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Enhancing the Performance of Malaysian SME's through Co-branding initiative.

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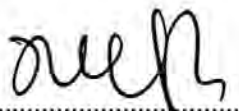
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Enhancing the Performance of Malaysian SME's through Co-branding initiative.

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Laporan ini dikemukakan sebagai memenuhi sebahagian daripada syarat
penganugerahan Ijazah Sarjana Muda Pengurusan Teknologi dan Teknousahawan
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Pengakuan

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PENGHARGAAN

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ABSTRACT

In supporting the continuous and relentless effort to promote the growth of SME toward achieving the country's objective of becoming a high income nation has been an issue. Thus, in effort of utilizing the potential advantages of co-branding to a greater customer base especially in Malaysia. Focus of the research is on the co-branding process and how it to link performance improvement. The principal aims of this research are to investigate the influences of the co-branding initiative on performance. In this quantitative work which was followed with wide variety of sources were selected of the data presented. Moreover, this study draws on the concept of Co-branding which is moving on two mechanisms which according to Fleck et al. and Geuens et al. (2012, 2006) is credibility and perceive fit. Moreover, it also revolves on relationship between co-branding, knowledge sharing and also performance. A series of survey will be conducted to collect respondents' answers, while data collected were analyzed quantitatively. The most important finding of the study is the empirical evidence about existence of positive relationship between organizational learning and organizational performance. In other words, organizations which develop their learning processes congruently will increase their performance. There are clear differences in learning processes between innovative and stable SMEs. Stable firms were reactive, learning was incremental and adaptive, and the learning scope limited to individuals or very small groups. As a consequence, there were fewer tangible outputs from learning in the form of new products or processes in the stable group than in the innovative group.

ABSTRAK

Dalam menyokong usaha berterusan menggalakkan pertumbuhan PKS kearah mencapai matlamat negara menjadi negara berpendapatan tinggi maka ia telah menjadi satu isu. Justeru itu, dalam usaha menggunakan potensi kelebihan penjenamaan bersama kepada satu pangkalan pelanggan yang lebih besar terutama sekali dalam Malaysia. Tumpuan penyelidikan didalam penjenamaan bersama melibatkan proses dan bagaimana ia menyumbang kepada peningkatan menghubungkan prestasi. Matlamat utama penyelidikan ini akan menyiasat pengaruh inisiatif penjenamaan bersama memberi kesan kepada prestasi. Didalam kerja kuantitatif ini yang mana telah diikuti dengan pelbagai punca yang dipilih bagi menyampaikan data. Tambahan pula, kajian ini membolehkan konsep penjenamaan bersama yang mana terdapat dua mekanisme menurut Fleck et. al, dan Geuens et. al (2012, 2006) ialah kebolehpercayaan dan kesepadanan. Ia juga melibatkan hubungan antara penjenamaan bersama, perkongsian ilmu dan juga prestasi. Satu siri tinjauan akan dijalankan untuk mengumpul jawapan responden, manakala data terkumpul dianalisis secara kuantitatif. Penemuan paling penting didalam kajian ialah bukti empiris tentang kewujudan hubungan positif antara pembelajaran organisasi dan prestasi organisasi. Dengan kata lain, organisasi yang membangunkan proses pembelajaran mereka sepadanakan meningkatkan prestasi mereka. Terdapat perbezaan yang nyata didalam proses pembelajaran antara PKS yang inovatif dan stabil. Firma-firma stabil reaktif, pengajian tokokan dan adaptif, dan skop pembelajaran menghadkan kepada individu atau kumpulan-kumpulan yang sangat kecil. Sebagai satu akibat, terdapat output ketara kurang daripada pembelajaran dalam bentuk produk baru atau proses di kumpulan yang stabil daripada di kumpulan inovatif.

