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## International Brand Development: Importance Placed on Internal Factors by Sri Lankan Companies

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### Abstract

With increasing globalization and competition, international brand development has become a crucial activity for firms. Although Sri Lankan companies have long been involved in exporting, and in branding for the local market, a few successful international brands have been developed. This research examines the perceptions of employees concerning the importance of internal (intra-organizational) factors in international brand development. A survey was carried out amongst employees in companies which had developed international brands and in those which had not. Key differences and similarities emerged between the two categories. The findings indicate the importance of managers devoting more attention to internal factors, which would be of use in developing international brands.

*Keywords:* Brand Development; International Brand; Local Brand; Internal Factors

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### 1. Introduction

Widely recognized international brands are essential for firms to compete effectively in international markets. With the advent of globalization, many firms have felt the need to develop their brands on an international scale to gain and sustain a competitive edge (Randall, 2004). This view is corroborated by researchers of Asian business such as Chao, Samiee and Yip (2003). Sri Lanka has a rich history of exporting, dating back many centuries. Furthermore, for several decades, the nation has been involved in exporting as a focused method of earning foreign exchange. Concurrently, a number of Sri Lankan companies have developed brands under which they market their products or services within Sri Lanka. Many of these brands are well established, catering to the local market for decades. Sri Lankan firms also produce high quality goods which meet the criteria to be sold under prestigious international labels. In spite of these facts, it is notable that few international brands have been

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developed by Sri Lankan firms. This is at a time when firms from diverse Asian countries have developed internationally renowned brands, as evinced by Samsung of Korea, Legend of China and even Tata of India. Progressing from unbranded raw material exports, Sri Lanka does export some value-added products. However, many are not branded, or are sold under others' brands. There is still no significant move in Sri Lanka towards international brand development. Therefore, it is imperative that research is conducted that would offer some insights useful for firms to overcome this situation. Since the factors external to organizations are common to all business firms in Sri Lanka, it logically follows that internal (intra-organizational) factors should be looked into in international brand development.

## 2. Literature Review

This section reviews literature related to the importance of international brand development, factors affecting international brand development, investigation of internal correlations to international brand development and the empirical settings of the research.

### 2.1 Importance of International Brand Development

It is asserted that products which are offered in a single national market "should generally be viewed as less attractive than products with international or global potential" (Keegan, 2004, p. 333). Increasing the level of exports has been shown to have positive effects, at macro level (Moon and Lee c.1989) as well as at the individual firm level (Czinkota, 1996). There is ample justification for branding of products by exporters (Koh, 1991). Whilst a superior product can yield competitive advantage, this advantage is all too often short-lived as today's products have infamously fleeting life cycles. However, the values connected with a brand can be enduring (Balmer & Gray, 2003). From a consumer's perspective, a brand provides a visible representation, of difference between goods, and from a company's perspective, a successful brand enables maintenance of high levels of consumer acceptance, in the face of considerable competition (Nandan, 2005). Moreover, strong brands are essential to a company's survival and growth (Randall, 2004). As such, there is a critical need for organizations to create their own brands that distinguish them internationally (Machado & Fernandes, 2004).

### 2.2 Factors Affecting International Brand Development

The work of Cheng, Blankson, Wu and Chen (2005) shows a number of stages that a firm may go through before developing an international brand. But many firms do not follow these stages. Most Asian firms continue to serve primarily as subcontractors to foreign firms. They manufacture high quality products but under other well-known brands. This is pointed out by Chao et al. (2003), and is true even of many well-regarded firms in Sri Lanka. However, exporters who perceive their product to be unique tend to use their own brand-name in a brand-name labelling strategy. Such exporters realize the importance of building up brand awareness and brand loyalty (Koh, 1991).

With increasing competition, as Kapferer (1997) points out, the local company - even if positioned in a niche - may not have a clear alternative other than to develop international brands. His (1997, p. 337) assertion that geographical extension of the brand is "an essential condition in the race for survival" is even more significant now. Nevertheless, brands are still a novel territory for many companies and have been neglected as strategic assets (Urde, 1999). When managers are alerted to internal considerations, they can develop more powerful brands. However, the literature on brand management has placed more emphasis on external rather than internal issues (de Chernatony, 1999).



