

INCOMaR 2013

## Branding Leadership in Malaysian SMEs

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### Abstract

The study empirically examines the inter relationships among various branding constructs of leaders or entrepreneurs in small and medium sized enterprises (SMEs). The study employs structural equation modeling through a new branding leadership model comprises of branding leadership, challenges, implementation and performance. The results confirm significant relationships among the constructs. The major fit indices indicate good data fit to the proposed model. The findings provide meaningful insights to SME leaders. It also fill the gaps in literature by statistically validating the model of branding leadership in Malaysia that may implicate other economic zones with similar situations.

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Selection and peer-review under responsibility of the Organizing Committee of INCOMaR 2013.

**Keywords:** Branding Leadership; Branding Implementation; Branding Performance; SME Branding

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### 1. Introduction

The interface of leadership and brand fields has resulted in myriad of studies valuable for organizational development and sustainability. However, there are two major focuses that normally gets highlighted: 'leadership brand' and 'brand leadership'. The concept of 'leadership brand' suggests companies to first envisioned the positioning of their brand and then groomed management talent or leaders with specific traits appropriate for the intended brand image (Ulrich and Smallwood, 2007). In another concentration 'brand leadership' normally discuss the role of brand and its power and importance of brand as a strategic differentiator for firm to be the industry leader

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(Aaker 1997, Keller and Kotler, 2006). Both the leadership brand and brand leadership are the conscious by design effort of organizations towards performance and sustainability. In other words, the leaders of the organization are fully aware of their brand direction and striving for efforts towards brand performance. The question arises on what sort of leaders would be most likely making the right branding practice or efforts, in terms of both leadership brand and brand leadership? This paper intends to investigate the ‘right’ leadership traits influencing appropriate branding practice towards both of leadership brand and brand leadership in the context of SMEs in Malaysia.

## 2. Theoretical Background - Branding Leadership and SMEs in Malaysia

Brand owners or entrepreneurs have indispensable role in branding (Gregory, 2004). After all, many businesses start small and rely on leadership, enthusiasm, creativity and strong personality of the founder entrepreneurs to push for the next success level. Some companies even institutionalized the personality of their entrepreneurs within the organization (Boyle, 2003; Gregory, 2004). For example, Virgin is seen to share Branson’s adventurous and easygoing characteristics while Microsoft monopolizing strategy is influenced by the late Bill Gates fondness of ‘winner takes it all’ Poker game (Gregory, 2004). However these examples are all western brand success stories. The local or Malaysian branding field is yet to explore the issue pertaining to the influence of leadership and personality on the branding activities of SMEs. The association of good branding and strong leadership is an intangible and an immutable asset which is not easily affected by product changes in rival companies (Boyle 2003 and Abimbola 2005). SMEs in Malaysia could no longer rely on low cost and manufacturing prowess as competitive advantages. To move forward, they must be able to build strong brands and leveraging efficiently on available resources including their leadership qualities. However, SMEs in Malaysia are still seen averse in their branding efforts, partly due to lack of appropriate guidance and knowledge (Ahmad *et al.*, 2012). Although marketing and branding of SMEs have been regarded as a difficult issue all this while, the theoretical development in the field is rather limited and mostly qualitative in nature (Simpson *et al.*, 2005).

Branding leadership for SME entrepreneurs requires strong understanding of key antecedents and consequence elements (Napoli *et al.*, 2005). Branding practice of SMEs is subjected to influences of certain elements namely entrepreneurs’ branding perspective (Bearden *et al.*, 2001), branding challenge (Ahmad *et al.*, 2012; Wong and Wong and Merrilees 2007; Keller, 2003) and entrepreneurs’ personality (Wei Ong Jeen and Hishamuddin Ismail, 2008; Krake, 2005; Gregory, 2004; Boyle, 2003; and Daft, 1996). These elements are also key antecedents to branding performance where branding practice acts as the mediating variable. Previous studies did not address this situation in a single holistic framework, hence indicating the gap addressed in current research. Threading from the discussion of literature, the research develops the conceptual framework as shown in Figure 1.

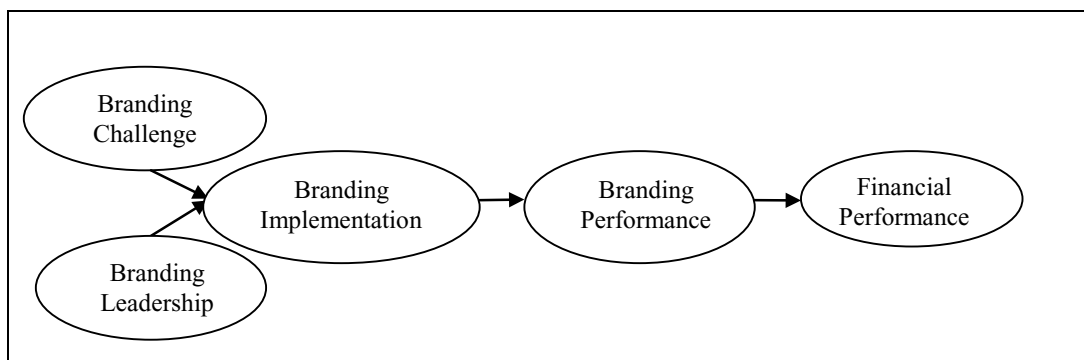


Fig.1. The proposed Branding Leadership Model (BLM)

