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## TABLE OF CONTENTS

### PART I – STRATEGY AND GROWTH

**Impact of Organizational Culture on Trust and Commitment in International Joint Ventures (IJVs): An Empirical Investigation**
Sameer Vaidya, Texas Wesleyan University

**Five Propositions Regarding Scenario Planning’s Problematic Claims**
Pedro S. Hurtado, Texas A&M International University
Jyotsna Mukherji, Texas A&M International University
Ananda Mukherji, Texas A&M International University

**The Network for Manufacturing Innovation: A “Tipping Point” in U.S. Research and Development Policy?**
Thomas A. Hemphill, University of Michigan-Flint

**Implications of Technological Advancement in Global Competitive Market Capital Structure of Manufacture and Services Sector in Mexico: Panel Data Analysis**
Juan Gaytan-Cortes, University of Guadalajara
Joel Bonales-Valencia, Universidad Michoacana de San Nicolas de Hidalgo
Antonio de Jesus-Vizcaíno, University of Guadalajara

**Micro Level Competitiveness of Manufacturing Export SMEs from Michoacan, Mexico and Jaen, Spain between 2008 and 2010**
Andrea Tafolla Manzo, Universidad Michoacana de San Nicolas de Hidalgo
Odette Delfin Ortega, Universidad Michoacana de San Nicolas de Hidalgo

**Comparative Analysis of Right to Try Access to Innovative Emerging Healthcare Technologies**
John C. Cameron, Pennsylvania State University

**The Impact of Environmental Uncertainty, Strategic Marketing Activities And Strategic Orientation on the Financial Performance of Entrepreneurial Firms**
Jyotsna Mukherji, Texas A&M International University
Ananda Mukherji, Texas A&M International University
Pedro S. Hurtado, Texas A&M International University

**Growing a Firm’s Resource Base Over Time**
Michael L. Pettus, Susquehanna University

**An Analysis of Export Specialization and Competitiveness in the Indian Sugar Industry**
Sheetal, Guru Jambheshwar University of Science and Technology
Rajiv Kumar, Jambheshwar University of Science and Technology
Evaluation of Cluster Competitiveness: Review, Framework and Methodology
Pragya Bhawsar, National Institute of Industrial Engineering
Utpal Chattopadhyay, National Institute of Industrial Engineering

America and China in Africa: Future Competition or Cooperation?
Larry Bridwell, Pace University

The Success of Global Supply Chains: An Exploratory Analysis
Prashanth N. Bharadwaj, Indiana University of Pennsylvania

Brand Value and its Effect on the Financial Performance in the Mexican Stock Market's Food-Processing Industry
Jose Sanchez-Gutierrez, University of Guadalajara
Gloria Yaneth Zapari-Romero, University of Guadalajara
Juan Gayton-Cortes, University of Guadalajara
Jorge Pelayo-Maciel, University of Guadalajara

A Study on Brand Strength Analysis
Upasana Diwan, Birla Institute of Technology
D.D. Chaturvedi, Shri Guru Gobind Singh College of Commerce

Drivers’ Impact on Entrepreneurs to Start a New Business: A Comparative Study between Egypt and the U.A.E.
Sayed M. El Khondy, Ain Shams University
Mohamed AbdElDayem, Ain Shams University

PART II – TRADE AND ECONOMIC ISSUES

Genetically Engineered Food and Genetically Modified Organisms
Omid Nodoushani, Southern Connecticut State University
Jayme Sintay, Southern Connecticut State University
Carol Stewart, Southern Connecticut State University

The Green Energy Sector
Omid Nodoushani, Southern Connecticut State University
Isaline Van den Abbeele, Southern Connecticut State University
Carol Stewart, Southern Connecticut State University

Trans-Pacific Partnership – Commentary
Suhail Abboushi, Duquesne University

Relationship between Economic Freedom and Stages of Development
Sayed EL/Sayed ELKhondy, Ain Shams University
Mohamed Gamal Amer, Asec Automation, Egypt

Trends in the Motion Picture Industry Provide Opportunities and Challenges For Accountants: Tax Credits, Crowd Funding, and Global Partnerships
Linda A. Hall, The State University of New York at Fredonia
Jayanti Bandyopadhyay, Salem State University
Heather Mowat, The Bonadio Group

Forward Contracts: Islamic Salam versus Conventional Call Options
Osman Suliman, Millersville University of Pennsylvania

PART III – DEVELOPMENT AND CHANGE
Brand Value and its Effect on the Financial Performance in the Mexican Stock Market’s Food-Processing Industry

Jose Sanchez-Gutierrez, University of Guadalajara
Gloria Yaneth Zapari-Romero, University of Guadalajara
Juan Gaytan-Cortes, University of Guadalajara
Jorge Pelayo-Maciel, University of Guadalajara

EXECUTIVE SUMMARY

Today, the commercial value of a company exceeds the book value in accounting terms; this is an indication of the brand value. To measure the effect of branding strategies on financial performance represents a challenge and a valuable activity for making business decisions in a competitive global environment. This research proposes a measurement that considers the Mexican corporate stock market for the food-processing industry.

