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Stakeholder relationships, brand equity, firm performance: A resource-based perspective☆

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ABSTRACT

The present research investigates the links among stakeholder relationships, corporate brand equity, and firm performance. Using the resource-based theory (RBT), the authors propose an integrative conceptual framework in which a firm's relationships with multiple stakeholders drive corporate brand equity, which then leads to firm performance. The empirical analysis features firm-level, secondary data from a sample of 282 firm-year observations obtained from 81 multinational companies during 2005–2008. The empirical results indicate a positive relationship between the quality of stakeholder relations and brand equity. Furthermore, brand equity mediates the link between stakeholder relations and firm performance. This research thus offers new insights into the strategic effects of stakeholder relationships in a brand domain.

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1. Introduction

The evolution of the marketing domain, to go beyond the customer, includes a broad set of stakeholders (Frow & Payne, 2011; Hillebrand, Driessen, & Koll, 2015; Hult, 2011; Hult, Mena, Ferrell, & Ferrell, 2011). A firm's relationships with stakeholders, such as investors, employees, suppliers, distributors, customers, and partners, are valuable resources that can help the firm compete better in the marketplace (Hillebrand et al., 2015) and serve as important precursors of stakeholder value. Accordingly, recent research devotes more attention to the role of stakeholders as brand value co-creators (e.g., Vallaster & von Wallpach, 2013). More than affecting the product brand, stakeholder relations help shape a firm's corporate brand (Schwaiger & Sarstedt, 2011).

Despite this growing research interest, the conceptual development of the link between stakeholders and brands remains in an early stage (Kornum & Mühlbacher, 2013). Extant research notes the active roles of multiple stakeholders in brand value creation processes (e.g., Gyrd-Jones & Kornum, 2013; Iglesias, Ind, & Alfaro, 2013). However, the question remains as to how stakeholders can create brand value. Marketing scholars suggest that higher-order organizational effects can arise from certain processes, such as customer relationship management (e.g., Payne, Storbacka, Frow, & Knox, 2009), but brand literature largely ignores this line of inquiry.

In the resource-based theory (RBT), resources and capabilities that are valuable, rare, and imperfectly imitable result in sustainable competitive advantages (Barney, 1991). Marketing strategy literature applies the RBT logic to investigate the effect of marketing resources and capabilities in areas such as brand and customer-firm relationship on firm performance (e.g. Kaleka, 2011; Morgan, Slotegraaf, & Vorhies, 2009; Vorhies, Orr, & Bush, 2011). While this literature enhances understanding of how brand equity gets created, most studies either adopt a customer-centric brand view (e.g., Vorhies et al., 2011) and/or narrowly focus on specific stakeholder group(s) such as distributors and suppliers (e.g. Kim & Cavusgil, 2009; Zou, Fang, & Zhao, 2003). There is a dearth of research that adopts a more inclusive, interactive brand perspective to examine the role of stakeholders as marketing resources. Similarly, no empirical evidence reveals how multiple stakeholder relationships can be converted into brand advantages, and then into firm performance (Kozlenkova, Samaha, & Palmatier, 2014).

The objectives of the current study thus are two-fold: (1) to delineate conceptually how a firm's relationships with multiple stakeholders can drive corporate brand equity and (2) to test empirically the extent to which stakeholder relationships can be converted into corporate brand equity and then into firm performance. With an RBT perspective, the proposed, integrated, conceptual framework connects stakeholder relationships, corporate brand equity, and firm performance. The test of this framework involves an empirical analysis at the firm level, using secondary data assembled from multiple sources that include

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282 firm-year observations from 81 multinational companies during 2005–2008.

In turn, several integration-based contributions to brand and RBT studies stem from the current research (MacInnis, 2011; Yadav, 2014). First, this research extends the concept of brand equity with an RBT perspective. The revised concept shifts the focus to the strategic aspects of brand equity formation and enables theoretical linkages of brand equity with stakeholder relations and firm performance in a single framework. Second, this work adopts a dynamic capabilities approach to conceptualize the role of stakeholder relationships in creating brand value, which provides novel insights. Third, this study extends RBT literature in marketing by considering stakeholder relations as marketing resources and broadens understanding of how marketing resources can lead to brand equity. Fourth, this article provides empirical evidence of the theoretical pathway from marketing resources to competitive advantage to firm performance. The concurrent inclusion of three strategic variables in the same empirical model, taking their interdependencies into account, supports a better assessment of the chain of effects.

The next section provides a review of brand equity literature and the RBT studies in brand and stakeholder management. Following the conceptual framework and the empirical findings, this article concludes with a discussion of implications and limitations.

2. Literature review

2.1. Brand equity

Marketing literature contains various conceptualizations of brand equity (Davcik, da Silva, & Hair, 2015; Veloutsou, Christodoulides, & de Chernatony, 2013). For example, Ailawadi, Lehmann, and Neslin (2003, p. 1) refer to brand equity as "the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name." Extant literature mostly approaches the effects or outcomes from a consumer- or firm-based perspective. The consumer-based perspective indicates that brand value creation stems from consumer-level outcomes, such as perceptions, attitudes, knowledge, and behavior (e.g., Christodoulides & de Chernatony, 2010). The firm's point of view instead concentrates on firm-level outcomes such as price, market share, revenues, and cash flows (Ailawadi et al., 2003). The firm-based perspective also comprises considerations of both product markets and financial markets (Keller & Lehmann, 2006). The former reflects a brand's performance in a product marketplace, whereas the latter refers to the brand's future ability to attract profits or cash flows to the company (Ailawadi et al., 2003).

