



# Internal Branding as a Marketing Strategy for Start-Up

Ahmed Rageh Ismail<sup>1</sup>(✉), Bahtiar Mohamad<sup>1</sup>, and Muslim Diekola Akanmu<sup>2</sup>

<sup>1</sup> Universiti Utara Malaysia, Changlun, Malaysia  
a.rageh@rocketmail.com

<sup>2</sup> Universiti Malaysia Perlis, Arau, Malaysia

**Abstract.** Internal branding evolved from marketing to engage employees of any organization for strategic planning. However, there has been a lack of evidence on the internal branding's Return on Investment that has affected start-up managers. Therefore, this study aims to investigate the roles of internal branding as a marketing strategy of start-ups. Data were collected using a questionnaire from Egyptian start-ups. The proposed hypotheses were tested using PLS-SEM. The study addresses the roles of inter-functional coordination and internal branding to enhance the performance of a start-up brand. The findings show that start-up brands can be improved through internal branding. Similarly, internal branding programs are necessary to align and transform employee behavior.

**Keywords:** Start-up · branding strategies · internal branding · brand performance

## 1 Introduction

Branding has always been an essential issue for all companies, including a young or newly established company with high growth potentials or so-called start-ups [1]. According to Ruzzier and Ruzzier [2], a start-up is a team of people who work on a common goal to create something new and impactful, motivated by the potential of sharp growth and future vision, sharing a passionate, exciting atmosphere. The power of branding takes place as businesses and marketing strategies need to reflect the opinions of the founders and other employees in a start-up. In order for firms to pursue internal branding, inter-functional coordination is needed, which means the cooperation of the numerous internal business departments is functioning to ensure responsiveness to environmental change and achieve the firm's overall aim. The inter-functional coordination focuses on harmonizing the firm's operations to enhance performance to achieve an acceptable level of collaboration and interaction among the various specific functions of the firm.

### 1.1 Inter-functional Coordination and Brand Performance

Inter-functional coordination of a firm can create superior value with coordinated efforts by all functions [3]. The idea of Narver and Slater [4] reflects the cultural perspectives of the market orientation, which posits that market orientation is an organizational

culture comprising three behavioural factors: inter-functional coordination, competitor orientation, and customer coordination.

The customer & competitor orientation refers to the collection and sharing of market intelligence, while inter-functional coordination refers to the creation of coordinated customer values in accordance with this intelligence. Furthermore, inter-functional coordination is the integration of communication, information dissemination, and other elements along with the collaboration and incorporation of many functional departments in the firm to create values for both buyers and customers [5, 6]. According to Altinay [7] and Deng and Dart [8], developing business plans, formulating, and implementing strategies, and gathering and sharing information between departments are inter-functional coordination components.

Tajeddini, Altinay, and Ratten [9] posit that superior market share and growth in sales are achieved through the dissemination of greater information. Although the importance of generating and conveying market intelligence is recognized in this study in a coordinated creation of customer values [4], it only focuses on the pivotal roles of inter-functional coordination in facilitating brand orientation in the firm. Generally, the importance of market orientation has long been recognized for promoting financial performance [10]. More specifically, inter-functional coordination significantly affects financial performance as a component of market orientation [11].

The contribution of functional employees in inter-functional coordination is considered as sharing resources with each other, and values are co-created by combining and integrating the resources to deliver to the customers to enhance the values in use. Furthermore, inter-functional coordination stimulates creative thinking, leads to more effective performance in international expansion, and enriches idea generation and knowledge flow. It is suggested, therefore, that:

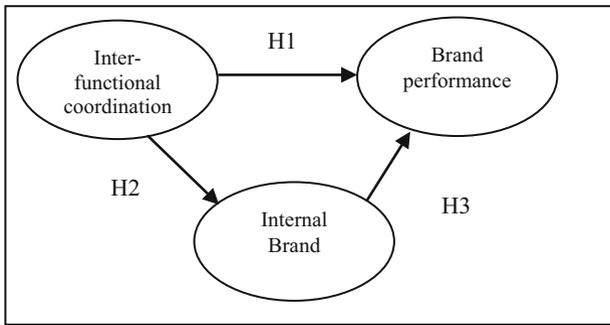
H1: Inter-functional coordination has a significant effect on start-up brand performance.

