

Moderators in Brand Orientation brand performance relationship in SMEs- A conceptual framework

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Abstract

Purpose – The purpose of this study is to integrate the literature available in the area of branding in small and medium enterprises and to explore the role of different variables involved in Brand orientation and brand performance.

Design/methodology/approach – An extensive review of literature is done in the area of branding in SMEs and a conceptual framework is proposed.

Originality/value – This paper contributes to the theory by integrating the existing literature pertaining to focussed area.

Key words: SME Branding, Corporate branding in SMEs

Introduction

Branding as a managerial discipline has been extensively studied by academic scholars and industrial researchers. But the scope of research has been limited to large organisations that have got ample resources both intellectual and financial to invest in the brand building and brand management strategies. The small and medium enterprises (SMEs) on the other hand lack the resources that are available for large organisations. It is widely acknowledged in theory and practice that brand building is a long term strategy and requires consistent and meticulous planning and execution. Brand orientation as a strategy in SMEs is now of interest in academic research and majority of the research is focussed in manufacturing sector (Mitchell, Hutchinson, Quinn, & Gilmore, 2015). The objective of this study is to understand the path of research in SME branding and to develop a research framework for brand building in SMEs. The research question: Does brand building promote growth in SMEs. This contributes to the existing literature by systematically summarising the direction of research in the area of SME branding.

Research methodology:

In the selected area of branding in SME sector, a systematic review of literature is done based on which a research framework is proposed. Though Keller (1998) mentioned so early about adapting branding to SMEs, the study of branding as a philosophy exclusively in the context of SMEs started in when Abimbola (2001) published his conceptual paper on the topic. Most of the literature available in this area is based on case studies and very little empirical study has been done as the area is in the early stages of theory building.

Review of literature:

Abimbola, (2001) in his conceptual paper suggests that corporate branding can be used as a strategy by SMEs to create demand for their products and also to create a favorable competitive stands in the market. He also adds not to build more than one or two brands. Juntunen, Saraniemi, Halttu, & Tähtinen (2010) explains that corporate brand building activities should begin even before a company is officially established. Boyle (2003) examines that brand building do help SMEs build image and reputation. Inskip (2004) questions why corporate branding as a philosophy doesn't exist in SMEs. Through her two fold study including SMEs and branding consultants, she suggests that Standard Agency approach (lengthy branding projects) from the side of consultants do not apply for SMEs and that they need processes with shorter cycles. Krake (2005) notes in his study that brand management is not given the importance it needs. In SMEs, creation of Brand awareness is not conscious goal; sales alone is and also states that they are product centered and consider turnover to be more important than brand recognition. He also suggests modification to Keller's