### 2.3 Investigations of Internal Correlations to International Brand Development

There is a scarcity of research on international brand development, particularly which consider internal factors. This is in spite of studies in existence which attempt to identify internal factors behind new product development (e.g. Subramaniam, Rosenthal & Hatten, 1998) and which induce firms to move towards increasing exports (e.g. Moon & Lee, c. 1989; Yeoh, 2005). Even in studies on export development, although it is known that a firm's internal and external environment can influence managers' decision whether to export (Aaby & Slater, 1989), Koh (1991) asserts that until his study of US firms, no attempt had been made to empirically link organizational factors and export marketing strategy. Although there have lately appeared a few discourses on the importance of ability and motivation of management in export behaviour of firms (e.g. Yeoh, 2005), these have not gone into the context of international brand development. Those that do appear (e.g. Cheng et al., 2005) do not delve into internal factors. Thus, the manner in which Asian firms create international brands remains a critical research issue (Chao et al., 2003).

### 2.4 Empirical Setting of the Research

The presence of international brands from Asia remains limited. The reason for this is in part historical (Chao et al., 2003). In Sri Lanka, the economic landscape, which is difficult to separate completely from the political landscape, is characterized by uncertainty, with regular changes in regime, sometimes with almost diametrically opposed policies. In this scenario, factors such as political instability, as well as stringent labour laws governing hiring and firing, minimum wages, and compensation, have long been cited as excuses for shortcomings (USAID, 1998). Whilst it may be viewed that the economy of the country is not performing adequately well, some companies have managed to continue the success of their brands. This shows the distinctive nature in management of brands (Sri Lanka Institute of Marketing, 2005). These observations are in line with statements by business leaders emphasizing that more Sri Lankan companies must develop international brands. For example, Chairman of Singer Sri Lanka Hemaka Amarasuriya (LMD 2004, p.61), states that, for the number of international brands from Sri Lanka to increase, "entrepreneurs must think outside the box."

However, in searching the literature pertaining to international brand development, ranging from international academic journals to institutional literature (e.g. Sri Lanka Export Development Board, 2004) no studies were found analysing intra-organizational factors. Of the few studies that have an element of empirical investigation, majority are limited to interviews with consultants (e.g. Vallaster & de Chernatony, (2005). The available research is mostly from North America and Europe. Any discussion on Asian managers' attitudes toward international branding initiatives needs to be validated with empirical research. Therefore, a study of this nature would address a research gap and also provide insight into the management practices in Sri Lanka.

## 3. The Present Study

This study looks at companies in Sri Lanka which have developed international brands and those which have developed local brands only. It is pertinent to clarify what is meant by international brand in this context. Thus, after perusing the literature on international and global brands, discussing with academics and practitioners as to the exact definitions in the context of such a study and keeping in mind the commercial and practical reality in the context of companies in Sri Lanka, a number of definitions were used for this study. Accordingly, for the current study an international brand company is a company in Sri Lanka which has developed an international brand which markets one or



more products/services under its own brand/s in one or more countries outside Sri Lanka. Correspondingly, a local brand company is a company in Sri Lanka which has developed a local brand only, which markets one or more products/services under its own brand/s only within Sri Lanka.

This study was intended to examine the importance placed on internal or intra-organizational factors in international brand development. At the preliminary stage, the informal interviews conducted with middle and top level managers and consultants, showed discernible disparity between management in organizations which had developed international brands and in those which had not, in terms of the importance placed on internal factors in developing international brands and perceptions on the relative importance of external and internal factors in this regard. There is a dearth of research and models on internal factors affecting international brand development. After critically reviewing the literature and through insights gained from preliminary discussions with academics and practitioners, the following hypotheses were developed.

$H_1$ : Employees in companies which have developed international brands believe more strongly that internal factors are important in international brand development, than do employees in companies which have developed solely local brands.

$H_2$ : Employees in companies which have developed solely local brands believe more strongly that external factors are more important than internal factors in international brand development, than do employees in companies which have developed international brands

#### 4. Methodology

Triangulation and the use of multiple methods, a description of participants and field setting of the research and measurement are discussed under Methodology.

##### 4.1 Triangulation and the Use of Multiple Methods

Two major advantages exist in employing multi methods in a particular research endeavour. Firstly, different methods may be used for different purposes within a particular study. Also, using multiple methods facilitates triangulation. Triangulation was achieved through primary data obtained from diverse organizational actors, across different functions and management levels, using multiple methods of data collection.

The questionnaire developed by the researcher was the main survey instrument. It was essentially quantitative and was pre-tested and corrected for design errors. Secondly, semi-structured personal interviewing using interview guides were done. This data obtained using the research instruments was complemented by informal, extended discussions with managers on the main themes of study, which were conducted outside the organizational settings. In order to confirm the validity of the study process, triangulation was thus used. It allowed for the collection of data from a number of different sources, thus substantiating the findings and conclusions made in the study. For example, the researcher was able to show interim notes to interviewees to verify the contents, thus aiding triangulation of the findings. By so doing, the evidence converged, as specified by Gummesson (2005) and Yin (1994).

