The Impact of Entrepreneurship-Based Branding on Startup Performance

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A r t i c l e   I n f o

A B S T R A C T

Objective: The purpose of this study is to examine the influence of entrepreneurship-based branding on the performance of startups.

Methodology: For this purpose, 52 managers or representatives of startups in the public services sector were considered as the population. Due to the small size of the population, no sampling was conducted, and all 52 individuals were studied. The research data were collected using a researcher-made questionnaire.

Findings: The results indicate that entrepreneurship-based branding has a positive and significant impact on the performance of startups. Specifically, causal conditions of branding with a statistic of 26.719 have a significant impact on entrepreneurial branding; entrepreneurial branding with a statistic of 4.873 significantly influences value-based brand positioning; value-based positioning with a statistic of 29.960 significantly affects startup performance.

Conclusion: The formulation of practical strategies, such as improving responsiveness, and the efficient and effective employment of this sector, leads to the strategic development of the brand in domestic and foreign markets, which in turn, will lead to an enhanced brand identity. On the other hand, having professional management, marketing experience, resource commitment, and the utilization of internal information contributes to the development of entrepreneurship.

Keywords: *Branding, Entrepreneurship, Startup*

IJIMOB
International Journal of Innovation Management and Organizational Behavior

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1　Introduction

Company branding has significant implications for both the company and its customers, as it can influence not only the company's strategy but also how customers perceive the company. Therefore, the company should aim to build its brand. Thus, branding in startups is a crucial phenomenon, as gaining a competitive advantage enhances company performance (Davcik & Sharma, 2016). Branding can be considered a systematic process used to create awareness and increase customer loyalty. The primary goal of branding is to create a mindset and vision about one's business in customers to the extent that they consider fulfilling their needs through it. This requires high-level directives and the readiness to invest in the future (Reuter, 2020; Sirotina, 2016).

According to Keller, to define a structure for branding, six brand-building elements that can be envisioned in the form of a pyramid must be introduced. Based on this pyramid, a brand's unique value is realized at its highest level when the brand reaches the top of the pyramid. Brand prominence, imagery, performance, feelings, judgments, and resonance with the brand are the most critical elements to consider in branding (Amiramini Kahrizeh et al., 2020; Kamboj et al., 2018; Zenker et al., 2017).

Creating a strong brand requires going through special stages to be properly established and yield the necessary returns in the target market and various economic areas. Compared to established companies, new businesses have different needs, primarily due to a lack of resources and the absence of internal processes and structures. These specific needs require branding methods that differ significantly from those used in large, established companies. Despite obvious limitations, small companies can have an advantage in brand building through the creativity of the founding team, often enhanced due to resource scarcity (Ghafourian shagerdi et al., 2019; Hämäläinen, 2019; Reuter, 2020).

Reuter (2020) explored brand building in startups (best practices and impact on angel investors' decision-making) and found that by adopting a comprehensive approach to creating a brand and following a set of fundamental principles described in this study, startups could build their company brand using creativity and time instead of money. This study also showed that the company brand directly influences the angel investor's mental evaluation of the startup through the company's image and indirectly through the characteristics of the founding team. A cohesive company brand enhances the enthusiasm, credibility, and reliability of the founding team, all of which are highly valuable to angel investors (Reuter, 2020). Another study (Hämäläinen, 2019) examined the challenges and solutions for startup branding, showing that common challenges for startups often relate to scarce resources. To overcome these challenges, it was suggested that a startup should consider branding as part of its daily operations, devise a strategy, focus on the company brand, and outsource business activities if possible. A framework to support the branding process for startups was proposed, aiming to use a guide for startups at the beginning of branding.

2　Methods and Materials

Since the main goal of this research is exploratory and foundational towards devising an optimal framework, the suitable research strategy for investigating this study is a mixed or combined research strategy. Generally, the overall research design in this study, considering the objectives, subject, and approach of the research, is mixed with a sequential qualitative-quantitative approach, where qualitative data are collected and analyzed first, followed by quantitative data. The priority is usually with the qualitative phase, and quantitative data are used to strengthen the qualitative data.

The target population was 52 managers or representatives of startups in the public services sector, who were all studied due to the small size of the population. The Smart PLS software was used for analyzing quantitative data, testing research hypotheses, and performing structural equation modeling. Confirmatory factor analysis was also used to test the significance of relationships and the fit of the measurement models. Structural equation modeling was used for data analysis and hypothesis testing.