guidelines for brand management that suits SME. Mowle & Merrilees (2005) stating that functional and symbolic values are inherent in SME wine brands, classifies the branding approaches taken by SME wineries as product driven branding and market driven branding. Centeno, Hart, & Dinnie (2013) proposes that SMEs have to follow 5 stages of brand building: Brand as a person, Brand as a product & brand differentiation, Brand as a symbol, Brand as an organization, Brand identity development and brand growth. Lassen, Kunde, & Gioia (2008) demonstrates that consistent communication of brand message over a select media increases sales and also enables to demand a premium price. Rode & Vallaster (2005) concludes that those entrepreneurs are successful who develop their corporate identity structure in line with corporate culture and consistently communicate it to stakeholders and their employees thus facilitating development of clear and differentiated image and those who recruit employees with values that are in line with corporate culture. Abimbola & Vallaster (2007) argue that Brand, Organizational identity, Reputation call for a holistic brand management approach and it is better suited to SMEs than to big companies. Abimbola & Kocak (2007) state that prevailing economic environment makes it difficult for organizations to pursue marketing strategy without engaging in brand and reputation building strategy and the internal capability and competence of the organization should also be developed simultaneously in line with the strategy. Spence & Essoussi (2010) supports this view that Brand diversification that is consistent with firm capabilities can spur SME growth and also observes that founder's values are main source of brand associations in SMEs. Berthon, Ewing, & Napoli (2008) observes that Brand Management Practices of large organizations are geared more towards understanding and monitoring customer needs and measuring effectiveness of past actions and states that there is potential for SMEs to optimize their performance by mirroring Brand Management Practices of large organizations. But Bresciani & Eppler (2010) negates this arguing that research and guidelines should not force start-ups and young SMEs to compare their branding strategies to multinational firms. New ventures should instead develop more creative, innovate and unconventional branding activities. Ojasalo, Nätti, & Olkkonen (2008) highlights that in software SMEs, goals and objectives of branding are vague, most of the resources are employed in product development alone as it is considered as more important than brand building, Internal brand decisions taken by few managers, other personnel not involved and that brand building is dependent on resellers. But Juntunen et al. (2010) unveils new stakeholder groups in addition to the customers, suppliers, investors, employees, media and partnering companies that have been discussed earlier: owners, research organizations, educational institutions, competitors and the entire industry network can be involved not only as targets of the communication, but also as providers of new innovative ideas (students) or useful advice (bank managers, business angels) on how to plan and execute corporate branding. In the software SMEs, the communication channels proved to be important for branding are conducting seminars on topical themes, press relations, web communications. Khan & Ede (2009) identifies the variables present in brand building in SMEs: Brand drivers-Strong internal culture & effective internal communication, Brand barriers-Resistance to change, Perception of branding expenditure as cost, Brand aidsers-Forging links and partnerships, Brand deliverers-Employees acting as ambassadors, Marketing communications-Placing case studies and stories in press and networking. Wong & Merrilles (2005) show that brand barriers will have negative impact while 2 constructs brand distinctiveness and brand orientation contribute positively to brand marketing performance. Eggers, O'Dwyer, Kraus, Vallaster, & Guldenberg (2013) explains the relation between brand consistency and brand congruency (alignment between founders values and rest of the organization) as brand consistency (sticking on to promises made to stakeholders) and brand congruency positively impacts SME brand trust which in turn impacts SME growth. Roy & Banerjee (2012) proposes a four cell roadmap depending on the product criticality and market orientation of the organization including Process Branding, Corporate Branding, Responsive Branding and Credibility Branding. The literature thus suggests a possible relationship between being brand oriented and the performance of the brand. Hence the hypothesis suggested is

H1: Brand orientation has a positive impact on brand performance.

Branding is a long term process and thus Brand orientation requires insights from a considerable period to apply the strategy to target on brand performance. But newer firms might lack this outlook as it develops only overtime (Sinkula, 1994). The intricacies of being brand oriented will be experienced over a period of time by analyzing the market situations and the complex conditions, thus enabling the small firms leverage in brand orientation (Sinkula, 1994). Small firms may lack an explicit strategic orientation which makes it difficult for them to channel their brands to leverage upon brand performance. SME's are generally

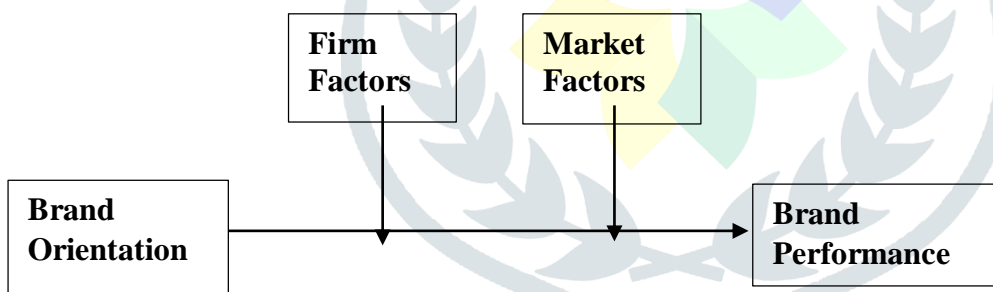
considered being at a disadvantage with respect to available resources when compared to their larger counterparts. The limitations push the SME's to adopt shortsighted business view where branding doesn't fit in (Horan, O'Dwyer, & Tiernan, 2011; Ojasalo et al., 2008; Yin Wong & Merrilees, 2005) SME's ought to work on creativity and affordable strategies to incorporate branding into their business strategy within the budget limitations(Ojasalo et al., 2008). In this regard, it can be implied that firms with knowledge with how to brand themselves will have an advantage over those that don't. The firm factors viz. firm age, firm size and branding know how are assumed to be moderating the brand orientation- performance relationship. Hence the hypothesis proposed is

H2: The effect of Brand orientation on brand performance is moderated by firm factors.

