

Branding Strategy Development Through Knowledge Creation: A Structured Abstract

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Introduction

Competitive environment in the business is becoming harsher (Schuiling and Moss 2004), particularly in various industries. Branding development could represent a new competitive advantage in facing tougher competition. The creation of brands would enable firms to differentiate themselves in the market through branding strategy development that could improve global competitiveness of the firms (Ille and Chailan 2011). The creation process of developing favorable brand as perceived by firms target market is part of knowledge creation. Creating favorable brand is also part of branding strategy development. Branding strategy is constructed using new knowledge that generates knowledge creation. Branding strategy can also be developed through interaction among individuals and groups as part of dissemination process in creating expected distinct brand image. If the firms could ensemble branding strategy development and knowledge creation, then creating expected favorable brand image could become the key to success in building global branding.

Many studies refer to knowledge creation in organizations using seminal works of, i.e., Nonaka and Takeuchi (1995), Nonaka and Konno (1998), and Wong (2000), who suggested the stages of knowledge creation in organization. Knowledge such as branding strategy is the most important asset for any firms that compete in the market (Tahir et al. 2013, p. 148). In the present economic context, knowledge has become the most important source of building competitive advantage (Corno et al. 1999, p. 379). Over the past few years, knowledge creation has become one of the most important issues in business. With respect to knowledge creation performance, whether or not a goal is defined may have a substantial impact not only on the final

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achievements but also on the process development, i.e., branding strategy development (Kao et al. 2011, p. 1037). Knowledge creation is an important issue in a knowledge society (Chen 2007, p. 287). Knowledge has become to be considered as valuable strategic assets that can provide distinct strategic strength as part of the proprietary competitive advantages (Choi and Lee 2002, p. 173).

This paper aims to shed light on the branding strategy development through knowledge creation by integrating Nonaka and Takeuchi's 1995 model. Branding strategy development is a process of creating knowledge about firms strategic positioning in the market and executing firms distinctive characteristic that can stand up from the crowd. Knowledge creation in strategy-making is raised by Salmador and Bueno (2007), where their research focuses on the knowledge flows and interactions that take place in strategy-making. They also discuss the main implications for strategic knowledge management of uncovering the different knowledge flows and interactions in the strategy formation process in emerging and high-velocity environments. Their research has highlighted the relevance of understanding and considering the different dimensions of knowledge involved in such a process in order to promote its emergence and interaction in the organization and trigger the creation process. Up until now, however, no independent research has been conducted to validate concepts associated with the branding strategy development through knowledge creation. This study raised important questions, how branding strategy development through knowledge creation is measured as a proposed measurement approach and, then, what dimension measures branding strategy development through knowledge creation.

The subsequent sections of this paper explain the theoretical background of the study, which describes the test of the conceptual model and discusses the theoretical as well as managerial implications of the results. The novelty or author's contribution from this study is that this research is one of the first to investigate simultaneously the measurement of branding strategy development through knowledge creation. The primary contribution of this study is the integration of the theories of branding strategy development and knowledge creation into a coherent and parsimonious model that jointly predicts the branding strategy development through knowledge creation of the SME's entrepreneurs.

The idea of creating professional knowledge was first introduced in *The Knowledge Creating Company* written by two Japanese management scholars named Nonaka and Takuechi. Nonaka and Takuehi explored novelty ideas on how companies created their valuable knowledge. They also believed that knowledge creation could enhance creativity, innovation, and learning within the organization (Tahir et al. 2013, p. 149). In recent years, knowledge creation is positioned as something that is needed not only for today but also for tomorrow's development (Tian et al. 2009, p. 80).

Knowledge creation has been positioned within the area of organizational knowledge (Richter and Ahlstrom 2010, p. 1009). Similar to branding strategy that is created by individuals and crystallizing and connecting it to firms' strategy, organizational knowledge creation is the process of making available and amplifying knowledge created by individuals as well as crystallizing and connecting it to an organization's knowledge system (Nonaka and von Krogh 2009, p. 635).

