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Institutionalized place branding strategy, interfirm trust, and place branding performance: Evidence from China☆

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ABSTRACT

This study investigates the relationships among institutionalized place branding strategy, interfirm trust, and place branding performance. Findings indicate that each of the institutionalized place branding strategies (regulatory, normative, and cultural-cognitive) has positive effects on interfirm trust. The relative predictability of these dimensions on interfirm trust also falls into a particular order: Normative is most predictable, followed by cultural-cognitive, then regulatory. Cultural-cognitive strategy can not only directly drive interfirm trust but also negatively moderate the effects of regulatory and normative strategies on interfirm trust. Finally, interfirm trust has a positive effect on place branding performance. These results altogether provide valuable insights into the effect of institutionalized place branding strategies on interfirm trust, which encourages firms to be collaboratively involved in place branding strategies.

1. Introduction

Unbalanced economic development arising from the uneven strategic resource endowments has led to increasingly fierce competition among cities, regions, and countries. Place branding, which enables a city, region, or country to be distinguished from their competitors – similar to marketing strategies for consumer products – has become a crucial part of regional development (Kaplan, Yurt, Guneri, & Kurtulus, 2010; Pike, 2009). For example, "Jingdezhen: China's Porcelain Capital", "Switzerland: Kingdom of Clocks", or "Hollywood: Global Film Center" are world-renowned, powerful place brands that lend significant competitive market advantages and positive economic performance. However, the Horsemeat Scandal of 2013 shattered consumer confidence in European brands, for example. Swill-cooked Dirty Oil in 2014 substantially impacted Taiwanese brands. The Volkswagen Exhaust Scandal in 2015 created a German brand crisis, and Mitsubishi"'s 2016 Fuel Test Scandal severely influenced the brand image of Japanese automobiles. Ample anecdotes testify that discrediting and/or opportunistic behavior on the part of firms, particularly leading firms, tends to cause significantly negative effects on the entire surrounding region's brand images and economy. Thus, scholars in this field increasingly stress the importance of interfirm collaboration at the city, region, or national level to sustain place brands (Kavaratzis & Hatch, 2013; Pasquinelli, 2014).

This study investigates how institutionalized place branding strategies enacted by the government can establish interfirm trust, which is the cornerstone for interfirm cooperation, and then enhance place branding performance. Specifically, this study attempts to address two research questions: (1) What are the dimensions of the institutionalized place branding strategy and how they build interfirm trust accordingly? and (2) How can interfirm trust enhance place branding performance? To answer these research questions, this study investigates the role of institutionalized place branding strategy in promoting interfirm trust and branding performance based on subdimensions of regulatory, normative, and cultural-cognitive place branding strategies.

The theoretical contributions of this study are two-folds. First, it finds that institutionalized place branding strategies (e.g., regulatory, normative, and cultural-cognitive) can effect interfirm trust, which, through interfirm cooperation in the region, enhances place branding performance. Second, this study also finds that Cultural-cognitive strategies negatively moderate the effects of regulatory and normative strategies on interfirm trust, which implies that the government should enact policies that ensure the fit between the regulations and local cultures.

2. Conceptual model and hypotheses

2.1. Conceptual model

Marketing researchers believe that a geographic location such as a city can build a brand in a way similar to a product or service; the

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name of the location typically serves as the brand name (Keller, 1998; Kotler, Haider, & Rein, 1993). "Place branding" is defined as a process of forming a series of unique associations with the place through presenting the functions, emotions, relationships, and strategic elements to the public (Anholt, 2010; Kavaratzis, 2005). An effective place branding strategy should be able to not only build a promise to the external world, but also to establish belongingness and goal-sharing related to the location. This creates an overarching expectation of endorsement that tacitly encourages local firms to get involved in the place branding regime, thus forming a "cultural community" that grows and solves problems collaboratively through trust, resource-sharing, and cooperation (Kavaratzis & Hatch, 2013).

In this sense, interfirm trust, which leads to interfirm cooperation within the location, is the foundation for establishing a place brand. Trust is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action in favor of the trustor, irrespective of the trustor's ability to monitor or control the trustee (Mayer, Davis, & Schoorman, 1995). Such a flexible governance mechanism can serve to cement relationships among firms thus improving the efficiency of their collective actions (Luhmann, 1979). However, given the market uncertainty and competition, it is difficult for a firm to make a "benevolent" judgment of another firm to work together to build a place brand that actually overarches their common interest. According to Zucker (1986), trust may also emerge from an institutionalized arrangement that provides assurance for cooperation. This study proposes a concept of institutionalized place branding strategy, which, to this effect, can guarantee interfirm trust and cooperation in order to build a strong place brand.