When it comes to choosing a brand businesses differ from consumers, Consumers seek emotional and other intangible benefits vis a vis the business customers who seek tangibles (Kuhn, Alpert, & Pope, 2008). Performance, customization and reliability appears to be important for businesses (Bendixen, Bukasa, & Abratt, 2004). The intangible things consumers search are expression of personality, security etc. The process involved in branding a service differs from that involved in branding a product (Berry, 2000; de Chernatony & Dall'Olmo Riley, 1999). Branding in service sector heavily relies upon the employees at customer touch points whereas in products it depends upon the product standards that are defined at the production level. The intangibility in services pose distinct challenges in adopting branding as a strategy (Berry, 2000). The relation between market orientation and performance is stronger when the market is weak and vice versa (Kohli & Jaworski, 1990). It is proposed that in a weak economy consumers will look for more value for their money. This it can be implied that disposable income is inversely proportional to the risk evaluation. The firm factors viz. customer type, industry type and market life cycle are assumed to be moderating the brand orientation- performance relationship .Hence the hypothesis proposed is

H3: The effect of Brand orientation on brand performance is moderated by market factors.

The conceptual framework this paper proposes is as follows.



Discussion:

SMEs can improve their business by adopting branding as a strategy. Two main issues of SMEs that are identified in this aspect are:

Lack of knowledge of branding-Majority of the SME owners/managers lack the knowledge of branding. For them branding is having a name and logo. Cost-Even if equipped with knowledge, SMEs lack the financial resources and time needed for branding. They will be so engrossed in routine activities and will not focus on long term strategies like branding. SMEs can set the priorities if they are provided with proper knowledge of branding. If the priorities are set, branding can be taken up tailored to their needs. External agencies can assist these organisations with shorter cycles of branding tailored to their goals and budget. Brand building should start even before organisation is established. Corporate identity structure should be in line with corporate culture and it should be consistently communicated to all the stake holders even to the unconventional groups. SME evolves as a brand starting from the entrepreneur, the product, the visual identity and then into an organisation. The values of founder will be major brand associations for SMEs. Activities to build organisational identity, reputation and brand can be done more easily in SMEs and in a holistic way due to shorter decision making cycles in SMEs. Consistent communication of brand message over a select media is one such activity. Medium size organisations can mirror the branding approaches of their larger counterparts and get better

results. Brand consistency, congruency, partnerships (co-branding) will help in SME brand building whereas Resistance to change, Procrastination, perception of branding expenditure as a cost, Resource constraints will deter SME growth. Depending on the product criticality and market orientation of the organisation, SMEs may seek Process Branding, Corporate Branding, Responsive Branding and Credibility Branding in the path of growth.

Conclusion

From the review of the different works, it can be concluded that branding as a strategy is the same irrespective of the size of the organisation. But the approaches vary in SMEs due to different kind of external and internal factors when compared to large organisations. The SMEs and external agencies need to work together to adopt the universal concept of branding with different approach to suit the environment of the SMEs. The SMEs need to follow a proper path of branding crossing different stages of growth with appropriate strategies. The issues of knowledge and resources need to be overcome to enable the SMEs in this area. This paper adds to the theory building as it brings to one place, a systematic review of the work done in a focussed area. Researching the proposed framework can throw light on new horizons and can pave way for further research.

Scope of research

For academic researchers, this study gives hints about the research path in the area and in deciding the direction of research. Since the research in this area is in its nascent stage, there is a lot of scope for research from both SME perspective and external agency perspective.

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