## 1.2 Inter-functional Coordination and Internal Branding

Internal collaboration among all organizational members is necessary in building internal branding [12]. To achieve a firm's objectives and ensure alignment of the activities of the internal branding with the set goals, all the departments and units of the firm should be developed to enhance the success of coordination, communication and sharing of information among the different functions [4, 13]. Therefore, employees should have clear direction and guidance to delivering brand meaning and message to the customers through internal branding [14].

Likewise, inter-functional coordination can lead to effective communication in an internal work environment [15]. Implementing an internal communication program is required from internal branding to inspire and motivate employees to support the brand vision and organizational values [16–18]. Inter-functional coordination is crucial for firms to enlighten employees to have full knowledge of branding. Thus, it is proposed that:

H2: Inter-functional coordination has a significant impact on start-up internal branding.



**Fig. 1.** Conceptual framework

### 1.3 Internal Branding and Brand Performance

To implement brand orientation, internal branding motivates employees to take brand ownership. Devasagayam et al. [19] stipulate that employee are motivated with internal branding to showcase the evidence of the brand's values as their organizational responsibilities. Aurand et al. [20] reveal that internal branding contains a well-coordinated education program and employee training with the aim to instil employee brand values. Therefore, employee brand loyalty, brand identification, and brand commitment are enhanced by utilizing orientation and training programs, such as brand performance [21, 22]. Thus, it is hypothesized that:

H3: Internal branding significantly affects start-up brand performance.

H4: Internal branding has a significant mediation between inter-functional coordination and brand performance (Fig. 1).

## 2 Methodology

### 2.1 Questionnaires and Measures

The constructs of the study are measures with questionnaires using scale items from the previous literature. There are four items of inter-functional coordination [4]. The six items adapted from Horvonen and Laukkanen [23] were used to measure internal branding. Four items were adopted to measure brand performance from the study of Wong and Merrilees [24]. The 7-point Likert scale comprises scale 1–7 representing decreased enormously to increased enormously respectively to measure brand performance. For all the other constructs, the 7-point Likert scale was employed [25] to record all the answers to the questionnaire ranging from “1 strongly disagree” to “7 strongly agree.”

### 2.2 Data Collection

This study was based on 131 start-up businesses in the first stage of the company life operating in Egypt from various industries. The sample was selected from a professional

database company in Egypt. The companies received emails with cover letters highlighting the aim of the study, and a hyperlink, leading to an online questionnaire in Google form. In this study, the owners were selected as key informants not only because they are policymakers but also because their responses were confirmed to be less biased and more reliable [26, 27]. The surveyed firms covered the following industries: advertising (19.8%), manufacturing (16.8%), retailing (16%), telecommunication (9.2%), real estate (6.1%), service industry that includes medical services, restaurants, educational and training services, publishing and consultancy (22.1%), and others (9.9%). Concerning firm size, 13.7% of the firms have less than 10 employees, 37.4% have 10 to 49 employees, and 48.9% have more than 50 employees to less than 250 employees.

### 3 Data Analysis and Results

#### 3.1 Convergent and Discriminant Validity

Factor analysis results show that all items are strongly loaded on the intended factors with high and no unusual cross-loading. The Cronbach's Alpha values show that the degree of reliability exceeds 0.80 for each scale, and the composite reliability values for each construct are above the required threshold of 0.60, indicating an acceptable degree of internal consistency. The AVE values for all the constructs exceed the threshold of 0.05 [28], indicating the convergent validity. The AVE of each construct is also compared with its square correlation with other constructs as the highest shared variance in each case is lower than the AVE, indicating validation of the discriminant validity [28, 29] (Table 1).

