

**ANTECEDENTS AND OUTCOMES OF BRAND
MANAGEMENT IN SMALL AND MEDIUM
ENTERPRISES (SMEs) IN MALAYSIAN
CONTEXT**

IMELDA ALBERT GISIP

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**THIS IS SUBMITTED IN FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF
DOCTOR PHILOSOPHY**

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTING
UNIVERSITI MALAYSIA SABAH
2016**

DECLARATION

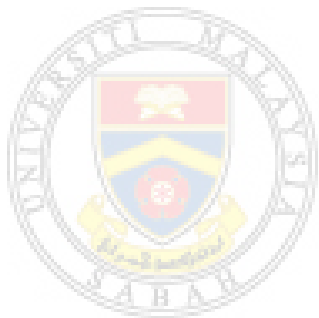
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CERTIFICATION

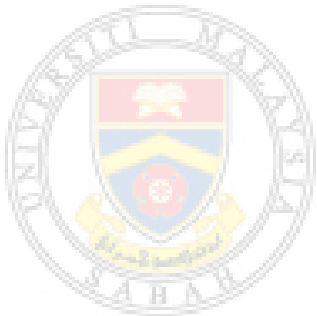
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TITLE : **ANTECEDENTS AND OUTCOMES OF BRAND
MANAGEMENT IN SMALL AND MEDIUM
ENTERPRISES (SMES) IN MALAYSIAN
CONTEXT**

DEGREE : **DOCTOR OF PHILOSOPHY
(MARKETING)**

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ACKNOWLEDGEMENTS

The successful completion of this thesis was made possible through the invaluable contribution of a number of people. A mere “thank you” is not enough to express my gratitude and it is my utmost pleasure to extend my greatest appreciation to all of them as I could never have made this journey towards the end alone.

First and foremost, to God Almighty, who has provided me with the grace, mercy and strength that I needed to complete this meaningful journey. Thank you, Lord, for all your blessings.

To my supervisor, Associate Professor Dr. Haji Amran bin Haji Harun, I express my heartfelt gratefulness for his endless motivation, advise, guidance and support from whom I believed I learned from the best. It is with deep gratitude that I acknowledge his patience and assistance in the completion of my thesis. It was a great honour and privilege to work and study under his guidance and supervision. I also wish to extend my special thanks to my co-supervisor Dr. Ramraini Ali Hassan and not forgetting Associate Professor Dr. Geoffrey Tanakinjal for their constructive inputs in many areas of my research and in pointing out to me the best contributions that I can make through this research. My special gratitude also goes to Dr. Jude Stephen Sondoh, for his tireless effort in guiding and assisting me in technical aspects of my research process. I also wish to express my immerse gratefulness to my good friend and dear colleague, Associate Professor Dr. Imbarine Bujang for his guidance, advise and endless support particularly in helping me to see “the light” at the beginning of my research. My sincere thanks and appreciation also goes to all the other lecturers and staffs of Centre of Postgraduate Studies, Universiti Malaysia Sabah (UMS) as well as Faculty of Business, Economics and Accounting, UMS for their selfless kindness, warmth, and assistance during my study in UMS.

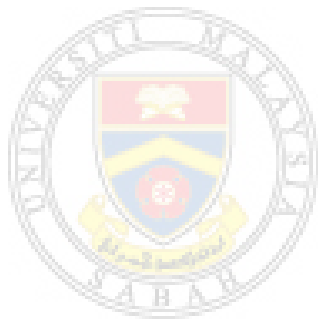
I would not have been able to embark on this journey if not for the financial assistance from Universiti Teknologi MARA and Ministry of Higher Education (MOHE); I am especially grateful to them for giving me this golden opportunity. To the respondents all over Malaysia, I am indeed indebted to them for their support in

the difficult task of data collection. Special thanks also to everyone who in one way or another has helped me in my data collection process.

Most importantly, I would like to acknowledge the people who mean the world to me; my husband and my children. To my ever supportive husband, Gilong Bukat, thank you for the undying love and support you have provided me and for believing in me that I can finish my thesis on time. You have been a valued companion throughout this journey, without your prayers, support, inspiration and motivation I would never have seen the end of this journey. I am just so grateful that I have you all this time. To my wonderful children, Glen Gilong, Gray Gilong and Gwen Gilong; thank you for bearing with me through all the challenges and for being my greatest supporters. Thank you also for your patience to remain at home even during school holidays because mummy is very busy with the completion of her thesis.