Keywords: Brand Equity, Brand strength, Brand valuation

INTRODUCTION

As intangible assets are becoming more relevant for companies, they are seen as key elements for managing companies in order to improve their market share (Enriquez, Revah, Cruz, & Romero, 2010).

Consulting companies have developed models to measure brand value in order to offer them to enterprises that need to know how much their brand is valued and to establish their commercial value in order to facilitate decision-making for marketing strategies, as well as to acquire and/or merge companies more effectively, thereby achieving a more solid growth both locally and globally. Creating models that fit all sectors is a challenge, as a series of factors have to be considered. However, identifying the brand effect on financial performance is part of the development of competitive advantage and therefore continuous business growth.

LITERATURE REVIEW

According to Kotler (2009), a brand can be defined as a name, term, sign, symbol or design, or any combination of these, and helps to identify the goods or services from one seller or group to another and to differentiate them from their competitors. For many theorists of marketing, this definition has a clear emphasis on the financial potential through intangible assets (Keller, 2009); that is, the brand must be considered not only as the iconic image of the organization, but as an asset that provides monetary value.

This new wave has generated branding techniques that have become a reality in organizations; however the concept has long existed in a practical way and in real terms. The purpose is to generate value in the product or service from the brand and the impact on the assessment that the consumer makes acquiring them (Hillyer & Tikoo, 1995). For branding, many organizations add elements that provide key attributes that favor the growth of their own brand value (Kalpesh & Kevin, 2002), making the brand exceed the company and becoming a benchmark of end users before they decide to purchase, generating more defined patterns about customer reaction at a time and in a much more predictable space (Lury, 2004). But
mainly, what makes a brand a valuable asset is the equity that can represent consumers due to the construction of internal added value attributes given to it (Dioko & So, 2012).

The past two decades have strategically shaped branding, so that the foundation is not only of value creation, but a cohesion of objectives where the brand is the result of a combination of departmental efforts in a company (Horan, O'Dwyer, & Tierman, 2011). However, these departmental efforts must take into account the constraints and adverse conditions generated from inside and outside of organizations (Wong & Merrilees, 2005), so a strong brand communication strategy is undoubtedly required to develop strategic bridges that promote a positive perception of all involved in intentionality brand. Therefore, companies have understood that brand building’s only real purpose is to increase sales of a product or service generated (Calabro, 2005). These organizations may take into account extrinsic factors to build a more powerful brand that increases sales, provides financial stability and improves competitiveness in the market.

BRAND VALUE

The intense rivalry situation is very important, not only to outperform competitors but also to create a product that has a completely unique value (Virvilaitë & Jucaitytë, 2008). Knowing the most feasible strategies to achieve organizational goals through the brands is undoubtedly one of the most analyzed and exploited topics (Chu Keh, 2006).

According to Haigh (2010), the intention knowing the brand’s monetary value is based on increasing the market share of the company. It is in this way that some organizations have devoted their efforts to establishing a methodology to measure how the product and the brand are related and affect the market value of a company (Ruenmon & Pattaratanakun, 2012).

METHODOLOGY

It is important to analyze the quality of data and the sources. This applies also to the statistic process, regardless of whether a descriptive or inferential study shows people’s opinion, as the responses and interpretations are as extensive as the techniques and procedures used to arrive at those results (Tukey, 1962). Because of this, the instrument used must have a scale where consumers show their feelings in terms of numbers, thus the ability to display the probabilistic trends as expressed on the brands analyzed.

Prior to developing the questionnaire, it was necessary to identify the brands in the food sector that would be part of this investigation. The three basic criteria used to select brands and analyze them were:

1. The active securities companies that are trading from 2000 to date. Information available on the website of the Mexican stock market were analyzed.
2. Companies considered in the transformation and food industry.
3. The companies must be without interruptions in the stock market during the study period.

Information was derived from the first quarter of 2014, where the financial statements published of the organizations studied was located, being the most recent and closest to the application of market survey data.

The organizations of the food-processing industry, which according to their positioning in the market, empirical recognition and retention in the stock market were considered as objects of direct study, are:

a) INDUSTRIAS BACHOCO S.A.B. DE C.V.
b) FOMENTO ECONÓMICO MEXICANO S.A.B. DE C.V.
c) GRUPO BAFAR S.A.B. DE C.V.
d) GRUPO BIMBO S.A.B. DE C.V.
e) GRUPO MODELO S.A.B DE C.V.
f) GRUPO INDUSTRIAL MASECA S.A.B DE C.V.
g) GRUPO MÍNSA S.A.B. DE C.V.
h) GRUPO HERDEZ S.A.B. DE C.V.