Knowledge creation is defined as a continuous process (such as the process in enhancing brand identity of the firm through a series of visual and nonvisual attributes) in which the knowledge created by individuals becomes available (such as final design of the corporate logo of the firm) and amplified within the organization's knowledge system (Krogh et al. 2012 in Nejatian et al. 2013, p. 106). Based on the aforementioned literature, Nonaka and his colleagues popularized the socialization, externalization, combination, and internalization (SECI) concepts as essential components and phases of organizational knowledge creation and conversion (Song et al. 2012, p. 617). SECI model is widely accepted in the knowledge management field. Thus, this model also can be ensembled as part of branding strategy development through knowledge creation. Based on the abovementioned literature, until now, no study has measured branding strategy development through knowledge creation's spiraling process of SECI. So, in this study, the construct of the branding strategy development through knowledge creation is defined as the reflection of the branding strategy development activities through the process of brand socialization, brand externalization, brand combination, and brand internationalization.

Methodology

As this study aims to propose a measurement approach of branding strategy development through knowledge creation (BSD-TKC), so the study intends to develop a scale that is useful for both entrepreneurs and academics. Review of the literature in the field of marketing shows that most study referred to Churchill's seminal work (1979) for scale development. So, this study adopted Churchill's concept for scale development as it has been adopted by many scholars in marketing as one of the most comprehensive steps (Rufaidah 2006, 2012, 2014, 2015).

This study presents a validated multi-item scale based on the underlying construct of branding strategy development through knowledge creation. In order to validate empirically the scale of branding strategy development through knowledge creation, this study combined the first seven steps proposed by Churchill to develop the required scales. These steps are as follows: specify domain of construct, generate a sample of items, scale and develop questionnaire, collect data, assess the reliability, and assess validity. To direct the research, the following hypotheses were tested: H_0 : $\Gamma = 0$ loading factor (validity coefficient) is equal to zero and H_1 : $\Gamma \neq 0$ loading factor (validity coefficient) is different from zero.

Results and Discussion

Data was collected from small-medium scale business owners in Indonesia, particularly in the province of West Java consisting of 26 cities and regencies. The sampling procedure used for the study was convenience sampling. The total of 245 business owners of SMEs had been randomly selected, almost 245 samples were valid for

data analysis, representing a response rate of 100%. Questionnaires were distributed to the respondents and they were asked to give their answers on a five-point Likert scale (1 indicating never, 2 indicating ever occasionally (once or twice), 3 indicating had several times (more than two times), 4 indicating often, 5 indicating very often). The high response rate was due to the personal-contact approach used during the survey, and after completing the surveys, the respondents were given the opportunity to discuss the results of the study.

The background information of the surveyed respondents are explained as follows: the male respondents outnumbered the female respondents (52.24 and 47.76%). More than 33% of them aged above 36–45 years old. More than 49.8% of the respondents graduated from high schools and 41.2% of them graduated from college. The data also shows that nearly 52.2% of the respondents had been living in the current location of their business. The study identified that the respondents were from 21 cities in West Java region (84.5%) and the rest were from cities outside West Java region. More than 59.2% of the respondents have been operating in the current business for more than 1 year.

For the exploratory factor analysis (EFA), the principal component analysis was used as the extraction method, and the factors were rotated using the Varimax rotation method with Kaiser normalization. Prior to that, reliability test was performed and only items with an index greater than 0.4 were considered for factor analysis. The EFA provided a factor solution with the scores of the variance explained for all factors. The score of communalities was above 0.568. The Bartlett test of sphericity showed a very small p -value (0.000), indicating that there was a statistical probability that the correlation matrix had a significant correlation among at least some of the variable (Hair et al. 1998 in Klaus and Maklan 2012). Furthermore the Kaiser–Meyer–Olkin measure of sampling adequacy was also very high, 0.906, indicating that the latent constructs could predict the variability in the responses on the observed variables.

The internal consistency was used to evaluate the consistency of the responses for each item within the instrument. A Cronbach alpha factor of 0.745 and the fact that each of the items of the scale displayed an item-total correlation of at least 0.748 supported the validity and reliability of the scale. Nunnally and Bernstein (1994 in Klaus and Maklan 2012) mentioned that the Cronbach alpha values for the factors were satisfactory at more than the required level of 0.7. The study used the CR (construct reliability) to get the result of reliability of each item that was used in this research. Said et al. (2011, p. 1099) stated that construct reliability (CR) was intended to determine the consistency of construct validity indicator. The results indicated high levels of construct reliability for all latent variables. All t -values were significant; thus convergent validity was established.

