

MANAGING BRAND AND COMPETITION CAPACITY OF FIRMS

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Abstract

There are not vast research about how companies can internally manage their brands in order to optimize their performance and value. This paper uses brand management system (BMS) to analyze performance of firms in internal management to support brand creation and related activities. Using BMS firms can find effective ways to increase their competitiveness in market. Results of this study showed that BMS is an effective strategy in brand management.

Keywords: Managing brand, competition capacity, Business firms, Services firms

Introduction

It is clear that having strong brand is an important factor for competition and survival of firms in modern market. Firms need structured processes in order to create strong brands. Some researchers argued that there should be conceptualization on ability of managing brand in order to maximize performance and competitiveness of companies. BMS was introduced by Kim and Lee (2002) as a set of systems and organizational structure and culture for supporting brand creation activities. It shows ways to firms to internally manage their and facilitate activities related to it.

Actually, it gives adaptation ability to firms to survive in competition of strong brands. BMS has a dynamic nature which is ignored by some researches. This study aims to conceptualize BMS and examine relationship between BMS and performance of firm to observe its effects on improvement of firm's competitiveness. Role of innovation and market orientation will be studied because they are crucial factors for BMS. This study will add to existing literature about BMS.

Previous works on BMS

Brand management is seen as a dynamic process in research. There are evolutions to concept of brand as a physical thing to something that differentiates and adds value to firm in recent years. And this new concept is very important for service companies because here brand conveys important messages to consumers. The importance of new brand management system is surviving in a competitive market full of similar products and services. Firms should have good ties with consumers and efficient BMS to maintain their competitiveness in market. In fact, BMS deals with sustainable brand management inside firm in which brand is the main element to focus.

Dimensions of BMS

An important point which is emphasized in BMS is building internal branding concept to maintain competition ability of firm in market. Three ideas were suggested for protecting brands including brand orientation, internal branding and delivery of brand.

Brand orientation

This refers to identification of brand value and importance in market for maintaining strong brand. Therefore, senior management should pay particular attention to brand. In this regard, brand has an important role in firm mindset. For some companies, the brand is a critical strategic resource for achieving competitive advantage. Using brand orientation, firm can manage brand and enhances differentiation in market and achieves sustainable competitive advantages.

Internal branding

All organization members should participate in achieving the goal of brand and performance of organization. Organizations should train their employees to support brand identity and its effects. Employees should not limit themselves only to transactions but they should become brand ambassador. Internal branding seeks to communicate brand from top to down in organizational hierarchy. To align conception of brand and strategic goals, BMS should monitor internal image of brand. Therefore, employees have important role in building the brand image.

Strategic brand management

Fundamental elements should be considered by managers to convert brands into the competitive asset of organization. Some of these elements are: suitable marketing strategy, brand management in long term, assessing brand position in market and providing human and financial resources. All related areas to brand should have clear planning in organization. Therefore, brand management needs accurate correspondence between marketing strategy and brand image to provide competitive advantage for firm. Research showed that firms with strong brands have harmonized and good plans and take feedback of market. It is also important to consider role of human resources in brand management.

The BMS as a dynamic capability

Organizational unique abilities have great role in brand management. These abilities are a set of competences for operations of firm using organizational resources. BMS starts from cultural value of brand and organization commitment to brand goals. The BMS combines culture, management systems and working processes to develop a strong brand. It is high-level organizational competence to efficiently combine and use resources. Firms should have dynamic capability in order to regenerate their skills and resources and deal with changing environment. Dynamic capabilities are a complex set of abilities through which organizations modify their operating procedures and reconfigure their resources and skills to achieve an adequate adaptation to changing market requirements.

Dynamic nature of BMS is very important in orientation of brand in order to achieve strong brand. BMS seeks to integrate brand as a key asset of organizations with other features in market. Effective brand management needs information of market and allocation of resources in the case of new markets. The final goal of the BMS is to allow a permanent renewal of the firm's skills and resources to develop strong brands, adapting to market evolution and achieving a sustainable competitive advantage.

