

Brand orientation, brand-building behavior and brand identity in SMEs: an empirical evaluation

Evaluation of
brand building
of SMEs

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Received 23 April 2019
Revised 25 November 2019
30 January 2020
Accepted 1 February 2020

Abstract

Purpose – This study aims to facilitate the understanding of brand building among owners/managers of SMEs by highlighting the relationships among the multidimensionality of brand orientation, brand-building behavior and brand identity.

Design/methodology/approach – In addressing the research issue, the study uses responses from 158 domesticated SMEs in North Macedonia, afterwards relying on structural equation modeling to test the research propositions.

Findings – This study validates brand orientation as a multidimensional term that is underlined by brand artefacts, norms and values. This study also validates the assumptions that brand orientation, brand-building behavior and brand identity are significantly related.

Research limitations/implications – While it is possible that our evidence base is limited to the context studied, the research findings nevertheless contribute primarily to the emergent scholarship on SMEs' brand building.

Practical implications – This study has practical consequences for SMEs' brand building. More specifically, it enriches the understanding of the interrelationships between brand orientation, brand-building behavior and brand identity.

Originality/value – This study provides an advanced perspective of brand orientation as a complex phenomenon and further provides understanding of its relations to brand-building behavior and brand identity of the domesticated SMEs.

Keywords Brand orientation, Brand-building behavior, Brand identity, SMEs

Paper type Research paper

1. Introduction

A firm's internal resources are among the most important inputs in the brand-building process and consequently in delivering superior competitive advantage. In this context, brand orientation, similar to market orientation, is an important strategic resource for firms

This study is based on data collected from a larger survey of firms in North Macedonia, which also partially contributed to the first author's doctoral thesis dataset/work. At the same time, the authors are deeply grateful to a consulting company in North Macedonia, which helped with the data collection.



that want to acquire superior competitive advantage through a deliberate differentiation strategy (Gromark and Melin, 2011; Hirvonen and Laukkanen, 2014; Osakwe, 2016; Urde *et al.*, 2013; Wong and Merrilees, 2008). Moreover, from an identity-driven perspective, brand orientation focuses on the internal strategic processes and internal anchorage of a company's brand identity (Urde *et al.*, 2013).

Prior investigations on brand orientation have mostly focused on understanding the economic implications of brand orientation to the firm and with most, establishing a positive relationship between brand orientation and financial performance (Ciunova-Shuleska *et al.*, 2017; Laukkanen *et al.*, 2016; Wong and Merrilees, 2008). Yet an important case for this analysis is that we currently possess limited empirical knowledge about the makeup of brand orientation, particularly regarding its operationalization (few exceptions include Bridson and Evans, 2004; Gromark and Melin, 2011; Piha and Avlonitis, 2018). Academic discourse on brand orientation operationalization is, therefore, both necessary and timely, which is strengthened by recent requests (e.g. Laukkanen *et al.*, 2016) for scholars to explore the complex phenomenon of brand orientation by identifying its underlying dimensions.

Furthermore, following numerous calls to extend our understanding about the consequences of brand orientation in the SMEs' context (Hirvonen and Laukkanen, 2014; Osakwe *et al.*, 2015; Wong and Merrilees, 2005; Wong and Merrilees, 2008), this study investigates the contribution of brand orientation to brand-building behavior and then to brand identity, with the goal of providing evidence on the relationships in the context of SMEs in North Macedonia. In short, we believe that analyzing the phenomenon of brand orientation and its consequences, especially in the context of a less developed market economy, is both a necessary and useful research endeavor (Chovancová *et al.*, 2015), further allowing us to extend the generalizability of this concept and its role beyond previous undertaking in mature markets such as Australia (Hodge *et al.*, 2018), Finland (Hirvonen and Laukkanen, 2014; Laukkanen *et al.*, 2016) and New Zealand (Renton *et al.*, 2016).

Altogether, this paper complements and contributes to existing research in several ways. First, this study heeds the call of Laukkanen *et al.* (2016) by drawing upon previous research and most notably Baumgarth (2010) identifies and operationalizes the makeup of brand orientation. A key distinction between our research and that of Baumgarth comes from modeling brand orientation as a higher-order reflective construct consisting mainly of brand artefacts, norms and values. Our opinion is that this provides a midrange theorization of the phenomenon of brand orientation and consequently an enrichment to prior literature (notably Baumgarth, 2010; Urde, 1999). This entails that an understanding of the complex character of brand orientation is key if we are to develop a (more) meaningful understanding of the concept, thus benefiting for firms, particularly SMEs, which have been long reported to lack a general understanding of brand building (Berthon *et al.*, 2008; Krake, 2005; Osakwe, 2016).