3　Findings and Results

The examination of the sample age shows that 35% of individuals are 40 years and below, 53% between 41 to 50, and 12% above 50 years. The education level of the sample studied in this research indicates that 59% (51 individuals) have a bachelor's degree, and 41% (35 individuals) have a master's degree or higher. Surveys show that 12% of individuals have 5 years and below of experience, 59% between 6 to 10 years, and 29% more than 10 years of experience.

Convergent validity means that the indicators of each construct ultimately provide a suitable distinction in measurement relative to other constructs of the model. In

simpler terms, each indicator should measure only its construct, and their combination should be such that all constructs are well differentiated from one another. With the help of the extracted average variance index, it was determined that all constructs under study have an extracted average variance greater than 0.5. Composite reliability (CR) and Cronbach's alpha have been used to examine the reliability of the questionnaire. All these coefficients are above 0.7, indicating the reliability of the measurement tool. Table 1 shows the indices of convergent validity, reliability, and model fit.

Table 1

Indices of Validity, Reliability, and Model Fit

Latent Variables	AVE	CR	R^2	Cronbach's Alpha	$\sqrt{AVE}$	$\sqrt{R^2}$	GOF
Risk-Taking	0.704	0.905	0.747	0.859	0.815	0.816	0.665
Business Situation Analysis	0.617	0.886	0.648	0.860			
Brand Content Capabilities	0.721	0.886	0.481	0.806			
Brand Organizational Structure	0.678	0.894	0.728	0.841			
Market Orientation	0.743	0.920	0.746	0.885			
Brand Orientation	0.711	0.881	0.553	0.797			
Legal Infrastructures	0.682	0.896	0.687	0.844			
Customer Characteristics	0.618	0.866	0.661	0.794			
Economic Instability	0.810	0.927	0.711	0.882			
Brand Visioning	0.653	0.929	0.812	0.911			
Brand Integration	0.629	0.871	0.430	0.806			
Entrepreneurial Capabilities	0.577	0.872	0.589	0.816			
Brand Positioning	0.629	0.835	0.604	0.703			
Strategic Planning for Branding	0.618	0.887	0.764	0.861			
Brand Value Creation	0.625	0.891	0.790	0.844			
Competitive Advantage	0.750	0.923	0.804	0.889			
Strategic Brand Development	0.653	0.905	0.000	0.885			
Brand Identity Development	0.712	0.934	0.000	0.923			

One type of relationship among latent variables in the structural equation model is based on correlation (congruence). Correlation is a relationship between two variables in a model but is non-directional, and the nature of this type of relationship is assessed through correlation analysis. All coefficients are significant at the 99% confidence level (significance level less than 1%). The higher the correlation coefficient value, the stronger and more intense the relationship between the two variables.

Table 2

Correlation Coefficients and Divergent Validity Index

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	$\sqrt{AVE}$
Risk-Taking	1																		0.839
Business Situation Analysis	0.46	1																	0.849
Brand Content Capabilities	0.62	0.41	1																0.823
Brand Organizational Structure	0.76	0.43	0.63	1															0.862
Market Orientation	0.48	0.4	0.59	0.47	1														0.843
Brand Orientation	0.47	0.4	0.55	0.44	0.79	1													0.826
Legal Infrastructures	0.55	0.58	0.61	0.55	0.57	0.49	1												0.786
Customer Characteristics	0.55	0.55	0.54	0.59	0.54	0.52	0.69	1											0.900
Economic Instability	0.69	0.53	0.65	0.67	0.57	0.56	0.66	0.71	1										0.808
Brand Visioning	0.37	0.26	0.38	0.37	0.36	0.4	0.33	0.38	0.42	1									0.793
Brand Integration	0.4	0.36	0.46	0.4	0.48	0.42	0.44	0.45	0.51	0.21	1								0.760

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Entrepreneurial Capabilities	0.5	0.54	0.43	0.51	0.41	0.4	0.52	0.56	0.57	0.33	0.38	1								0.793
Brand Positioning	0.68	0.47	0.7	0.72	0.59	0.58	0.57	0.6	0.77	0.45	0.51	0.53	1							0.790
Strategic Planning for Branding	0.71	0.5	0.68	0.71	0.6	0.57	0.59	0.61	0.73	0.41	0.52	0.52	0.79	1						0.866
Brand Value Creation	0.57	0.56	0.54	0.56	0.54	0.5	0.6	0.58	0.58	0.31	0.51	0.63	0.62	0.62	1					0.826
Competitive Advantage	0.46	0.55	0.43	0.47	0.36	0.34	0.48	0.53	0.58	0.27	0.4	0.59	0.53	0.57	0.6	1				0.817
Strategic Brand Development	0.66	0.52	0.65	0.69	0.63	0.59	0.58	0.6	0.72	0.38	0.5	0.46	0.72	0.79	0.53	0.48	1			0.732
Brand Identity Development	0.44	0.41	0.38	0.45	0.37	0.37	0.45	0.52	0.52	0.45	0.28	0.6	0.48	0.4	0.5	0.47	0.36	1		0.729

A summary of the results from the path coefficients, the t-value statistics, and the acceptance or rejection of hypotheses' significance is presented in Table 3.