The model synthesizes theories from previous research particularly from disciplines of marketing, branding, entrepreneurship and management to present a more holistic perspective of the issue. It reflects behavior theories that suggest individual personality, beliefs and circumstances determine behavior or practices. In particular, it is

an extension of resource-based theory (RBV) that relies on strategic resources of firms to gain competitive advantage resource (Wernerfelt, 1984; Barney, 1991). It also expands leaders' personality trait theory (Ahmad *et al.*, 2012) when anticipating particular entrepreneurial traits that influence business practice and accomplishments.

### 3. Research Methodology

700 questionnaires were distributed to potential respondents (entrepreneurs leading their SMEs) at Klang Valley area. 143 completed questionnaires were received, giving a response rate of 20.4 percent. Of that number, there were 25 which were not completed and thus rejected for this study. Altogether, the study managed to gather 118 completed questionnaires, appropriate for the hypothesis testing and within the number of targeted sampling of 100-150 respondents. The model assumptions on adequate sample size for this research were based on several experts' views in SEM analysis. Smith and Langfield Smith (2004) suggested a rule of thumb of 100 for a minimum sample and encouraged a sample of 200 to generate valid fit measures and avoid inaccurate inferences. Schreiber's *et al.* (2006) reviews on 16 educational articles applying SEM technique between 1994 and 2002 revealed that there are no exact rules on the number of participants but most research opted for a ratio of 10 participants per estimated variables. Hair *et al.* (2006) argued that previous guidelines of "maximize sample size" are no longer appropriate. Sample size should be based on a set of factors. For example, for structural model with five or fewer constructs and each with 3 or more observed variables and with high communalities of 0.6 or higher, the model can be estimated with a sample size of between 100 to 150 (Hair *et al.*, 2006). Considering that each construct has between three and four observed variables, it was estimated that a sample of around 100 would be sufficient to estimate the proposed model. However it has to follow a stricter rules for the good fit index whereby when the number of observe variables ( $m$ ) is more than 12 but less than 30, the comparative fit index (CFI) and Tucker Lewis index (TLI) shall be at 0.95 or better while Root Mean Square Error of Approximation (RMSEA) value at less than .08 (Hair *et al.*, 2006)

### 4. Findings

The theory involves two exogenous constructs and three endogenous constructs. The exogenous constructs are named as branding challenge and branding leadership and these constructs have no arrows pointing at them other than the two headed correlation arrows. The endogenous constructs are branding practice, branding performance and financial performance. The two head arrows show covariance between variables and only meant for the exogenous branding perspective, branding challenge and entrepreneur branding leadership constructs. Based on the Confirmatory factor analysis (CFA) resulting in measurement fit indices, the measurement model result for the BLM constructs are all within acceptable fit ranges. The CFI, the main incremental fit index for all constructs is very strong with most nearing 1 (0.97). In addition, the TLI indexes are all very close to 1 or considered within the 0.95 guideline. The RMSEA, an absolute index for the analysis meets the guidelines of below 0.08 level. These CFA fit indices suggest that all the measurement models of BLM constructs provide a reasonably good fit. The following Table 1 displays complete standardized loadings base on the overall measurement. It has been discussed earlier that the size of factor loadings determines construct validity with a rule of thumb that the standard loading estimates should be .5 or higher and ideally .7 or higher (Hair, *et. al.*, 2006). For the 18 indicators, loadings for 15 indicators are at or above 0.7, loadings for another 2 indicators are of 0.6. Only one loading falls below the 0.5 cutoff at 0.44. It is however retained at this point as it does not appear to significantly harm the model fit. All loadings are significantly different from zero at the 0.001 level (two tailed).

The next process is determining the structural fit of the BLM framework. The BLM structural model with completed standardized path estimates is shown in the following Figure 2. The process involved relationship testing in terms of the standardized coefficients, t-statistics and significant level (p-value) for the predictor to consequence relationships.