Second, this paper aims to provide empirical evidence on the relationship between brand orientation and both brand-building behavior and brand identity of SMEs, as well as on the relationship between brand-building behavior and brand identity. The topic of investigation of this paper is particularly relevant for many SMEs today, which have limited know-how about brand building and regarding understanding why certain SMEs in a certain context have a stronger brand identity than others.

Finally, having in mind that SMEs are overlooked in brand literature although they comprise the majority of companies in an economy (Berthon *et al.*, 2008), the present study contributes to shrinking this literature gap. This paper supports the notion "that even with constrained budgets, SME marketers can creatively manage and leverage the full potential of their brands" (Berthon *et al.*, 2008, p. 28). In fact, in small firms, often personal entrepreneurs' orientations and views are transmitted in marketing and management activities (Laukkanen *et al.*, 2016) and thus in brand-building behavior and in creating the brand identity of SMEs.

In the end, the following three specific objectives guide the current investigation: (1) to deepen the understanding of brand orientation as a multidimensional concept by modeling it as a higher-order reflective construct, consisting mainly of brand artefacts, norms and values, (2) to analyze the relationship between brand orientation and brand-building behavior and (3) to analyze the relationship between brand-building behavior and brand identity in the context of SMEs in North Macedonia.

The article is organized as follows: first, the conceptual foundation of the work and derivation of study hypotheses are given; second, the research design and methodology for empirical testing of the model are discussed; third, the results of our analyses are presented; fourth, conclusions and implications are discussed and finally, study limitations are identified and suggestions for further research are presented.

2. Conceptual background and hypotheses development

2.1 Brand orientation, brand-building behavior and brand identity

The internal perspective (from the inside out) of the brand, which [Urde et al. \(2013\)](#) have pointed as the most important, is used as a starting point in analyzing brand building in this paper. This approach is based on the notion that brands are “the hub around which the organization’s processes revolve” ([Gromark and Melin, 2011](#), p. 395) and that the quality of brand-building process is derived from the organization’s mission and vision ([Urde, 2003](#)). Brand orientation is therefore viewed as “a deliberate approach to brand building where brand equity is created through interaction between internal and external stakeholders” ([Gromark and Melin, 2011](#), p. 395). At the same time, brand orientation has been referred to as an organizational mindset toward the brand-building process and can also be interpreted as a certain form of corporate culture ([Urde et al., 2013](#)). Corporate culture itself reflects the following: (1) the values that lie beneath what the organization rewards, supports and expects; (2) the norms that surround and/or underpin the policies, practices and procedures of organizations and (3) the meaning incumbents share regarding the norms and values of the organization ([Schneider, 1988](#), p. 353). Although previous research conceptualized that values, norms and artefacts are related to a company’s brand orientation ([Baumgarth, 2010](#); [Schmidt et al., 2017](#)), to our knowledge it is yet to be empirically tested and so stymies our understanding of the makeup of brand orientation. In short, it is suggested that brand orientation is a higher-order i.e. multidimensional construct consisting of brand norms, values and artefacts. In fact, building upon [Schein’s study \(1992\)](#), [Baumgarth \(2010\)](#) noted that brand orientation involves the dimensions of brand values, brand norms and artefacts and by extension, brand-building behaviors (see also [Schmidt et al., 2017](#)).

[Baumgarth \(2010, p. 657\)](#) noted that brand-building behavior is “supported by the belief in the brand as an important factor in corporate success and an understanding of the basic principles of brand management, at the top management level.” For context, given that SMEs are usually managed by their owners, it means that it is the resource commitments of the owner toward brand building that will determine the extent to which the firm succeeds in building a strong brand name in its marketplace.

Brand identity has been long recognized as a strategic resource that firms can use to shift customers’ attitudes toward the firm and so remains an issue of significant interest to scholars ([Balmer, 2013](#); [Ghodeswar, 2008](#); [Harris and de Chernatony, 2001](#); [Hirvonen and Laukkanen, 2014](#); [Kapferer, 2008](#)). According to previous research, brand identity refers to the “strategist’s vision of how a [company’s] brand should be perceived by its stakeholders” ([Coleman et al., 2011](#), p. 1064). Similarly, brand identity has been defined as “the sum of all the ways a company chooses to identify itself to all its publics” ([Margulies, 1977](#), p. 66). For SMEs particularly, it means that building a recognizable identity in the marketplace will first require significant understanding about the role of brand building and about how the firm

can subsequently deploy resources in building a brand that can set itself apart from competing brands/organizations. That said, it is worrying that despite the potential benefits of brand identity to the SME (only few empirical research exists in the marketing literature (Hirvonen and Laukkanen, 2014)), there is limited empirical guidance about the factors that might contribute significantly to brand identity of the firm. This study shrinks this gap in our empirical understanding through the argument that a higher-order brand orientation construct and brand-building behavior are critical to the building of a strong brand identity.