In contrast with traditional output-oriented views, a contemporary perspective argues that brand value arises continuously through interactions among the firm, its brands, and all stakeholders (Davcik et al., 2015; Merz, He, & Vargo, 2009). This stakeholder cooperative perspective — by addressing how firms, consumers and other groups co-create brand value simultaneously — encompasses both firm- and consumer-based perspectives (Iglesias et al., 2013; Nguyen, Dadzie, Davari, & Guzman, 2015). The current study therefore relies on this broad stakeholder cooperative perspective on brand equity.

Emergent research in brand co-creation explores various ways that multiple stakeholders co-create brand equity. For example, brand meaning often results from simultaneous interactions among interdependent stakeholders in a brand's network (Iglesias & Bonet, 2012; Vallaster & von Wallpach, 2013). Iglesias et al. (2013) suggest that stakeholders co-create brand value through conversations and negotiations. Gyrd-Jones and Kornum (2013) also explore the processes of brand equity co-creation, which invoke stakeholder interactions embedded in multiple stakeholder systems. These authors suggest that stakeholder interactions allow for the co-exploration of new modes of representation and expression for the brand and the co-development of new products.

The current research focuses on brand equity at the corporate level for several reasons. A stakeholder approach is in line with corporate branding literature, which highlights the role of the corporate brand in creating sustainable relationships between a company and multiple stakeholders (Balmer & Gray, 2003; Schwaiger & Sarstedt, 2011). In addition, stakeholder effects are most prominent in areas such as the corporate identity, image, and reputation of the firm, which comprise the corporate brand construct (Brown, Dacin, Pratt, & Whetten, 2006). Finally, from a managerial viewpoint, resource allocation decisions across a broad array of stakeholder groups mostly take place at a corporate level.

2.2. The RBT perspective in brand and stakeholder management

Capabilities are subsets of firm resources (Kozlenkova et al., 2014), defined as complex bundles of skills and accumulated knowledge, exercised through organizational processes that enable firms to coordinate activities and make the most efficient and competitive use of their assets (Day, 1994). In particular, Teece (2014) proposes the concept of dynamic capabilities, which represent higher-level activities that enable the firm to recognize opportunity, reconfigure resources, and adapt to changing markets and business environments. Dynamic capabilities can lead to the development of new practices, processes, or markets and contribute to firm performance (Drnevich & Kriauciunas, 2011).

A growing body of research focuses on dynamic marketing capabilities (for a review, see Barrales-Molina, Martinez-Lopez, & Gazquez-Abad, 2014). Some studies note the role of dynamic marketing capabilities in performance (e.g., Palmatier, Houston, Dant, & Grewal, 2013), whereas others address the nature and generating mechanisms of dynamic capabilities (e.g., Wang, Hu, & Hu, 2013). A core dynamic capability in marketing pertains to building brands (Maklan & Knox, 2009). Extant research on dynamic capabilities related to branding considers the processes of customer relationship management (e.g., Vorhies et al., 2011), new product development (e.g., Zou et al., 2003) and supply chain management (e.g., Kim & Cavusgil, 2009). The generally accepted components of dynamic capabilities that emerge in these processes include innovation (Im, Montoya, & Workman, 2013), organization learning (Frow & Payne, 2011; Vorhies et al., 2011), and knowledge integration (Dangelico, Pontrandolfo, & Pujari, 2013; Kim & Cavusgil, 2009).

Stakeholder management research also suggests that stakeholder relationships constitute organizational resources that help firms develop new capabilities (e.g., Aragón-Correa & Sharma, 2003; Surroca, Tribó, & Waddock, 2010). In addition to innovation and learning, scholars propose a stakeholder integration capability, or an ability to establish collaborative relationships and manage complex interactions with a wide range of stakeholders, especially those with non-economic goals (e.g. Hart & Sharma, 2004; Sharma & Vredenburg, 1998).

In summary, though RBT studies identify capabilities with similar characteristics in the respective areas of brand management and stakeholder relationships, most of these studies appear in parallel.

3. Conceptual framework and hypotheses

Fig. 1 presents the conceptual model, grounded in RBT perspectives. First, the RBT focuses on firm performance as a key outcome variable. Second, the RBT provides a sound argument that connects stakeholder relations to competitive advantage through capabilities.

This conceptual framework guides the hypothesis development, designed to validate the pathway from stakeholder relationships to brand equity and then to firm performance. Using the RBT as a theoretical grounding renders the firm the unit of analysis for this empirical assessment.

3.1. Brand equity as competitive advantage

According to the RBT, brands are firm assets that are valuable, rare, and imperfectly imitable (Kozlenkova et al., 2014). A brand constitutes