Institutions serve as a kind of power that an organization takes its shape by material resources (e.g., technology) as well as by social and cultural systems (e.g., norms, cultures, and shared beliefs). Its persistence stems from the regulatory, normative, and cultural-cognitive pillars (Scott, 2008). An institutionalized place branding strategy defines its scope based on such regulatory, normative, and cultural-cognitive dimensions accordingly, and can provide guarantees for firms to develop trust therewith. The regulatory place branding strategy, based on the legal restraints, describes what an organization can or cannot do (Scott, 2008); it provides legal guarantees for the firms within a region at the government level, thus preventing firms from engaging in opportunistic behavior (which allows firms to trust that other firms will not engage in such behavior). The normative place branding strategy depicts the requirements for the fulfillment of goals, visions, beliefs, values, rules, and social expectations; it dictates, simply, what people should do or should not do (Eden & Miller, 2004; Scott, 2008). It provides a normative guarantee for the firms at the industrial level, further enabling the firms to trust that other firms will not engage in illicit behavior. The cultural-cognitive place branding strategy describes its root in the shared knowledge, conventions that are "taken for granted" and customs within a specific industry (e.g., managerial practices) as shaped by external cultural frameworks. This also relates to business knowledge that has developed over time through repeated social interactions and is rooted in cultural concepts unique to the region (DiMaggio & Powell, 1983; Kostova & Roth, 2002; Scott, 2008). The conceptual model which includes the above three dimensions is presented in Fig. 1.

2.2. Research hypotheses

2.2.1. Institutionalized place branding strategies and interfirm trust

A regulatory institution stems from formal or informal pressures imposed by other organizations or social cultural expectations and is responsible for mandatory violence, rewards and punishments, and strategic equity responses (Scott, 2008). A society typically has its general cognition and awareness of behavioral expectations in regards to regulations and laws. Businesses and other organizations falling under the regulatory institution also must abide by the law; sanctions are available if the law is violated (Luhmann, 1979). The regulatory place branding strategy functions to deter firms from misconduct via supervision (and punishment, if necessary) according to laws and regulations, thus providing a structurally sound, predictable business environment (McKnight, Cummings, & Chervany, 1998) and promoting transactional integrity (Cai, Jun, & Yang, 2010). As constitutors of regulations and laws, as well as the distributor of resources, governments may compel firms to follow certain strategic goals through legal resources, thus establishing interfirm trust in a sense that firm will behave properly in the collaborative environment (Anderson, 2007; Cai et al., 2010). For instance, China promulgated a series of regulations to strengthen the supervision of dairy products after the Toxic Milk Power Scandal in 2008 in an effort to rebuild the country's trust in the dairy industry. To sum up, a regulatory place branding strategy can provide legal protection for the firms within the region being branded at the government level, thus enabling the firms to trust that their partners will not engage in opportunistic behavior.

H1. In the context of place branding, regulatory place branding strategy has a positive effect on interfirm trust.

Normative institutions include values represented by rules of thumb, professional standards, and operational procedures collectively made by members of an industry as a result of self-governance (DiMaggio & Powell, 1983; Scott, 2008). They require that firms behave in accordance with social norms to function in harmony with society; there are social or industrial organizational sanctions for those who violate these norms (DiMaggio & Powell, 1983; March & Olsen, 1989). Normative institutions are mainly manifested as industry associations and professional organizations. They can strengthen interfirm trust and collaboration through establishing and endorsing social responsibilities. Although these industrial organizations usually lack regulatory power, they possess social power. Normative institution factors, such as industry associations, economic system structures, product certification criteria, and community norms and processes help to build and maintain interfirm trust (Bachmann & Inkpen, 2011). For instance, not

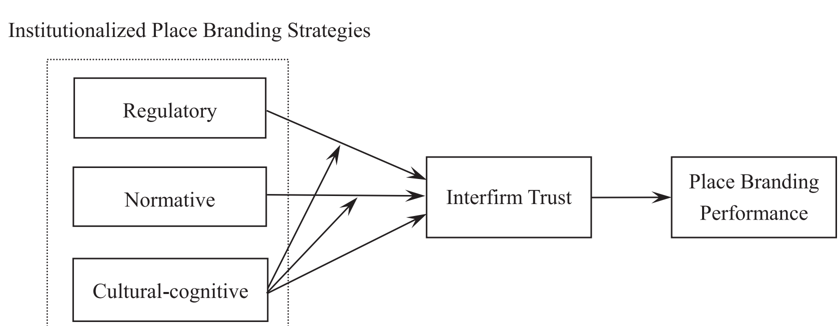

Fig. 1. Conceptual model.