2.2 Hypotheses development

2.2.1 Brand values. It is known that “brand values and company values are two sides of the same coin. . . the strongest external brands are always those with the strongest internal cultures” (Barrett, 2010, p. 5). In other words, brand values are reflective of what the organization behind the brand consistently believes in and stands for. Allied to this is the suggestion that brand values are the “rules of life” governing the corporate entity (Urde, 2009). At the same time, brand values reflect “the role of the brand in strategy development and in the understanding of basic brand concepts” (Baumgarth, 2010, p. 657). It then suggests that brand values represent a critical building block in the formulation of an organization-wide brand mindset i.e. brand orientation. Furthermore, within the context of SMEs’ brand building, it has been implied that brand values, including maintenance of high ethical standards, authenticity, resourcefulness and creativity, are essentially a reflection of the owners/managers’ value system and by implication their personal conviction toward brand-building (Baumgarth, 2010; Krake, 2005; Renton *et al.*, 2016). All of the above points suggest that the notion of brand values is a significant resource in the cultivation of a company’s brand orientation (Baumgarth, 2010; Schmidt *et al.*, 2017; Urde, 1999). Accordingly, this study proposes the following:

H1a. Brand values positively associate with a higher-order brand orientation construct.

2.2.2 Brand norms. In general, norms reflect the “expectations about behavior or its results that are at least partially shared by a social group” (Homburg and Pflesser, 2000, p. 450). According to Katz and Kahn (1978), behaviors are driven by “. . . the norms prescribing and sanctioning these behaviors and the values in which the norms are embedded” (p. 43). The distinction between values and norms is that norms guide behaviors whereas values represent general guidelines (O’Reilly, 1989). According to O’Reilly (1989), the formation of norms within an organization is easier if they are in line with the fundamental values. More specifically, Baumgarth (2010, p. 657), when discussing brand norms, suggested that it is “the extent to which explicit or implicit regulations and institutions influence or determine the basic operations of brand management, such as formal integration of brand communications”. An earlier brand orientation research even noted that brand norms “converge to give a corporate culture its character” (Urde, 2009, p. 620). All these suggests that the notion of brand norms is one of the underlying dimensions of brand orientation because it regulates the processes guiding how the company orients itself toward brand building. In other words, brand norms act as the guiding book of the organization, particularly when making decisions involving the brand-building process. Accordingly, the study proposes the following:

H1b. Brand norms positively associate with a higher-order brand orientation construct.

2.2.3 Brand artefacts. According to corporate culture theorists, artefacts are known to be highly visible, easy to observe but difficult to interpret (Schein, 1992) and thus are an important brand orientation tool for communicating and/or reinforcing firms’ messages to their clients and other key stakeholders in markets they serve (Baumgarth, 2010; Schmidt

et al., 2017). In particular, Baumgarth (2010, p. 666) noted that “[brand] artefacts are concerned with symbolic communication.” In short, brand artefacts comprise visual and verbal corporate cues including, among other things, brand name, logo, stories, corporate dress code and language etiquette (Baumgarth, 2010; Buil *et al.*, 2016). Brand artefacts are salient in the branding process because they, along with brand norms and values, are foundational for distinguishing one corporate/product brand from another. Moreover, it has been noted that brand artefacts, viewed as an important resource in the creation of brand orientation, symbolize what the company, in this case the SME, embodies (Schmidt *et al.*, 2017). Similarly, an earlier brand study in the context of retail firms identified brand artefacts, which the study partially refers to as brand symbolism, as a critical aspect of brand orientation that will enable the firm to establish reasonable brand recognition in the marketplace (Bridson and Evans, 2004). In conclusion, it is proposed the following:

H1c. Brand artefacts positively associate with a higher-order brand orientation construct.

2.2.4 Brand orientation and brand-building behavior

By brand-building behavior, this paper means the concrete steps and/or actions taken by the SME, in this case toward brand building (Baumgarth, 2010) or what other studies, including those of Agostini *et al.* (2015), refer to as brand-building efforts of the SME. Essentially, this suggests that the firm is deliberate and committed about using the corporate brand as a market-based asset (Srivastava *et al.*, 1998). Along this line, scholars such as Baumgarth (2010) noted that critical aspects of brand orientation including brand norms and values serve as an important antecedent to a concrete firm’s behavior, especially when it comes to dedicating time and resources to corporate brand practices. Based on the behavioral perspective of Urde (1994) regarding brand orientation, Bridson and Evans (2004) suggested that the level of organization’s focus on brand and its practices determines the level of building brand capabilities. There is also initial confirmation in the literature that higher levels of brand orientation translate to stronger brand-building behavior (Schmidt *et al.*, 2017). Despite the relevance of the research by Schmidt *et al.* (2017), it focuses only on testing the individual aspects of brand orientation in relation to a firm’s brand-building behavior. This study, however, argues that the relationship between brand-building behavior and brand orientation will be better understood by operationalizing the latter as a higher-order construct. To sum up, the study proposes the following:

H2. The brand orientation construct made up of brand norms, values and artefacts positively relates to the brand-building behavior of SMEs.