Consequences of the BMS for competitiveness

Research showed that BMS help firms to get good performance. This performance includes results related to customers and their satisfaction. According to studies BMS has positive and direct effect on performance in relation with customers and strong brand. Customer performance mediates the relation between BMS and business performance. This research analyzes the indirect effects of the BMS on firms' competitiveness

H1. The BMS has a positive effect on the firm's customer performance.

H2. The firm's customer performance has a positive effect on its business performance.

4. Antecedents of the BMS and their effects on competitiveness

Researcher need to recognize interdependencies among organizational capabilities. Innovation and market orientation are important factors in marketing which their participation in firms' goals will be examined here.

Innovative culture, the BMS, and performance

Innovation is about development and application of new procedures and products in organization. There is rare empirical evidence on how the innovative culture favors superior business performance. Innovation is considered as a prerequisite of BMS to enhance firm performance. Innovation creates competitive advantage for firm in market. Innovativeness may help firms to recognize the importance of the brand for the successful commercialization of the innovations and adapt new services more closely to customer demands because brand creates sense of credibility and security (Aaker, 2007).

Entrepreneurship has good relation with innovation. Innovation shows that firm seeks to explore new opportunities in market. Good management of the brand and its use in innovations strengthens the firm's reputation as an innovative firm, improves consumer acceptance of new services, and bolsters the firm's competitive position in the market (Corkindale & Belder, 2009).

H3. Innovativeness has a positive effect on the BMS.

Positive effect of innovation on firm performance has been confirmed in previous studies. The main reason for effect of innovation on performance is that firms need innovation to keep their pace with market evolutions. Therefore, innovation can create value for organization and position in competitive market.

H4. Innovativeness has a positive effect on the firm's customer performance.

Market orientation, the BMS, and performance

Market orientation deals with creation of added value for customers in the market. It is precondition of BMS because there is always external orientation in market. Firms can exploit advantages of brand to attract more customers. The benefits and functions of brands include identifying and differentiating goods and services, facilitating the interpretation of information and consumer choice, saving consumers' time and costs, reducing their perceived risk, improving their loyalty, and permitting individual self-expression (Kapferer, 2004; Keller, 2003). Market-oriented companies intend to use strategic vision of brands (Ruekert, 1992). Some researchers believe in conflict between market orientation and brand orientation. Market orientation can encourage the firm to adopt a BMS.

H5. Market orientation has a positive effect on the BMS.

Research showed that firms provide greater value for customers because of improvement in their performance. These firms monitor demands of customers to recognize and respond. Because market orientation defends customer centrality in firms' operations, this study analyzes the market orientation customer performance relationship.

H6. Market orientation has a positive effect on the firm's customer performance.

The BMS consists of three dimensions: brand orientation, internal branding, and strategic brand management.

Research Methodology

Context of study and characteristics of sample

Sample of this study is knowledge-intensive business services (KIBS) firms which firms use their knowledge and experience to provide complex professional services to meet customers' needs (Løwendahl, 2005). The importance of brand management for firms is sustaining credibility and reducing risk of customers and maintaining competitiveness. Employees should have excellent interaction with customers. The target population of the empirical study comes from the SABI database (considering the NACE codes for the KIBS sector suggested by the European Monitoring Centre of Change, EMCC, 2005): 1587 Spanish firms with more than ten employees were randomly selected and telephone calls verified the firms' contact information, their willingness to participate in academic studies, and the accuracy of the data referring to the key informant. 1236 questionnaires were sent by post, e-mail, or fax. General Managers and CEOs were key informants. The final sample comprises 151 firms (response rate of 11.5%). Harman's one-factor test allowed controlling for common method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). This analysis produced six factors.

BMS scale development

Measurement scale for the BMS is developed in two stages. Initial list of 22 items were sought and after checking for and removing duplicates, the remaining 20 items were assigned to the different dimensions of the BMS proposed in the present study.