##### 4.2 Description of Participants and Field Setting of the Research

The questionnaire was distributed to employees in 14 purposively selected companies, in both manufacturing and service sectors. The companies comprised six which had developed international brands (referred to as international brand companies) and eight which had developed local brands



only (referred to as local brand companies). A total of 237 responses was obtained from employees, comprising 120 in local brand companies and 117 in international brand companies. At many of the companies the questionnaire was personally administered by the researcher, facilitating a high response rate of 87.59% and 88.63% in local brand companies and international brand companies, respectively. Twelve firms were from the private sector and two from the public sector. The companies participating in this study were not only those based in the Western province, but included those in the North Western, Sabaragamuwa and Uva Provinces, in Colombo, Gampaha, Kurunegala, Ratnapura and Moneragala districts.

Purposive sampling enables the selection of cases which will best enable the researcher to answer the research questions and meet the research objectives. Moreover, it is often used when it is wished to select cases which are particularly informative (Neuman, 2000). Accordingly, the companies which participated in the study were selected through purposive sampling, after discussing with academics and experts in order to obtain rich and illustrative cases. Within each research site or company, the number of respondents who could answer the questionnaire was specified in some cases, and was random in others.

#### *4.3 Measurement*

The respondents were asked about their perception regarding internal factors influencing international brand development by a company. Firstly, to measure respondents' perception of the importance of internal factors in this regard, they were asked to indicate their degree of agreement /disagreement with the statement that internal factors were important for a company to develop an international brand. A five point Likert scale was utilized, with 5 = Strongly Agree to 1 = Strongly Disagree.

Next, respondents were asked what their perceptions were of relative importance of external factors, compared to internal factors. Respondents were asked to indicate their degree of agreement /disagreement with the statement that **external** factors are *more* important than **internal** factors for a company to develop an international brand. Again, a five point Likert scale was used, with 5 = Strongly Agree to 1 = Strongly Disagree.

### **5. Findings**

Findings cover employees' perceptions regarding importance of internal factors and the relative importance of external factors compared to internal factors, respectively in international brand development.

#### *5.1 Employees' Perceptions Regarding Importance of Internal Factors in International Brand Development*

With regard to the first question, almost all of the respondents in both local brand companies and international brand companies strongly agreed that internal factors were important. None disagreed that internal factors were important, as can be seen in Table 1. To examine whether there was a significant difference between local brand companies and international brand companies with regard to importance placed on internal factors, the mean scores for this question were subjected to a two-independent-sample t test. Thus, at 99% confidence level it could be said that there was a significant difference between local brand companies and international brand companies in this regard. Employees in international brand companies placed a significantly higher importance on internal factors affecting international brand development than did the employees in local brand companies.



**Table 1**  
**Employee Perceptions Regarding Importance of Internal Factors- Local Brand Companies Vs. International Brand Companies**

Degree of respondents' agreement/disagreement that internal factors are important	Local brand companies		International brand companies	
	n	%	n	%
Strongly agree	107	89.17	114	97.44
Agree	12	10.00	3	2.56
Uncertain	1	0.83	-	-
Disagree	-	-	-	-
Strongly disagree	-	-	-	-
Total	120	100	117	100
Mean score	4.88		4.97	

Notes: Strongly Agree = 5, Strongly Disagree = 1

t value = 2.605, Significance (one-tailed) = 0.005,  $p < 0.01$

### 5.2 Employees' Perceptions Regarding Relative Importance of External Factors Compared to Internal Factors

It could be opined that external factors are more influential than internal factors in determining whether a company develops an international brand. Therefore, to examine this, employees were asked to indicate their perception of the relative importance of internal and external factors for a company to develop an international brand. They were asked to state their degree of agreement/disagreement with the statement whether external factors were more important than internal factors in this regard. In this case, there was a difference between local brand companies and international brand companies (Table 2). In local brand companies, the majority of respondents strongly agreed that external factors were more important and almost none disagreed. However, in international brand companies almost three fifths strongly disagreed with this view, and more than a quarter disagreed. That is, more than 87% either disagreed or disagreed strongly that external factors were more important than internal factors for a company to develop an international brand. At 99% confidence level it could be said that there was a significant difference between respondents in local brand companies and in international brand companies in this regard. Employees in local brand companies

**Table 2**  
**Employee Perceptions of Relative Importance of External Factors - Local Brand Companies Vs International Brand Companies**

Degree of respondents' agreement/disagreement that external factors are more important than internal factors	Local brand companies		International brand companies	
	n	%	n	%
Strongly agree	106	88.33	2	1.71
Agree	11	9.17	5	4.27
Uncertain	2	1.67	8	6.84
Disagree	1	0.83	32	27.35
Strongly disagree	-	-	70	59.83
Total	120	100	117	100
Mean score	4.85		1.61	

Notes: Strongly Agree = 5, Strongly Disagree = 1

t value = 34.212, Significance (one-tailed) < 0.0005,  $p < 0.01$



placed a significantly higher importance on external factors as against internal factors in international brand development, than did the employees in international brand companies.