2.2.5 Brand orientation and brand identity

Because the literature recognizes that brand orientation is an “approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an ongoing interaction with target customers, with the aim of achieving lasting competitive advantages in the form of brands” (Urde, 1999, p. 117), it is relevant therefore to analyze the contributions of the complex character of brand orientation on brand identity. Meanwhile, it is known that a firm’s brand identity emerges when the firm has sufficient understanding about the role of the brand as a strategic resource and ultimately a key market differentiator (Urde, 1999). In that context, it can be suggested that a strong brand identity is, in part, dependent upon essential brand elements, namely brand values, norms and artefacts, which are critical aspects of brand orientation. In other words, this paper states that one of the cores of brand orientation is to establish a strong brand identity that will appeal to key stakeholders, particularly the firm’s customer group and consequently create

artificial barriers for the competition. In that direction, [M'zungu et al. \(2017\)](#) suggested that brand orientation manifested as an internal strategic focus is a basis for building strong corporate brand identity. Aside from the theoretical suggestions in the literature (see [Urde et al., 2013](#)) that brand orientation is intrinsically linked to the formation of a strong brand identity (also see [Balmer, 2013](#)), this issue in empirical research, particularly as it concerns SMEs, has been barely investigated. The only work to date that has addressed this issue in the literature supported the assumption that brand orientation has a positive influence on brand identity ([Hirvonen and Laukkanen, 2014](#)). Yet, the study did not take into consideration that brand orientation is a complex construct and thus not a unidimensional construct. This research initiative therefore complements prior theoretical suggestions (e.g. [Urde, 1999](#)) by providing new empirical revelations on the relationship between the higher-order construct of brand orientation and brand identity. As it has been theorized that brand orientation is an “inside-out, identity-driven approach that sees brands as a hub for an organization and its strategy” ([Urde et al., 2013](#), p. 13), it therefore signifies the following:

H3. The brand orientation construct made up of brand norms, values and artefacts positively relates to the brand identity of SMEs.

2.2.6 Brand-building behavior and brand identity

It has been noted that brand identity is important for translating managerial attitudes toward brand building to more concreteness ([Hirvonen and Laukkanen, 2014](#)), implying that strong brand identity not only hinges on brand orientation, as previously discussed, but also on the brand-building behavior of the firm. Moreover, it is suggested that entrepreneurial efforts geared toward brand building, which would include resource commitment and the passion of the entrepreneur, would translate into greater brand recognition and indeed into brand identity enabling ([Agostini et al., 2015](#); [Centeno et al., 2013](#)). It stands to reason therefore that the brand-building behavior of the SME is important for creating a long-lasting brand identity that will resonate with the firm's target customers and employees, who are expected to support the brand essence. Put differently, for a brand identity to resonate well with customers and employees and even would-be investors, the firm must actively commit to brand building, which would include the investment of appropriate resources into brand development and marketing communications ([Buil et al., 2016](#); [Kapferer, 2008](#)). [Ghodeswar \(2008\)](#) suggested that efforts in building brand identity should be sequentially done and aligned with the organizational processes of delivering the promises to customers. At the same time, previous discussion suggested that corporate behavior is interlinked with (corporate) brand identity ([Brexendorf and Kemstock, 2007](#)). Put in context, it means that the efforts poured into the brand building of the SME are highly likely to manifest themselves in the form of strong brand identity. Thus, it is hypothesized the following:

H4. Brand-building behavior positively relates to the brand identity of SMEs.

The conceptual model guiding this work is shown in [Figure 1](#).

3. Methodology

3.1 Study context

SMEs play a fundamental role in the North Macedonian economy both in terms of employment (77 percent of the total number of employed persons are employed in these enterprises) and total value added (around 66 percent) ([Agency for Promotion of Entrepreneurship in North Macedonia, 2016](#)). The little research that has been undertaken in this context suggests that SMEs in this country should be focused on developing better understanding about the capability of brand building, along with other important business