I would like to thank my family for all their love and encouragement. The completion of this thesis is especially dedicated to all of you, the rocks of my life. To my father, Gisip Gansing and mum, Madam Julia Mulina Kuyong, for being the best mother, for your prayers, supports and encouragements when I felt it was getting tougher than what I expected. To my parents in law, Mr. Bukat and Madam Julia, thank you for your support and prayers and also for taking care of my kids whenever I am away from home for conferences or workshops. It would not have been possible to complete this thesis without your great help. To my sisters, brother, sisters in laws and brothers in laws, thank you for the prayers and support. Especially to my beloved sisters, Magdalen Gisip, Celestina Gisip and Felicia Gisip, my brother, Clarence Gisip, my brother in law, Samson Lawrence and my beloved niece, Natasha Leslie Kawos, thank you so much for your endless encouragement, invaluable assistance and tremendous support throughout this journey. I am truly grateful and forever indebted to all of you for all your help and support to ease my burden where I need them the most. To my sister Dr. Judith Gisip, though you are not physically close to me throughout this journey, you have always been an inspiration for me and I thank you so much for your concern and endless words of encouragement.

Last but not least, to all my friends in UiTM Sabah, thank you for your understanding, endless support, continuous prayers, words of encouragement in my many, many moments of crisis and for the beautiful friendships; Cynthia Annamaria Robert Dawayan, Sharifah Nurafizah Syed Annuar, Agnes Paulus Jidwin, Franklin Hazley Lai and others whose names I unintentionally left out, you have always been there for me, supporting me endlessly and simply just being present in my life is such a blessing to me.



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ABSTRACT

ANTECEDENTS AND OUTCOMES OF BRAND MANAGEMENT IN SMALL AND MEDIUM ENTERPRISES (SMES) IN MALAYSIA

The focus of this study is to understand the antecedents and outcomes of brand management in the Malaysians' SME context from the view of Resource Based View (RBV) Theory and Knowledge Based View (KBV) Theory. Top management brand emphasis, corporate supportive resources and market orientation are identified as antecedents and critical for brand management success. Apart from that, this study reconceptualised the brand management concept which currently comprised of management related factors with the introduction of three marketing constructs namely marketing capabilities, innovation and brand orientation as new dimensions in brand management concept. This study is set as a cross sectional and quantitative study with sample size comprises 304 Malaysian SMEs from the food and beverage (F & B) manufacturing sector based on the list of Federation of Malaysian Manufacturers (FMM) directory 2012. Smart Partial Least Squared (PLS) version 2.0 software, a structural equation modelling technique was used to analyse data. Results of this study found that brand culture, marketing capabilities and innovation have a significant impact on brand performance in SMEs context. This means that in order to have an efficient brand management in place, firms should incorporate brand culture, marketing capabilities and innovation in their brand management activities. Apart from that, another important finding in this study is that market orientation will impact brand performance in Malaysia's SME context if it is mediated by brand culture and brand orientation. These findings strengthen the Resource Based View (RBV) Theory and Knowledge Based View (KBV) Theory which holds that resources, capabilities and knowledge are critical to achieve superior performance and in this case brand performance. Lastly, this study provides useful information for the related government agencies to further understand the brand management practices among Malaysian SMEs and to formulate government support programs towards strengthening the brand-related knowledge and skills among the SMEs.