This scale was pre-tested by means of personal interviews with 14 firms. The interviewees had considerable managerial experience. Authors drafted several items to facilitate their interpretation and avoid confusion and bias. Final list had 17 items deemed suitable to measure the dimensions of the BMS. Seven-point Likert scale was used to measure all items to ensure higher statistical variability among survey responses.

Measurement of other model variables

Five items were included in innovation scale. Respondents evaluate performance in relation to the firm's major competitor during the last three years and customer performance scale includes the customers' level of satisfaction (Gounaris, 2005; Hooley et al., 2005), loyalty and staying with the firm, the added value, the level of communication attained, the reduction in the number of complaints and claims, improvement in the customers' image of the firm, and increased retention of the market's best customers (Lings, 2004).

Research Results

Results were analyzed in two stages: the evaluation of the psychometric properties of the scales; and the test of the hypotheses. The statistics package EQS version 6.1 for Windows was used for data analysis.

Validation of second-order concepts: the BMS and market orientation

BMS and orientation scales were multidimensional constructs and brand management needs development of all dimensions. Bases on this, firms are able to develop strong brands. First-order and second-order CFA was conducted to confirm multi-dimensionality of BMS that showed correlation among three dimensions of BMS. Positive relationship among dimensions of BMS was confirmed in this study. The standardized lambda parameters, relating each observed variable with

the latent variable range from 0.79 to 0.93 and are all significant at the 95% level (Table 2). The reliability of the BMS dimensions was measured. Results enhance the reflective nature of the BMS dimensions. There was discriminant validity between the BMS dimensions. This result suggests that the BMS is a reflective second-order measure.

Estimation of causal model

Model should be evaluated before testing the causal model. Results verified convergent validity of constructs. The estimation of the causal model includes the means of the observed variables in the BMS and market orientation dimensions to comply with the required ratio of parameters to estimate to number of cases observed available in the database (Jöreskog & Sörbom, 1995).

It is clear that BMS has a direct and positive effect on performance and indirect effect on customer satisfaction. Innovation and market orientation are important for effective BMS. Innovation had direct effect on customers. Market orientation has also direct effect customer performance.

Analysis of the indirect effects in the conceptual model and control variables

Sobel test was used to test significance of mediating effects in model that confirmed innovation and market orientation have direct significant effect on firm performance and customer satisfaction. The total effect that innovativeness and market orientation exert on customer performance equals the sum of the significant direct and indirect effects.

Conclusions

Successful branding is well-planned brand management. BMS can help managers to understand how to manage their brands better and maintain their competitiveness. Internalizing brand is an important step in brand management.

Firms should consider brand as a strategic asset and allocate required human and financial resources to brand management to maintain their competitive position and improve performance. BMS was conceptualized in this study and it is a dynamic process which helps firms to allocate resources efficiently and adapt with market and maintain their pace with market changes. Therefore, firms can better manage their brand-building activities using BMS. This research is a contribution in literature related to brand management. Managers should identify dimensions of BMS to implement it in their organizations. Brand orientation is important in BMS. BMS can evaluate success of organization in achieving strong brand. But it is difficult to measure brand image in market which is caused by inappropriate control procedures.

Results showed that BMS improves performance of firm and satisfaction of customer. BMS has also indirect effects on performance.

BMS is a complex organizational capability that allows firms to sustain their brand building activities and to improve their long-term competitiveness. Innovation and market orientation are important in BMS.

The results of this study also allow comparing the impact of the BMS, market orientation and innovativeness on customer-related performance as a full mediator in the relation between capabilities and business performance. According to results BMS, innovation and market orientation have positive effect on customer and firm performance.

One of limitations of the study is that it is cross-sectional and there is no certainty about casual relationships. Subjective measurement is another limitation. Researchers should gather data from different sources and avoid biases. This study provides many promises for future research.

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