Table 1. Complete Standardized Factor Loadings of Indicators to Constructs

Indicators	Constructs	Estimate
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Indicators		Constructs	Estimate
prolific/savvy customers	<---	Branding Challenge	.90
cost cutting measures	<---	Branding Challenge	.58
lack of brand experts	<---	Branding Challenge	.44
need of achievements	<---	Branding Leadership	.74
pleasant	<---	Branding Leadership	.77
tolerance of ambiguity	<---	Branding Leadership	.75
agreeableness	<---	Branding Leadership	.74
innovative	<---	Branding Implementation	.82
positioning	<---	Branding Implementation	.82
pricing	<---	Branding Implementation	.73
policy	<---	Branding Implementation	.81
loyalty	<---	Branding Performance	.79
different	<---	Branding Performance	.84
competitive	<---	Branding Performance	.87
recommending	<---	Branding Performance	.83
salesgro	<---	Financial Performance	.90
pbtgro	<---	Financial Performance	.84
mktsgro	<---	Financial Performance	.64

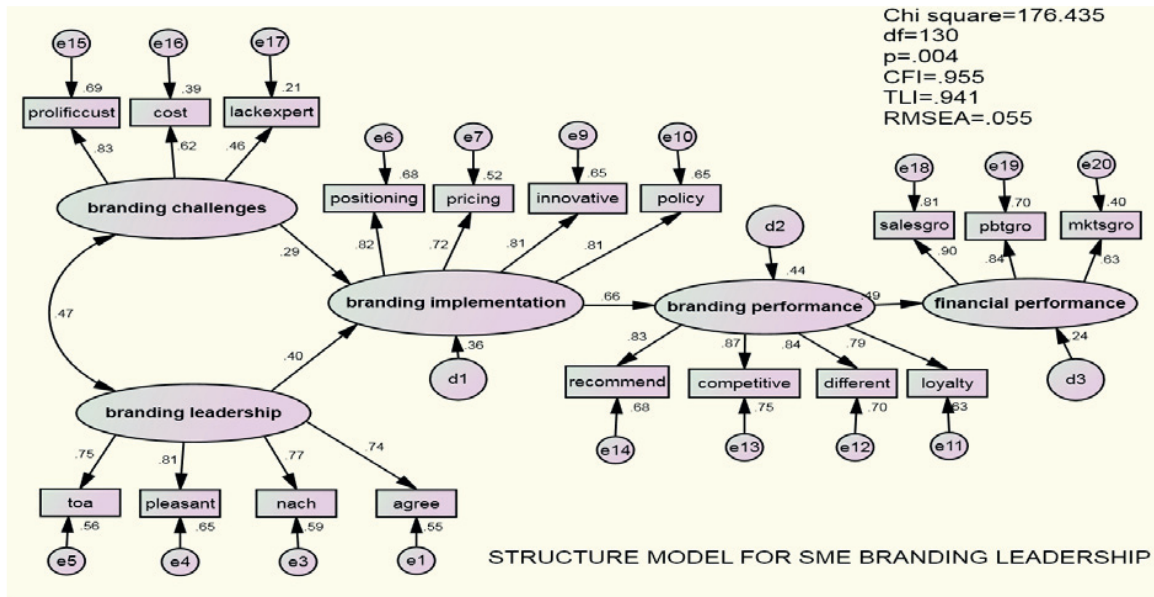


Fig. 2. The BLM for SMEs: Structural Model and Path Estimates

For the relationships of predictor to consequence of BLM framework, significant standardized coefficients from the good fit model suggest fail to reject situation for the model. The result also indicate the correlation between branding challenge and branding leadership (expected as both deals with perceptions) showing the relationship between variables but it is not the interest of the study as the focus is on the predictor (exogenous) to result (endogenous) variables. The data supported the theory that branding challenges of SME entrepreneurs and their branding leadership affected the branding implementation or practices of the entrepreneurs. Consequently, the branding implementation determined their business branding performance at a very highly significant. Branding performance also determined the business financial performance at a very highly significant level. Although the BLM model has shown its robustness to explain the branding and performance relationships, it is not necessarily the

most effective and far from the only model to explain SME branding. It should not also be taken as a proof to causal relationship as this would require more extensive workings. At this point, it is suffice to say that the existing BLM model fits the data. In another context, there is always room for improvement in the model.

## 5. Conclusion

The literature suggests theories that branding and leadership interfaces exist for competitive advantages and performance of SMEs. Drawing on literature from both of the branding, leadership and entrepreneurship disciplines, this research has integrated existing theories to develop BLM framework model and empirically tested the measurement and structural theory of the model. The quantitative findings indicated significant impact of various branding resources on SME branding management and performance. Overall, the BLM provides a concept for future critique and reformulation. The model or theory could be tested in different regions or countries to measure the SME dynamism in branding efforts and performance. The replication of the model in future study would certainly add to the validity and generalization of the model.

## Acknowledgements

The work was supported by the Ministry of Higher Education (MOHE) via Exploratory Research Grant Scheme of Universiti Teknologi Malaysia (UTM). Research name: Integrating Intercultural Competence for Superior Service Satisfaction: A Structural Equation Modeling in Dynamic Economy of Malaysia and Turkey, grant no. PY//2012/01358.

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