ABSTRAK

Fokus kajian ini adalah untuk memahami latar belakang dan hasil pengurusan jenama dalam konteks Perusahaan Kecil dan Sederhana (PKS) di Malaysia berdasarkan Teori Berasaskan Sumber (RBV) dan Teori Berasaskan Pengetahuan (KBV). Penekanan pengurusan atasan terhadap jenama, sumber sokongan korporat dan orientasi pasaran dikenal pasti sebagai latar belakang yang kritikal bagi kejayaan pengurusan jenama. Selain daripada itu, kajian ini mengolah konsep pengurusan jenama lepas yang terdiri daripada faktor-faktor berkaitan pengurusan dengan pengenalan tiga konstruk pemasaran iaitu keupayaan pemasaran, inovasi dan orientasi jenama sebagai dimensi-dimensi baru dalam konsep pengurusan jenama. Kajian ini merupakan kajian keratan rentas dan kuantitatif dengan saiz sampel terdiri daripada 304 PKS Malaysia daripada sektor pembuatan makanan dan minuman (F & B) berdasarkan senarai Persekutuan Pekilang-Pekilang Malaysia (FMM) Direktori 2012. Smart Partial Least Squared, perisian versi 2.0, telah digunakan untuk menganalisis data. Hasil kajian ini mendapati bahawa budaya penjenamaan, keupayaan pemasaran dan inovasi mempunyai impak yang besar ke atas prestasi jenama dalam konteks PKS. Ini bermakna bahawa untuk mempunyai pengurusan jenama yang cekap, syarikat perlu menggabungkan budaya penjenamaan, keupayaan pemasaran dan inovasi dalam aktiviti pengurusan jenama mereka. Selain itu, satu lagi penemuan penting dalam kajian ini ialah orientasi pasaran akan memberi kesan positif kepada prestasi jenama dalam konteks PKS Malaysia jika budaya penjenamaan dan orientasi jenama menjadi pengantara. Penemuan ini mengukuhkan Teori Berasaskan Sumber (RBV) dan Teori Berasaskan Pengetahuan (KBV) yang menyatakan bahawa sumber, keupayaan dan pengetahuan adalah penting untuk meningkatkan prestasi sesuatu jenama. Akhir sekali, kajian ini memberikan maklumat yang berguna untuk agensi-agensi kerajaan yang berkaitan untuk terus memahami amalan pengurusan jenama di kalangan PKS Malaysia dan untuk merangka program sokongan kerajaan ke arah mengukuhkan pengetahuan yang berkaitan jenama dan kemahiran di kalangan PKS.

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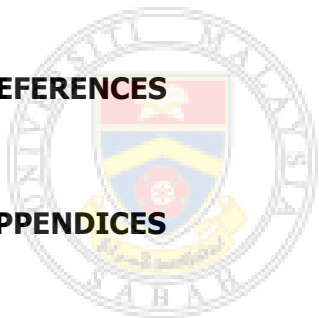
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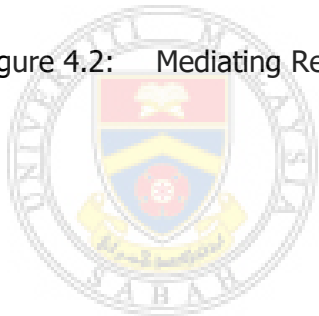
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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter presents the background of this study, problem statement, research objectives, research questions, definition of key terms, and significance of the study and organization of remaining chapters.

1.2 Background of Study

Malaysian economy is shifting from industrial based to a knowledge-based economy to achieve the vision 2020 and to become a developed economy (Ong, Jeen Wei, Ismail, Hishamuddin and Yeap, 2010). Malaysian Small Medium Enterprises (SMEs), particularly the manufacturing sectors, are playing a very important role in the development of economy.

According to SMIDEC, in 2012, 94 percent of companies in the manufacturing sector are SMEs contributing 32 percent to gross domestic products (GDP), employ 56 percent of the workforce (excluding the Government) and makes up nearly 20 percent of Malaysia's total export. Owing to the growing number of SMEs establishments, the economic recession, consumer's high demand, stiff competition and global challenges, Malaysian's SMEs have become more competitive than before.

SMEs can be considered as a back bone of national economy (Amini, 2004; Peters and Waterman, 1982; Radam, Abu, and Abdullah, 2008). More importantly, SMEs are playing significant contribution in the economic development, social uplifting and political stability of every country. SMEs are diverse in nature and can be established for any kind of business activities in urban or rural areas. As compared to large organizations, SMEs are reportedly tend to be more adaptive and flexible in the highly complex and uncertain environment due to the small size and less formality (Wyer, Smallbone and Johl, 2000).

According to Schaper and Volery (2004), these attributes allows small firms particularly SMEs to effectively increase their competitiveness in sensing economic upheavals, identifying business opportunities and discovering new business prospects and expanding risk undertakings (Dollinger, 2003). As such, most Malaysian SMEs survived the economic turmoil in 1997 and the excruciating experience gave a platform for improvement of the skills, integrating MNC-ties, equal distribution of national income and restructuring the economic system.