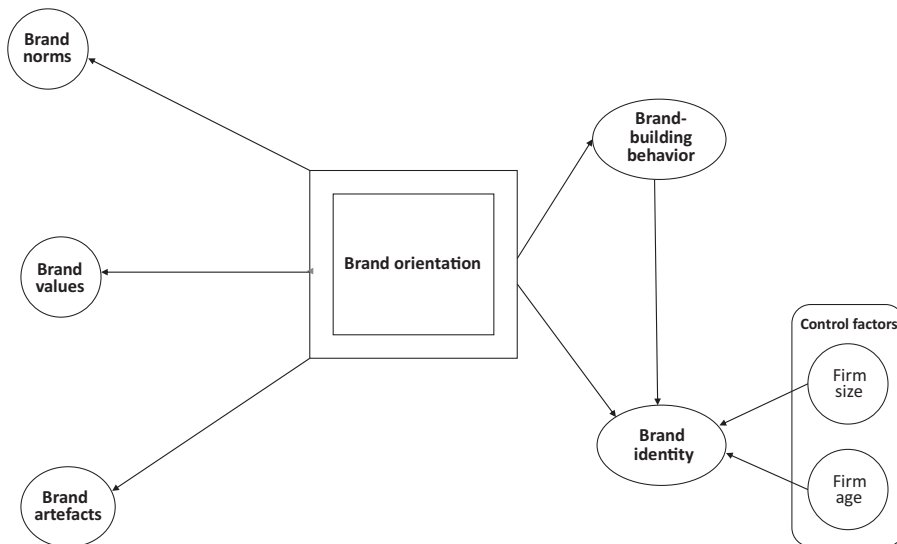


Figure 1.
Conceptual model

practices, as this will help them compete effectively, domestically and regionally i.e. across the Balkans (Ciunova-Shuleska *et al.*, 2017; Ciunova-Shuleska *et al.*, 2016). The important outcomes of current investigation should nevertheless extend beyond the research lab of SMEs in North Macedonia.

3.2 Research design justification

This study uses a quantitative approach because it intends to measure the constructs studied in addition to their relationships. This has also been informed by studies focusing on the research stream of brand orientation (e.g. Baumgarth, 2010; Schmidt *et al.*, 2017; Ciunova-Shuleska *et al.*, 2017). Finally, we believe that the use of this approach allows our research model to be validated in other contexts aside from SMEs in North Macedonia.

3.3 Sample description

In this study, data collection was based on online surveys, using the convenience sampling technique for reaching target respondents. A prominent company in North Macedonia (its name is withheld for privacy reasons) provided us access to their customers' database within the country. The online surveys initially targeted about 1,600 firms. As we had an agreement with the company to send only two reminders to the surveyed firms, the number of firms that completed the survey after these reminders was 203. After finalizing the data cleaning process, the number of effective responses used in this study was 158, meaning an effective response rate of about 10 percent. The key informants were managers and/or owners who are directly involved in the business practice of the firms. Regarding the demographics, the sample comprised small firms (about 42 percent employing between 1 and 9 employees), and about 43 percent of the firms in the survey have one to ten years of industry experience.

3.4 Measures

The measurement items for brand orientation comprising the first-order reflective measures of brand values, artefacts and norms, as well as brand-building behavior were mostly

adapted from Baumgarth (2010); while the measurement items for brand identity were developed based on the study of Hirvonen and Laukkanen (2014). Because the items were originally adapted and translated from English into Macedonian, a backward translation was performed by competent professionals. We should note that prior to the main survey, the research instrument was pretested on a sample of seven key informants, which particularly led to improvement in the wordings of the measurement items. The measurement items with factor loadings are reported in Table I.

3.5 Common method bias

To reduce the risk of common method bias (CMB), this study uses both ex ante and ex post approaches. Regarding ex ante approaches, several activities were considered in the process of developing the questionnaire. It was stated in bold and on the header of the online surveys that none of the answers are right or wrong. The questionnaire itself was divided into various sections with different scale endpoints and formats used in soliciting accurate responses to the questions (Chang *et al.*, 2010). Furthermore, corporate respondents were assured of anonymity, and only those who felt involved in their companies' key decision-making were encouraged to fill the surveys. Moreover, in the model development phase, the risk of CMB has been reduced to the barest minimum by setting a complex model with a second-order variable as our main independent variable.

In addition to the above, this study following the recommendations of Fuller *et al.* (2016) by using Harman's single-factor test to examine whether CMB is a problematic issue. Findings indicate that no dominant factor emerged, given that the most dominant factor accounted for less than 50 percent shared variance. We further observed the correlation matrix because