Notably, the results of the hypotheses might be affected by the common method variance as self-reported data are used to measure the model construct from the same respondents. The one-factor test approach by Harmon [29] was employed to conduct the test where presumably all items measuring different constructs are subjected to single-factor analysis. The findings show no one-factor (i.e., a common factor underlying the data), and there is no account for the most variance for one general factor; thus, a significant amount of common method is not evident.

#### 3.2 Results of Hypothesis Testing

This study applied PLS-SEM using Smart PLS 3.0 considering a relatively small sample size [31]. Also, PLS was used as it is not sensitive to the assumption of normality and is

**Table 1.** Correlations between the variables

	Brand performance	Inter-functional coordination	Internal Branding
Brand performance	0.821		
Inter-functional coordination	0.394	0.787	
Internal Branding	0.464	0.685	0.815

useful in assessing models with categorical variables i.e., firm age and industry type in this study [32].

According to Goodhue, Lewis, and Thompson [33], on the rule of thumb, the sample size should be the highest number of independent constructs pointing towards the endogenous variable. In this study, as the total sample of 131 is enough, the maximum number of independent constructs, including the industry type as the control variable, is 5.

### 3.3 Direct Effects

The results from Hypothesis 1 are shown in Table 2. In brand performance, the model explains 21.8% of the variance, indicating overall good predictive power. Furthermore, the value of Stone-Geisser (Q2) ranges between 0.115 and 0.448 for each endogenous variable was evaluated using the blindfolding procedures. As the values are more than zero, it indicates the reliable predictive power of the model [34]. This study applied a non-parametric bootstrapping procedure to determine the statistical significance of the relationship using 3000 sub-samples [34].

### 3.4 Mediation Effects

To examine if internal branding mediates the impact of inter-functional coordination on brand performance significantly, this study tested the indirect significance effect using non-parametric bootstrapping. According to Preacher and Hayes [35], a superior alternative is offered through bootstrapping to the common method of sober test in PLS-SEM modelling as it imposes not any distributional assumption. The bootstrapping result of all the indirect effects with no zero indicates the internal relevance as a mediating variable shown in Table 3.

**Table 2.** The Results of Hypothesis Testing

	Original Sample (O)	Sample Mean (O)	Standard Deviation (STDEV)	T-Value (IO/STDEVI)	P-value
Inter-functional coordination → brand performance	0.112	0.109	0.121	0.926	0.355
Inter-functional coordination → Internal Branding	0.563	0.567	0.076	7.434	0.000
Internal Branding → Brand performance	0.324	0.32	0.116	2.787	0.005

**Table 3.** Mediation effects

	Standard Deviation	T Statistics	P Values
Inter-functional coordination → Internal Branding → Brand performance	0.067	2.715	0.007

## 4 Managerial Implication

The results show that a considerable financial benefit and brand performance are gained by investing in internal branding. Similarly, the brand becomes a stringer and can be financially beneficial. The study also reveals how to implement an effective internal branding program for a start-up. An internal branding program is necessary to align and transform employee behaviour. As Baumgarth [36] mentioned, the ultimate aim is to train the employees thoroughly to have the capacity to start living the brand. Occasionally, managers can organize workshops and training on branding to sensitize employees on the brand's values and the benefits of committing and honouring the brands. These practices would enable the brand to fulfil its promises and uplift the credibility of the brand image.

The mediation from the tested hypothesis shows that managers are not encouraged to see internal branding as independent of inter-functional coordination. These activities of coordination appear to be intertwined to a certain level. Therefore, managers are advised to solidify internal branding processes to improve brand performance for higher financial returns.

## 5 Conclusion

There are some limitations in this study despite the validity of the data to support the proposed model. First, the sample of this study was drawn only from the Egyptian firms, making the result only generalizable to this particular section of the firms. Future studies could examine the model from different perspectives, such as geographical locations. Testing the model in these contexts would shed more light on the wellness of the model performance in broader contexts. Also, the direct impact of internal branding on financial performance could be examined in future research.

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