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LIST OF SYMBOLS**SYMBOLS**

R:	Coefficient of Determination
R ² :	Coefficient of Multiple Determination
≤:	Less than or equal to
=:	Equal to
β:	Beta

Chapter 1

Introduction

1.1 Introduction

First and foremost, this research is aim to analyze the process of co-branding adoption in Small and Medium Enterprises (SMEs) industry in Malaysia and enquire into the influence it has on the organizational learning and further into the companies performances. The appeal to this research is to identify how co-branding can contribute to the SME industry to globalize and create more network link between them.

According to Aaker (1996), co-branding refers to two brands working together to create greater value and pursue growth opportunities they would not otherwise do as easily separately. While it may be as simple as co promotion activities, co-branding has much higher potential for growth when the partners collaborate either to produce a new product or improve an existing standard of some kind. Thus, growth opportunities would be either in the form of new products or new markets, or both. World has become more demanding as the company has to adjust to the new way of moving forward in pursuing growth. With the arrival of new competitors each second into the industries, SMEs cannot only dependent on the conventional way of doing business. Thus, entrepreneurs in Malaysia need to be more creative and innovative to realize developed and high-income nation status.

Companies co-brand initiative aim to take advantage of each other's expertise, reduce market entry risk, keep costs under control, and reinvigorate their respective brands by the new associations the relationship brings and the new customers it might attract. Additional benefits including reaching new markets and or expansion into new channels, reduced new product launch and market entry risk, learning new competencies, collective marketing communications, more powerful combined identity, mutual credibility, and new product innovation, and shared of resources.

1.2 Research Background

SMEs (Small and Medium Enterprises) in Malaysia play massive roles in the development of the economy. Based on SME Annual Report 2012 to 2013, SMEs contribution to gross domestic product (GDP) amounted to 32% and is targeted to contribute 42% to the country's growth by 2020. These ongoing efforts by SME Corp in thought to transform SMEs to be able develop high-quality and high-valued products that are launched in 2010 via the SME Masterplan.

SME Masterplan were purposely to attain several targets by 2020 including increasing SMEs contribution to employment from 59% of the workforce to 61%; increasing their exports contribution from 19% to 25% and increasing the number of registered firms from 69% to 85% of all firms in Malaysia expressed by Finance Ministry's secretary-general, Tan Sri Mohd Irwan Serigar Abdullah.

The idea that SMEs and branding initiative are very closely and positively linked together has undoubtedly made its way since it was highlighted by the Small and Medium Industries (SMI) Association of Malaysia national president, Mr Teh Kee Sin. For organization growth, they are urged to move from focusing on building business to a broader branding concept. Based on today market, SMEs keep offering the same physical brand element which most likely to look very similar. Thus, to keep this problem away SMEs should act to reinforcing on branding.

According to Caj (2002, p.720), cooperative branding results in building stronger linkages of the image to the brand identity. Thus, these become one of the reasons that co-branding has the potential to affect the performance in organization. According to Aaker (1996), co-branding also has much higher potential for growth when the partners collaborate either to produce a new product or improve an existing standard of some kind (as cited by John, 2010). This can become one of alternative method for creating sustainable competitive advantages. Co-branding, co-partnering or dual branding is the act of using two established brand names of different companies on the same product.

The learning processes have three stage models which stated by Huber (1991), the development of creation of skills, insights and relationships were known as knowledge acquisition, the dissemination of what has been learned. The sharing or dissemination of the acquired knowledge (knowledge transfer) were known as knowledge sharing and lastly the integration of learning so it is broadly available and can be generalized to new situations which known as knowledge utilization. In this research were focus on knowledge sharing as one of the variable that is related to co-branding initiative and also organization performance.

From a methodological viewpoint, Peter Senge (1990) suggests that “Sharing knowledge is not about giving people something, or getting something from them. That is only valid for information sharing. Sharing knowledge occurs when people are genuinely interested in helping one another to develop new capacities for action; it is about creating learning processes”. It is clear that knowledge sharing is about “working together”, “helping each other” and “collaboration”

This research for examining the connection between co-branding initiatives of the organization and the performance to knowledge sharing in learning process implemented by employers in a private organization.