Construct name and measurement items	λ
<i>Brand artefacts ($\alpha = 0.84$)</i>	
Our brand name, logo and other brand symbols are an important part of who we are	0.67
Our corporate visuals are helpful in making our organization looks recognizable amid the competition	0.74
We have a unique colour that reflects our brand meaning and purpose	0.80
<i>Brand values ($\alpha = 0.82$)</i>	
One of our driving values is integrity and maintenance of high ethical standards in our dealings with our stakeholders	0.67
We fully honor our brand/company commitments to our important stakeholders in a timely manner	0.65
As part of our guiding principles, we are always aiming at becoming more creative, imaginative and unique and also leaders in the industry/market	0.75
Our customers and close competitors often speak highly of our core values	0.78
<i>Brand norms ($\alpha = 0.84$)</i>	
We check regularly that the corporate design guidelines of our brand are adhered to	0.84
In all brand communications, we pay explicit attention to the integration of all communication methods	0.83
We check regularly whether or not our brand is different from the profiles of competing brands	0.73
<i>Brand-building behaviour ($\alpha = 0.88$)</i>	
We usually devote ample time and human efforts to the development of our brand	0.84
We invest resources in increasing the value of the organization's brand	0.87
We often commit a certain sum of the organization's funds toward developing our brand/marketing communications	0.83
<i>Brand identity ($\alpha = 0.79$)</i>	
Our office layout, logo and/or other symbols have helped us greatly in conveying our brand values	0.72
We have created a brand which has helped to boost our strong brand image in the marketplace	0.91
Note(s): All loadings are significant at confidence level $p < 0.001$	

Table I.
Measurement model estimation

Bagozzi *et al.* (1991) suggest that the correlation with more than 0.9 indicates CMB. In the present study, the correlations between the constructs are less than the suggested threshold. Moreover, a common marker factor (CMF) method was performed by conducting confirmatory factor analysis (CFA) with a marker variable. We included a construct (i.e. access to financial resources) that is theoretically unrelated to other study constructs. To assess the presence and influence of common method variance (CMV), we tested a series of models following the recommendations of Williams *et al.* (2010), namely a baseline model, constrained model (Model-C), unconstrained model (Model-U) and restricted model (Model-R). The results indicated that the Model-C fits statistically better than the baseline model, while Model-U does not fit statistically better than the Model-C. Thus, it could be assumed that the presence of CMV is the same for all the indicators. Furthermore, Model-R was not statistically different from Model-U, indicating that the CMV does not skew the relationships between the substantive variables in the model. Thus, this test showed that CMV is less of a concern in our study.

4. Data analysis and results

In analyzing the model developed for this study (see Figure 1), this paper uses covariance-based structural equation modeling. All computations have been performed using AMOS 20.0. As per recommendations in the methodology literature, notably by Hair *et al.* (2010), an assessment of the measurement model was first done, followed by the structural model assessment. These two models are briefly discussed below.

4.1 Measurement model – first-order reflective constructs

The factor loadings of the first-order reflective constructs are statistically significant, and their magnitudes are also relatively on the high side (see Table I). In terms of composite reliability (CR), the results as shown in Table II agree with the literature (Hair *et al.* 2010), meaning that the values exceed 0.7. Because all the average variance extracted (AVE) are more than 0.5, it reinforces the view concerning the adequacy of the constructs' convergent validity (Hair *et al.*, 2010). The model fit indices are at an acceptable level, which suggests construct validity (CMIN/df = 1.81; GFI = 0.89; AGFI = 0.85; CFI = 0.95; NFI = 0.90; RMSEA = 0.07).

Regarding the discriminant validity, the square roots of AVEs were compared to the correlation coefficient of each pair of constructs, and they were higher for all the constructs (Fornell and Larcker, 1981) (see Table II). Also, all the AVE values are higher than the values indicating maximum shared variance (MSV). All the above leads to conclusion that convergent and discriminant validities of the first-order reflective constructs are adequate.

4.2 Measurement model – second-order reflective measure of brand orientation

Because the three first-order constructs (brand artefacts, norms and values) have significant correlations and they are distinct but related dimensions of a single theoretical construct, we treat them as reflective sub-constructs of brand orientation. The correlation matrix of the first-order factors is observed, and all correlation pairs are significant and positive (> 0.49).

Construct name	CR	AVE	MSV	BO	BBB	BI
Brand orientation (BO)	0.89	0.74	0.65	<i>0.92</i>		
Brand-building behaviour (BBB)	0.88	0.71	0.62	0.88	<i>0.84</i>	
Brand identity (BI)	0.81	0.68	0.64	0.86	0.74	<i>0.82</i>

Note(s): Diagonals (in italic) present the square roots of AVE while the off-diagonals present the correlations

Table II.
Convergent and
discriminant validity

Furthermore, the model fit indices of the second-order factor model are at a satisfactory level (CMIN/df = 1.61; GFI = 0.94; AGFI = 0.90; CFI = 0.98; NFI = 0.94; RMSEA = 0.06).

5. Structural model analysis

After the adequacy of the measurement model was approved, the conceptual model was developed and tested by applying structural equation modeling with the maximum likelihood method. Overall, the goodness-of-fit indices are at an acceptable level (CMIN/df = 1.72; GFI = 0.88; AGFI = 0.84; CFI = 0.95; NFI = 0.0.88; RMSEA = 0.07), suggesting the adequacy of the proposed structural model.

