

## Branding Capability Developed from Country-Specific and Firm-Specific Resources for Internationalizing Small and Medium Enterprises

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**Abstract :** There has recently been a notable rise in the number of emerging-market industrial small and medium-sized enterprises (SMEs) that have managed to upgrade their operations. Evolving from original equipment manufacturing (OEM) into value-added original or own brand manufacturing (OBM) in such firms represents a specific process of internationalization. The OEM-OBM upgrade requires development of a firm's own brand. In this respect, the extant literature points out that emerging-market industrial marketers (latecomers) have developed some marketing capabilities, of which branding has been identified as one of the most important. In specific, an industrial non-brand marketer (OEM) marks the division of labor between manufacturing and branding (as part of marketing). In light of this discussion, this research argues that branding capability plays a critical role in supporting the evolution of manufacture upgrade. This is because a smooth transformation from OEM to OBM entails the establishment of strong brands through which branding capability is developed. Accordingly, branding capability can be exemplified as a series of processes and practices in relation to mobilizing branding resources and orchestrating branding activities, which will result in the establishment of business relationships, greater acceptance of business partners (channels, suppliers), and increased industrial brand equity in the firm as key resource advantages). For the study purpose, Taiwan was chosen as the research context, representing a typical case that exemplifies the industrial development path of more-established emerging markets, namely, transformation from OEM to OBM. This research adopted a two-phase research design comprising exploratory (a qualitative study) and confirmatory approaches (a survey study) The findings show that: Country-specific advantage is positively related to branding capability for internationalizing SMEs. Firm-specific advantage is positively related to branding capability for internationalizing SMEs. Hsing-Hua Stella Chang is Assistant Professor with National Taichung University of Education, International Master of Business Administration, (Yingcai Campus) No.227, Minsheng Rd., West Dist., Taichung City 40359, Taiwan, R.O.C. (phone: 886-22183612; e-mail: stellachang@mail.ntcu.edu.tw). Mong-Ching Lin is PhD candidate with National Sun Yat-Sen University, Department of Business Management, 70 Lien-hai Rd., Kaohsiung 804, Taiwan, R.O.C. (e-mail: johmlin0925@gmail.com). Cher-Min Fong is Full Professor with National Sun Yat-Sen University, Department of Business Management, 70 Lien-hai Rd., Kaohsiung 804, Taiwan, R.O.C. (e-mail: cmfong@bm.nsysu.edu.tw). Branding capability is positively related to international performance for internationalizing SMEs. This study presents a pioneering effort to distinguish industrial brand marketers from non-brand marketers in exploring the role of branding capability in the internationalizing small and medium-sized industrial brand marketers from emerging markets. Specifically, when industrial non-brand marketers (OEMs) enter into a more advanced stage of internationalization (i.e., OBM), they must overcome disadvantages (liabilities of smallness, foreignness, outsidership) that do not apply in the case of incumbent developed-country MNEs with leading brands. Such critical differences mark the urgency and significance of distinguishing industrial brand marketers from non-brand marketers on issues relating to their value-adding branding and marketing practices in international markets. This research thus makes important contributions to the international marketing, industrial branding, and SME internationalization literature.

**Keywords :** brand marketers, branding capability, emerging markets, SME internationalization

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