1.3 Problem Statement

Nowadays, SMEs in Malaysia were said are still suffers from weaknesses such as lack of proper system to manage working capital, lack of general management skills, lack of ability to capitalize on technology for operational efficiency and effectiveness. According to Dr Nordin Zain (2013), other areas lacking among these companies include market reach, financial and human resources, ability to negotiate professionally with bankers and ability to utilise government incentives. This will result on unsatisfactory performance of one company.

In Malaysia, SMEs representing 99.2% of total business establishments and employed over 5.6 million workers. Developing a competitive, productive and resilient SME sector is an important thrust to support the Government's aim of achieving balanced economic development and higher standards of living at all levels of society.

The major challenges for SMEs industries is that lack of access to loans, limited adoption of technology, lack of human resources and competition from MNCs and globalization. The problem can be solves if they could take advantage of the schemes provided by governments. That is offered through SME Corporation, Bumiputera Agenda Driving Unit (Teraju), TalentCorp Malaysia and SME Bank, and government agencies.

These studies were focused on the Co-branding initiative that can affect the SMEs performance. This is to ensure if those variables will be contributed to the productive performance of SMEs. From the SMEs activities, the researcher would like to find out whether SMEs were a direct affect by the variables that were chosen. Furthermore, the researcher also would like to determine the most effective variable that may affect to the productivity performance of SMEs.

1.4 Research Questions

The basic issues that motivated my work have to do with developing and enriching the knowledge on co-branding in SMEs. Besides to determine the best and the worst predictable organizational performance measurement items for each organizational learning variable. The main research question that I hope to answer is:

How does learning process (knowledge sharing) enhance the co-branding initiative and also performance of organization.

To answer this main research question several sub questions need to investigate which have been identified as follows:

- How far the influence of the Co-branding method contributes to the organization performance?
- How does the knowledge sharing in organizational learning (OL) affect the relationship between co-branding process and also the organizational performance?

1.5 Research Objective

In order to conduct the research, some objectives are constructed as a guide for the research as below:

1. To investigate how far is the acceptance of organization concerning the co-branding initiative process to the organization performance.
2. To examine the linkage between knowledge sharing with the co-branding process and the organizational performance.

1.6 Scope of study

The scope of research is based on co-branding and performance of organizations in SMEs industry in Malaysia. The area that will be cover in the research is in Malacca and Selangor involving SMEs companies. Entrepreneurship in SMEs industry itself has involved on the sector of primary agriculture, manufacturing (including agro-based), manufacturing-Related Services (MRS) and services (including Information and Communications Technology). The co-branding as a strategic option that can be applied to nearly every industry and many well-known firm chose this marketing strategy (Tapan, 2001). Thus, the researcher were generally focus on any SMEs industries. Location choosen by researcher is in Malacca and Selangor, Malaysia. Researcher take about four months to conduct the research starting on January until April 2013.

Moreover this research is based on work by generating data and analyzing and reflecting upon what the theoretical themes the data are suggesting. Mostly the research is about co-branding perception in entrepreneurship of SMEs industry in Malaysian context. Element that will be touch is about the organization learning (knowledge sharing) in a way that impact the co-branding and organizational performance.

1.7 Limitation

Limitation of this study, the researcher will limit to focus on SMEs industries in Malaysia and only focus on a few industries that have potential to apply co-branding strategies. This research is to get employees' perception about the co-branding as one of the marketing strategy and to learn on how the knowledge sharing process happens in organizations. Respondent may not provide their honest responses in answering the questions as they could be bias the study results. Moreover, the questionnaire is constructed to get 70 companies SMEs in Malaysia. Being an outsider may also limit what is revealed to the researcher.