Importantly, all three first-order reflective factors of brand artefacts, norms and values loaded significantly (0.74, 0.91 and 0.92, respectively) on the second-order reflective factor of brand orientation, leading to statistical support for the first set of hypotheses (H1a-c).

In addition, as presented in Table III, there is statistical support for hypotheses h2, h3 and h4. Based on the magnitude of research evidence, our analysis reveals that the strongest link is the link between brand orientation and brand-building behavior (0.80), while the relationship between the brand-building behavior and brand identity is the weakest (0.30) but also statistically significant.

In terms of the coefficient of determination (R^2), our empirical model accounts for 62 percent and 71 percent of the variations in brand-building behavior and brand identity, respectively (see Table III).

Meanwhile, the control factors of firm age and size were found to have contrasting influence on brand identity. In particular, results suggest that as the firm ages there is a possibility that this will diminish its brand identity ($-0.12, p < 0.1$), whereas as the firm enlarges by employing more staff, its brand identity tends to become stronger ($0.15, p < 0.05$).

Finally, additional inquiry indicates that the indirect effect of brand orientation on brand identity is insignificant (0.23 at the probability level, $p < 0.1$). This means that brand orientation has only a direct effect on identity and it is not transmitted by brand-building behavior.

6. Discussions and implications

In agreement with recent debates on deepening and extending the conversation about brand orientation to contexts such as SMEs (Hirvonen and Laukkanen, 2014; Laukkanen *et al.*, 2016; Osakwe *et al.*, 2015; Renton *et al.*, 2016), this article consolidates previous thinking about brand orientation by researching into the underlying dimensions of the construct. In particular, the present paper has revealed that brand orientation is a complex construct that is primarily made up of brand values, brand norms and brand artefacts (h1a-c). This contribution to the literature offers a much more meaningful understanding of the phenomenon of brand orientation beyond the previously known unitary nature of brand orientation. This by implication improves SMEs' understanding of the brand orientation concept. This study has also advanced our empirical understanding of the relationships among brand orientation, brand-building behavior and brand identity of the SME by

Table III.
Structural model
estimation

Hypothesised relationships	Standardized estimate	R^2
H2: Brand-building behaviour ← Brand orientation	0.80***	0.62
H3: Brand identity ← Brand orientation	0.57***	0.71
H4: Brand identity ← Brand-building behaviour	0.30**	0.71
Note(s): ** $p < 0.05$; *** $p < 0.001$		

providing initial research evidence, for example, between brand-building behavior and brand identity (h4). The evidence to support the relationship between brand orientation and brand identity (h3) reinforces the recent empirical research that brand orientation is an important antecedent factor of brand identity (Hirvonen and Laukkanen, 2014), meaning that firms with proper understanding of the role of brand orientation, as a strategic resource, are more focused and thus aligned toward the creation of a strong brand identity. Similarly, the revelation in the SMEs' context that brand orientation has a positive impact on brand-building behavior (h2) is in accordance with past research (Baumgarth, 2010; Schmidt *et al.*, 2017). Nevertheless, our research adds more nuance to the operationalization of the predictor variable i.e. brand orientation, through modeling it as a higher-order construct. In all of these, it is important to note that it is hard to find any quantitative research that addresses the issue particularly in research contexts like SMEs. This study therefore offers important implications to research and practice. We now turn to the implications of our findings to research and obviously to SMEs' practice.

6.1 Implications to brand orientation and SMEs' brand-building research

This study is the first to introduce to the literature the findings that brand values, brand norms and brand artefacts could be consolidated into the complex construct of brand orientation. This study has built on the initial study of Baumgarth (2010) to operationalize brand orientation as a reflective, higher-order construct, thus paving the way for midrange theorization of the construct. Prior to this work, most emerging studies on the topic of brand orientation have conceptualized and operationalized brand orientation as a unidimensional construct (e.g. Ciunova-Shuleska *et al.*, 2017; Hirvonen and Laukkanen, 2014; Osakwe *et al.*, 2015; Wong and Merrilees, 2008). Our research therefore exposes this inadequacy and mistaken conclusion in the emerging body of work dedicated to brand orientation quantification. Little research has taken this innovative path, with notable exceptions being those of Gromark and Melin (2011) and Piha and Avlonitis (2018).

Another implication of this study, particularly to the stream of research devoted to SMEs' brand-building, is that it provides further insights regarding the influence of brand orientation on brand-building behaviors of the firm, which is consistent with prior studies, namely those of Baumgarth (2010) and Schmidt *et al.* (2017). Furthermore, this work concerns the investigation of the relationship between brand orientation and brand identity, and the findings are generally supportive of the theoretical suggestions by notable scholars, such as Urde (1999) (see also Urde *et al.*, 2013) and Balmer (2013), that the deliberate enactment of brand orientation is foundational for the creation of a strong brand identity (see also Hodge *et al.*, 2018). Empirically, the research substantiates the value of brand orientation in building strong brand identity and thus agrees with the evidence reported by Hirvonen and Laukkanen (2014). This study significantly differs from the initial empirical evidence regarding the empirical validation of brand orientation as a higher-order reflective construct, providing a more accurate reflection of the positive influence of brand orientation on brand-building behavior and brand identity of the firm. Added to this, the study complements prior research that is aimed at developing a better understanding of brand building in the SME context (e.g. Krake, 2005; Osakwe, 2016; Renton *et al.*, 2016).