The EFA has some major limitations such as the items are loaded on more than one factor, and they are statistically correlated with one another but cannot be explained theoretically (Ahire et al. 1996 in Voon and Lee 2009). To overcome the inherent limitations of the EFA, the CFA is recommended. In this study, the CFA was performed by carrying out path analysis using a structural equation modeling. A measurement model was specified, and the model's overall fit was assessed to

determine the degree to which the model was consistent with the empirical data. A wide range of goodness-of-fit indices was used to assess the model from three perspectives, namely, overall fit (absolute fit), comparative fit to a base model (incremental fit), and model parsimony.

The study considered measurement model fit that was commonly performed using goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), root mean square of approximation (RMSEA), normed fit index (NFI), comparative fit index (CFI), parsimony normed fit index (PNFI), and parsimony goodness-of-fit index (PGFI). In conclusion, all the fit indices indicated that the branding strategy development through knowledge creation scale was a four-factor construct, and the evidence indicated that the full model of branding strategy development through knowledge creation was valid.

The convergent validity of the instrument can be determined using Bentler–Bonnett coefficient (Voon and Lee 2002 in Voon and Lee 2009). The results of the Bentler–Bonnett coefficient for the four dimensions of branding strategy development through knowledge creation demonstrated good convergent validity. The discriminant validity of a measure is the degree to which the measure is diverged from the measures that are theoretically not similar (Sureshchandar et al. 2001 in Voon and Lee 2009). The test concluded that the branding strategy development through knowledge creation comprised of the four distinct dimensions, namely, branding strategy development through socialization (SOS), externalization (EXT), combination (COMB), and internalization (INT).

From the results, it is evident that the respective items indeed belong to the latent constructs as hypothesized. $H_0 : \Gamma = 0$ Loading factor (validity coefficient) is equal to zero and $H_1 : \Gamma \neq 0$ Loading factor (validity coefficient) is different from zero. Therefore it can be concluded that the branding strategy development through knowledge creation comprises of the four dimensions, and the items representing each construct have a strong convergent validity.

Finally, the results of the measurement model testing concluded that the measurement of branding strategy development through knowledge creation had been reliable by using the four dimensions.

Conclusions

The novelty or author's contribution from this study is that this research is one of the first to investigate simultaneously the measurement of branding strategy development through knowledge creation. This study explored branding strategy development through knowledge creation among SMEs. It aimed at testing an empirical model of branding strategy development through knowledge creation that could form the basis for a better understanding of the determinants of the construct. The scale developed in this study can be used to investigate the activities of the business owners of the SMEs in developing their branding strategy through spiraling process of socialization, externalization, combination, and internalization.

Although developed in the context of entrepreneurs of the SMEs, this instrument may be of interest to other larger firms. The findings suggested that entrepreneurs in the SME's scale based their perceptions on the branding strategy development through knowledge creation. The findings provided us with understanding of how products offered will be consumed. Branding strategy development through knowledge creation and its empirically derived construct offered the initial foundation to advance study on branding strategy development through knowledge creation by presenting a measure capable of capturing all facets of the construct on branding strategy development through knowledge creation.

Implications for Theory and Practice

Professionals and business owners should consider branding strategy development through knowledge creation as an important strategic objective. Based on the dimension of branding strategy development through knowledge creation, it was confirmed that the components of branding strategy development through knowledge creation could be controlled by business owners, i.e., socialization on branding strategy development, externalization on branding strategy development, combination on branding strategy development, and internalization on branding strategy development. Managing branding strategy development through knowledge creation is, therefore, different from managing product branding or corporate branding. Moreover, branding strategy development through knowledge creation would enhance the development of branding itself. This study focused upon particular regional setting in one country where this setting would become the limitation of the study. Other researchers may examine more comprehensive respondents from various provincial areas as well as country areas. This study recommends that future studies validate the scales on larger samples.

References Available Upon Request



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