Table 3

Results from Path Coefficients and t-Value for Testing Research Hypotheses

Hypothesis	Path Coefficient (β)	Critical Ratio (t)	Determination Coefficient (R2)	Hypothesis Confirmation	Effect Direction
Causal Factors of Branding -> Entrepreneurial Branding	0.805	26.719	0.648	Confirmed	+
Entrepreneurial Branding -> Value-Based Brand Positioning	0.381	4.873	0.764	Confirmed	+
Contextual Factors -> Value-Based Brand Positioning	0.348	5.240		Confirmed	+
Mediating Factors -> Value-Based Brand Positioning	0.210	3.036		Confirmed	+
Value-Based Brand Positioning -> Startup Performance	0.766	29.960	0.586	Confirmed	+

|t|>1.96 Significant at P<0.05 |t|>2.58 Significant at P<0.01

As observed, all hypotheses have been confirmed at the 95% confidence level.

By calculating all factor loadings between the indicators and constructs of the study and also calculating path coefficients between the variables of the study, the research model is quantitatively detailed in Figure 1.

Figure 1

Final Model with T-values
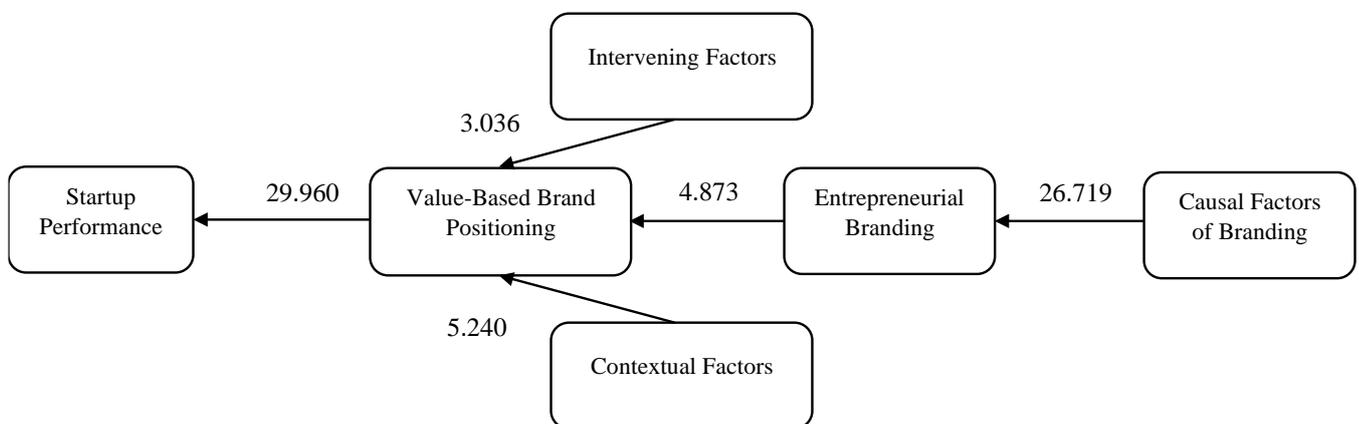
4 Discussion and Conclusion

The results obtained from the structural equation coefficients based on the impact of causal conditions on entrepreneurial branding show a t-value (26.719) for this parameter (according to the 5% error rule in the rejection area for zero hypothesis for values outside the range of 1.96 to -1.96 for each model parameter) is estimated to be outside the range. Therefore, it can be stated that the hypothesis is confirmed with 95% confidence, hence the variable of causal factors has a significant impact on entrepreneurial branding, and the hypothesis is confirmed. Also, the results from the structural equation coefficients on the impact of entrepreneurial branding on value-based brand positioning show a t-value (4.873) for this parameter (according to the 5% error rule in the rejection area for zero hypothesis for values outside the range of 1.96 to -1.96 for each model parameter) is estimated to be outside the range. Therefore, it can be stated that the hypothesis is confirmed with 95% confidence, hence the variable of internal processes has a significant impact on value creation, and the hypothesis is confirmed. This hypothesis' result aligns with the research findings of previous studies (Bresciani & Eppler, 2010; Davcik & Sharma, 2016; Sirotina, 2016). Thus, it is recommended that marketers use brand content processes and capabilities, such as identifying brand's distinct resources, as it can create beneficial and long-term effects in developing entrepreneurial activities.