The final implication of this work concerns the statistical finding that brand-building behavior is positively related to the brand identity of SMEs. As far as we know, this is the first study to report on the positive correlation between these two important concepts. Yet, it strengthens the implicit assumption in the SMEs' brand-building research (Agostini *et al.*, 2015; Centeno *et al.*, 2013) that the entrepreneur's commitment toward brand building, often reflected in resource commitments and modeling the appropriate behaviors in the company, is desirable and consequently leads to the creation of a brand identity. Relatedly, the present

study provides initial confirmation for the common but unsubstantiated notion in the established corporate branding literature concerning the link between brand-building behavior and brand identity (e.g. [Brexendorf and Kemstock, 2007](#); [Harris and de Chernatony, 2001](#)). Overall, the research implications are further enhanced by the specifics of the context, which is that SMEs in a transitional Balkans economy remain scantily investigated to date. Yet, it has been noted in recent times that brand building is highly relevant to SMEs ([Agostini et al., 2015](#); [Centeno et al., 2013](#); [Hodge et al., 2018](#); [Osakwe, 2016](#); [Renton et al., 2016](#)).

6.2 Implications to SME practice

The research findings should be of interest to SMEs' managers because it shows the ways in which these managers and entrepreneurs alike could successfully build strong brand/company identity even when faced with increasingly competitive pressures.

Specifically, the outcomes of this analysis should encourage SMEs to prioritize investment in brand-oriented practice, as we have indeed shown that for them to build their brand identity they must have the proper understanding that brand orientation consists of three key aspects, namely brand norms, values and artefacts. Moreover, given that the magnitude of impact of brand norms and core values are the biggest contributors, the SMEs, particularly in the North Macedonian context, might need to pay more attention to these two without them necessarily compromising on their brand artefacts. Efforts directed along this line will indeed make SMEs become more brand oriented in practice and consequently lead to improvements in their brand-building behaviors; this will also have a considerable impact on their brand identity. Related to this, an important implication of this study to SME practice is that managers of the firm will need to attach greater importance to brand-building behavior reflected in the brand-building efforts of the firm in forging a relatively strong brand identity.

A key implication of this study to SMEs' brand building therefore is that brand orientation is a critical strategic resource factor for developing strong brand identity, at least as far as the internal branding process is concerned. And for those SMEs who are particularly concerned about achieving a strong brand identity in markets they currently serve or seek to serve in the future, one key recommendation would be concerted investment in the three key aspects of brand orientation, which we have previously discussed, along with resource commitments in brand/marketing communications. Hopefully, this will bear important fruits for them in the marketplace, which would include the forging of strong brand identity.

By and large, the model presented in [Figure 1](#) should serve as a brand-building diagnostic tool for those SMEs that are concerned about growing their company brand, and they could as well use it to monitor their close competitors' brand-oriented practice. In particular, our research has shown that brand-oriented practice could contribute positively to both brand-building behavior and brand identity, provided the firm understands that brand-oriented practice is a complex phenomenon and makes enough efforts in this area.

Collectively, this work has made some efforts to expand the idea about brand orientation by providing some evidence concerning its multidimensional makeup. But this is not to simply suggest that researchers should completely abandon the measurement of brand orientation as a unidimensional construct. This could still be useful in large-scale studies where, for instance, brand orientation is treated as a moderating factor. Moreover, because research is a continuum and also depends on the cost involved, including time, the use of unidimensional measure and multidimensional measure, as this research has purposefully investigated, is both warranted.

6.3 Limitations and further research

The conducted study suffers some limitations, which also offers opportunities for future consideration. First, all the firms that were contacted to participate in the study came from a

private company's database, limiting the possibility for research evidence generalization across the population of SMEs in the research context. To overcome this issue, more research will need to be performed.

Second, the obtained sample comes from multiple industries, which makes it almost impossible to derive assumptions about the study's constructs in specific industry contexts. Therefore, there is a urge for future research to examine the research phenomena in specific industries.

Finally, the proposed research model should be enhanced by taking into consideration the conditions under which the complex construct of brand orientation will positively lead to strong brand identity. It is not unlikely, for example, that market orientation, depth of social media use, CSR engagement, along with learning orientation of the firm, will moderate the suggested relationship. Future research is therefore called upon to examine this issue in detail.

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Further reading

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