According to the recent survey by Economist Corporate Network Asia Business Outlook (2013), Malaysia is the fourth most popular investment destination for multinational corporations in Asia. These large organizations are well known to offer quality products, possess massive marketing budgets as well as sophisticated processes and systems and to rapidly build market share. Hence, in the face of this onslaught, Malaysian SMEs that remain using traditional sales, discounts, weak service, cheap products, poorly trained staff and mass communications will soon go out of business. Undeniably, the role of brand has become more important than ever and in order to compete with multinationals companies (MNC), it is vital for SMEs to be outstanding in the market by having a strong brand for easy differentiation. Realizing the importance of branding, all companies including SMEs need to strengthen their branding to better position themselves and actively distribute its products if a recognized brand is established (Zulkifli and Char, 2010).

The importance of building a strong brand as a primary goal of many organizations has been recognised in the marketing literature for quite some time (e.g. Hoeffler and Keller, 2002; Keller, 2001; Perrier, 1997). Past studies show that building a strong brand and enhancing brand performance is perceived as one of the most crucial factors in establishing core competence and long-term survival of a firm (Aaker, 1991; Drucker, 2002). In business to business (B2B) markets, brands functions exactly the same general purpose as they do in consumer markets by facilitating products, services and businesses identification as well as distinguishing them from the competition (Anderson and Narus, 2004). Morrison (2001) emphasizes brands are an effective and convincing resources to

communicate the value and benefits a product or service can offer. They reduce the risk and complexity involved in the buying decision and assurance of origin, quality and performance, thus increasing the perceived value to the customer (Blackett, 1998).

Evidence shows that high-performing firms practice brand management to a greater extent than low-performing firms (Chen, Lam, and Zou, 2011). Notably, brand-focused firms are able to achieve a distinct performance advantage over rivals by getting back to the basics of brand. Berthon, Ewing, and Napoli, (2008) realized the importance of brand for SMEs and suggested the potential for SMEs to optimize their performance by adapting the brand management activities of larger organizations to the SMEs particular requirements and conditions. Hence, Berthon et al., (2008) opine that the application of brand management in SMEs is a challenging task in which many issues need to be addressed.

The most urgent task for local SMEs is to reform local SMEs through the application of brand management that would lead to a strong and establish brand. This reformation is needed as one of the most disturbing outcomes from recent study by ACCCIM SMEs Survey (2012) when it was found that only less than 10 percent of the SMEs practice innovation in their product design, packaging and branding. This suggests SMEs lacks attention to marketing and branding. SMEs are well known for neglecting marketing and branding in favour of other more "significant" business matters. However, with increasing competition, it is vital for SMEs to learn to adapt and adopt new business strategies suitable for their markets as it may be one of the main factors that can impact SME's profitability (SME Magazine, 2012).

Realizing the significant contribution of SMEs to the economic development, the government has reserved financial assistance stated in Budget 2012 to help boost the progression of SMEs activities (Mi and Baharun, 2013). Specifically, in the budget of 2013 tabled in September 28th 2012, the Malaysian government had allocated a total of RM30 million for 32 initiatives and six high-impact programmes for SMEs in line with the SME Masterplan 2012-2020 to ensure SMEs are well

equipped with the necessary skills and knowledge including branding and marketing.

Malaysian SMEs and Brand Management

A new definition for SMEs for Malaysia effective January 1st, 2014 was announced by Prime Minister, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak on July 11th 2013 in Putrajaya. The new definition, shown in Table 1.1 is expected to result in more firms being classified as SMEs, particularly from the services sector. This will facilitate the country's transformation to a high income nation through the initiatives under the SME Masterplan. As a result of the change in definition, the share of SMEs to total establishments is expected to increase from 97.3 percent currently, to 98.5 percent.

Table 1.1 Categorization of Malaysian SMEs

CATEGORY	MICRO	SMALL	MEDIUM
Manufacturing	Sales turnover of less than RM300,000 <u>OR</u> employees of less than 5	Sales turnover from RM300,000 to less than RM15 mil <u>OR</u> employees from 5 to less than 75	Sales turnover from RM15 mil to not exceeding RM50 mil <u>OR</u> employees from 75 to not exceeding 200
Services and Other Sectors	Sales turnover of less than RM300,000 <u>OR</u> employees of less than 5	Sales turnover from RM300,000 to less than RM3 mil <u>OR</u> employees from 5 to less than 30	Sales turnover from RM3 mil to not exceeding RM20 mil <u>OR</u> employees from 30 to not exceeding 75

Source: <http://www.SMEcorp.gov.my>