1.8 Significant of the study

The importance of this study is to recognize co-branding as one of the strategies that will uplift the Malaysian brands mainly SMEs to rise above achieving its presence and connectivity across all the continents in the world and also bringing out their potential as a valuable brand.

According to the Finance Ministry's secretary-general, Tan Sri Mohd Irwan Serigar Abdullah states SMEs would be needed to contribute more to economic growth for the country to achieve its target to become a high-income nation from the Star (2013). So in effort to achieving branding in SMEs, the Branding Association of Malaysia (2012) highlighted the "Blue Branding" to help micro, small, medium and large SMEs to create differentiated brands and new market demands to grow their brand value through blue branding.

My research were not yet been done before so this is the opportunity to contribute to the Malaysia industry by exercising the study which involve the companies in Malacca, and also Selangor. The research has been done before in India on the co-branding in 2001 by Dr Tapan K Panda.

There are other theories of learning. E. L. Thorndike believed that learning might be achieved on the basis of trial and error. Wolfgang Kohler argued that there is insight learning that people can learn by gaining an understanding of important elements within a problem and the relationship between them. This study is also important to assist organization to recognize the value of marketing proposition of co-branding. There is a lot of them (SMEs) who ignored the fact that branding is one of the important factors of distinctiveness between their products from another. Therefore for attract new customers, to enhance the brand awareness, to support the customer loyalty or to win some other individual advantages offered by the partnership (Tapan, 2001)

1.9 Summary

Basically, most of the study will explain about the strength of co-branding adoption to the entrepreneurship for SMEs industry. Since co-branding is the new concept so the researcher needs to look closer what actually this concept is all about in more detail. Its contribution to performances of the entrepreneurship for SMEs industry will become the catalyst in SMEs sector in Malaysia. SMEs industry will get the active interaction and communication then also will sharing information and used the technology in advance with the other sector in Malaysia and all over the world.

Chapter 2

Literature Review

2.1 Introduction

This chapter presents the concepts and definitions of variables, and a review of past literature of variables that will be used in this study. These include to discussed about the overview of co-branding and also knowledge sharing as one of the stage in the organizational learning model. The brief explanation for both variables will be mentioned, including the effectiveness, processes and impact. The relationship of the two also will be discussed including the performance of organizations. To make a clear scenario, the relationship among co-branding, knowledge sharing in OL and also performance has been discussed. Lastly, the framework of theory of research has been draft in section 2.6.

2.2 Background of Co-branding

Co-branding means a marketing strategy in which two companies work together to sell their products or services, using both company names (Oxford Advanced American Dictionary). Co-branding, also called brand partnership, is when two companies form an alliance to work together, creating marketing strategy.

As described in *Co-Branding: The Science of Alliance*:

“the term ‘co-branding’ is relatively new to business vocabulary and is used to encompass a wide range of marketing activity involving the use of two (sometimes more) brands. Thus co-branding could be considered to include sponsorships, where Marlboro lends its name to Ferrari or accountants Ernst and Young support the Monet exhibition.”

Tom Blackett and Bob Boad (2000)

Co-branding is “a strategic alliance that connects two or more brands in the marketplace” (Askegaard and Bengtsson, 2005), which is praised for its potential financial, managerial and marketing-related benefits to the partners. The potential of co-branding is realized to be achieving “best of all worlds’ synergy that capitalizes on the unique strengths of each contributing brand” (Leuthesser et al., 2003, p. 35). Some of the early researchers of co-branding, proposed the assumption behind the expected benefits of co-branding to be the transfer effect, namely, one partner brand’s positive attribute transferring onto the co-brand and thus onto the other partner brand as well (Park et al., 1996). This explains well as all the brands need to be in the same level to integrate well.

However, according to Fleck et al. (2012), it was explained that not only fit between the associated brands are the only matters but also incongruent brands can succeed in their co-branding strategy. Then, we can be assumed that the big brands can also co-branding with new brands which newly enter the industries such as SMEs companies.