## 6. Discussion

With regard to employees' perceptions of the importance of internal factors, it is striking that there was almost unanimous agreement in both local brand companies and international brand companies that internal factors are important for a company to develop an international brand. This shows that amongst employees there is wide recognition of the importance of internal factors. However, there was a significant difference between the two categories of companies, in that employees in international brand companies placed a significantly higher degree of importance on internal factors. In local brand companies, respondents believed that external factors were more important than internal factors in developing international brands. In contrast, employees in international brand companies had the opposite view, with the vast majority of respondents in these companies believing that internal factors were more important.

These insights were substantiated in the interviews. Many in the local brand companies believed that external rather than internal factors were important in international brand development. External factors in the national environment such as changes in tax methodology, trade policy, energy prices, inadequate infrastructure, lack of access to expertise and insufficient state support, were all cited as reasons for their inability to develop international brands. Global factors such as economic trends, fuel price fluctuations, and trade barriers were viewed as exacerbating this situation. For example, a Director Sales of a local brand company queried, "How can you expect our companies to develop international brands when there has been no active policy to support them?" Likewise, in another local brand company, the Vice-President of Marketing noted, "With such an unpredictable situation and changes in economic policy, it's difficult to keep even a local brand afloat." A Marketing Manager stated that "There's not much purpose in gazing at internal factors in international brand development because frankly, we're at the mercy of external factors. So we can't really compete internationally. Even if our national environment were fairly conducive, we're still very sensitive to changes in the international context, like the next fuel hike."

In the international brand companies, however, many disagreed that external factors were more important than internal factors. For instance, the Director- Human Resources in an international brand company stated, "I don't believe that external factors are more important – it's the opposite. Even if the external environment is stable, international brand development won't happen if the company's internal environment is not sound." Similarly, a Director Sales emphasized that companies in Sri Lanka should "stop giving excuses" about the external environment for not developing international brands, stating that "Our brands are good enough to go international. It takes determination." Hence, the findings highlight the fact that employees in the international brand companies believe that internal or intra-organizational factors are more important than external factors in developing an international brand.

## 7. Managerial Implications

The preceding findings offer insight into the views of employees on the significance of internal factors in international brand development. Obstacles both real and perceived often impede firms; many managers see only the risk involved in international brand development rather than the opportunities. External factors have widely been cited as reasons for not developing international brands. It is however a point to note that, in spite of all the aforementioned drawbacks, certain



entrepreneurs and firms in Sri Lanka have managed not only to survive, but also to thrive. They have succeeded in developing international brands. There are success cases of brands initiated by Sri Lankan companies which have penetrated international markets, with some considered as flagship brands.

A striking difference which emerged is that, in international brand companies, the majority of employees disagreed that external factors were more important in affecting whether a company develops an international brand. This is borne out by the fact that they work in companies which have succeeded, despite the external environment, to develop international brands. Thus they seem to accept more responsibility for the internal factors which could affect this situation.

## 8. Conclusion and Direction for Further Research

Some companies in Sri Lanka have persisted and overcome vagaries and impediments in the external environment common to all business firms in Sri Lanka, and succeeded in carrying their brands into markets overseas. The research reveals that these firms placed a high degree of weight on internal factors. Through this study, knowledge has been uncovered on views of business people and existing managerial practices in a wide range of business firms in Sri Lanka. These highlight the importance of managers devoting more attention to internal factors, which would be of use to them in developing international brands. It is hoped that through the findings of this research, companies in Sri Lanka which have not yet developed an international brand in specific, and business firms in general, have gained insight into the importance placed on internal factors, as seen by the key stakeholders-employees themselves. It is the earnest wish of the researcher that the findings of this study would be useful to them to develop international brands thus bringing wealth and development to Sri Lanka.

With the backdrop of scarcity of studies even in the international domain, it is hoped that, at this early stage, this work would serve as a platform for future research. This study is confined to managers (at top and middle management levels) and executives. Future research could examine the views of other employees and stakeholder groups. Responses could be analyzed across management levels and functional orientations. Further, the study could be extended to other countries.

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