between existing capabilities and desired outcomes are detected. Thus, as a top-management imperative, efforts should be made to nurture the

(cognitive) organizational accessibility of less dominant logics by promoting the validity of integrated schemas for decision-making through, for example, the communication of powerful narratives (de Chernatony, 2001; Schultz and Hatch, 2006) related to past successful decisions grounded in multiple logics.

8.5.2. Limitations and future research

The paper presents novel insights that contribute with knowledge of the ways in which we are to understand the organizational dynamics and complementarities of brand orientation and market orientation. As a single case study the findings of this study are naturally valid only for the case company investigated, however, through purposive sampling, this case study provides insights that are broadly relevant to the discussion of how brand and market orientation as complementary strategic logics dynamically relate to firm sustained competitive advantage from a competence-based view of the firm. This relevance will only become apparent upon the completion of follow-up studies of other companies in which these two logics co-exist why the application of literal case sampling at this stage of research should guide inquiries for further support of our findings (Yin, 2009).

In this study we chose an organization characterized by a historic market-driving radical innovation approach to product design as a core element of the corporate brand identity and market positioning strategy (Verganti, 2009). As discussed elsewhere (Nedergaard and Gyrd-Jones, 2013), the radical innovation focus of Bang & Olufsen, deeply ingrained in the organization's culture and heritage, may not reflect that of other firms equally characterized by co-existing brand and market oriented logics. Thus, empirical research into how (innovation) capabilities develop and change in other contextual settings will be equally important to theoretically advance the findings of this paper and develop our understanding of how brand oriented logics shape embedded sense and decision-making in relation to firm capabilities.

This paper focused on the complementarity between two logics: market oriented and brand oriented logics. It is relevant to look at the interplay with other logics to see whether and how this impact on actors giving salience to market or brand oriented issues. Tollin and Jones (2009) suggest that marketing executives pull from several logics: communication-focused, stakeholder-focused, product innovation-focused and performance-focused logics. This raises the question of how such logics may impact on the degree to which market and brand oriented logics materialize in firm capabilities in a given organization? It would also be interesting to investigate whether these are industry specific and how they vary in relation to the dynamics of different competitive contexts.

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