The results obtained from the structural equation coefficients on the impact of contextual factors on brand-based positioning show a t-value (5.240) for this parameter (according to the 5% error rule in the rejection area for zero hypothesis for values outside the range of 1.96 to -1.96 for each model parameter) is estimated to be outside the range. Therefore, it can be stated that the hypothesis is confirmed with 95% confidence, hence the variable of contextual factors has a significant impact on brand-based positioning, and the hypothesis is confirmed. This hypothesis' result is consistent with the previous research findings (Bresciani & Eppler, 2010; Ghafourian shagerdi et al., 2019; Hämäläinen, 2019; Reuter, 2020). This indicates that if a startup aims to enhance its market position, it should adopt processes that focus on teamwork and customer orientation. The more efficiently and adequately resources are allocated, and the planning unit is active with committed and effective management, the more value creation-based entrepreneurial development is enhanced.

The results obtained from the structural equation coefficients on the impact of mediating factors on brand-based positioning show a t-value (3.036) for this parameter (according to the 5% error rule in the rejection area for zero hypothesis for values outside the range of 1.96 to -1.96 for each model parameter) is estimated to be outside the range. Therefore, it can be stated that the hypothesis is confirmed with 95% confidence, hence the variable of mediating factors has a significant impact on brand-based positioning, and the hypothesis is confirmed. This hypothesis' result is consistent with the previous research findings (Davcik & Sharma, 2016; Ghafourian shagerdi et al., 2019; Sinčić Ćorić & Jelić, 2015). The ability to respond to the market based on customer characteristics creates positive attitudes towards branding. This not only increases performance but also enhances market understanding. However, managers utilizing consultants for gaining experience and experts for better market opportunity utilization and response, as well as employing decentralized approaches such as developing capital, skills, and capabilities for internal environment strengths and weaknesses evaluation, improve value creation development.

The results obtained from the structural equation coefficients regarding the impact of brand-based positioning on the performance of startups show a t-value (29.960) for this parameter (according to the 5% error rule in the rejection area for zero hypothesis for values outside the range of 1.96 to -1.96 for each model parameter) is estimated to be outside the range. Therefore, it can be stated that the hypothesis is confirmed with 95% confidence, hence the variable of brand-based positioning has a significant impact on the performance of startups, and the hypothesis is confirmed. This hypothesis's result aligns with the previous research findings (Bresciani & Eppler, 2010; Davcik & Sharma, 2016; Reuter, 2020). It appears that the reason for confirming this hypothesis, considering that many studies have proven its positive effect, is that companies that have paid attention to entrepreneurial development have maintained a balance between value creation and the promotion of entrepreneurial orientation, which has not escaped the respondents' notice. This indicates that formulating practical strategies, including improving responsiveness, and efficiently and effectively employing this sector leads to strategic brand development in domestic and international markets, which in turn, will lead to an enhanced brand identity. On the other hand, having professional management, marketing experience, resource

commitment, and the utilization of internal information assists in entrepreneurship development.

In light of the results from this study, the following suggestions are offered:

- Through activities based on entrepreneurial orientation, create new value in startups. Create new value for the company through technology change, also create distinctive values compared to competitors, and establish pricing based on the created value rather than the purchasing power of customers.

- Managers are advised to regularly identify the strengths and weaknesses of their competitors, adopt new and innovative processes and products compared to competitors in this direction, and regularly examine their competitors' market capabilities.

- Startup managers are recommended to coordinate personnel, units, and other company resources in a way that they collectively and cohesively engage in value creation for customers in line with the dynamic development of their market and establish agility and market speed systems within their company.

- For future research, it is suggested that researchers replicate the study topic with a comparative approach in different industries such as the banking, insurance, hospitality sectors, etc., and assess the generalizability of the research model in other geographical realms.

- It is recommended that future research investigates the bidirectional relationships between variables - if any.

- Future researchers could also examine the impact of branding consequences on entrepreneurship in startups through the moderating mechanisms of demographic variables.

Authors' Contributions

All authors have contributed significantly to the research process and the development of the manuscript.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

Acknowledgments

We would like to express our gratitude to all individuals helped us to do the project.

Declaration of Interest

The authors report no conflict of interest.

Funding

According to the authors, this article has no financial support.

Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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