These companies are based in Mexico, have investments in the country and provide stock capital for Mexican investors through national securities institutions. 888 surveys where applied and the questionnaire used the Likert scale.

ANALYSIS AND DISCUSSION

Cronbach’s alpha is a coefficient that measures and determines the calculated internal consistency reliability (Gliem & Gliem, 2003). The results can be seen in Table 1.

**TABLE 1: QUESTIONNAIRE RELIABILITY TEST**

<table>
<thead>
<tr>
<th>Cronbach’s alpha</th>
<th>Surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>.969</td>
<td>888</td>
</tr>
</tbody>
</table>

The result of Cronbach’s alpha can be interpreted as the estimated internal consistency. Considering that it is only a proportion of the variance, the study was defined as the actual estimated variance. As expressed by Brown (2013), the ranks ranged from 0.00 to 1.00, meaning unreliable or very reliable respectively. Thus, Cronbach’s alpha for this study was 0.969, which in real terms means that 96.9% of the variables were random and reliable,

Hypothesis 1. The market perspective on the brand value impacts positively on the ROI.

The hypothetical construct proposed that consumer perspectives on brand value, impact positively on the return on investment, referring directly to corporate data studied and published in the Mexican Stock Exchange during the first quarter of 2014. The analyzed variables were:

- **Independent variable:**
  - Market perspective – Brand value

**INDICATORS**

- Brand awareness
- Quality Perception
- Brand positioning
- Brand identity

- **Independent variable:**
  - Financial perspectives – Financial performance

**INDICATORS**

- Return on investment (ROI)
- Return on sales (ROS ó RSV)

For the relevance of this study, an initial factor analysis of the items in each of the groups that make up the variable brand equity in order to obtain only those who will be most representative was made and thereby got the best elements to contrast against Return on Investment (ROI) and return on sales (ROS), shown in Table 2:

Table 2 shows that only the four best responses, this is one for each group that makes brand value taken, shows that the values were grouped, ascending to descending, so that it was possible to contrast values against the return on investment (ROI) in order to generate a linear regression showing how it behaves in each case and thus obtain a result for the hypothesis.
### TABLE 2: FACTORIAL ANALYSIS OF THE MOST REPRESENTATIVE FACTORS

<table>
<thead>
<tr>
<th>KEY</th>
<th>ITEM</th>
<th>VARIABLE</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>I am familiar with the following corporate brand.</td>
<td>Brand awareness</td>
<td>0.0581</td>
</tr>
<tr>
<td>D2</td>
<td>This Brand is attractive</td>
<td>Brand attractive</td>
<td>0.0459</td>
</tr>
<tr>
<td>E1</td>
<td>This Brand give me status</td>
<td>Value related to competition</td>
<td>0.0219</td>
</tr>
<tr>
<td>C3</td>
<td>The probability that this Brand products are reliable is high</td>
<td>Products reliability associated with corporate branding</td>
<td>0.0135</td>
</tr>
</tbody>
</table>

Hypothesis 2. Brand awareness is the factor with more return on sales impact.

For this hypothesis, the same criteria was used, like in Hypothesis 1. The most representative items were compared with the return on sales obtained from data published by the Mexican Stock Exchange considered.

The results are:

- $H_1$ - rejected
  
  \[
  \text{ROI} = 0.035 - 0.002 \text{Awareness} + 0.001 \text{Quality} - 0.001 \text{Positioning}
  \]

Note that in the above result, variable identity is not presented because it did not reflect significance. The result reveals that the only indicator that impacts positively on the return on investment (ROI) is the perception of product quality, as the other indicators are negatively impacted. This indicates that consumers perceive the better the quality of food produced and/or marketed by the brands analyzed, the greater the effect on the profitability of their companies.

- $H_2$ - accepted
  
  \[
  \text{ROS} = 0.102 + 0.004 \text{Awareness} + 0.001 \text{Quality} - 0.002 \text{Positioning} - 0.001 \text{Identity}
  \]

This result shows that brand awareness is the indicator with more return on sales impact, showing that the more you know the products, the tested brands will gain a greater increase in the return on sales. In relation to quality and identity, the affect is smaller and positioning does not impact positively on the ROS, which is very consistent since positioning a brand is an activity that generates long-term results and measured variables were short term.

### CONCLUSIONS

This study is a tool for measuring the effect of an intangible asset such as a brand and what effect it has on financial performance. In other words, it allows us to measure the effect of analyzed variables and identify their effect on the financial performance of a company such as ROI or ROS.

Calculation Model: Financial performance = $\beta_0 + \beta_1 \text{Brand value}$

It states that the formula proposed by each unit increases the variable value brand in the increasing financial variable.

The main limitation of this tool is the financial information, due to the lack of access of the numbers of analyzed companies. The formula specified above can be used to measure effects for a specific company as a business or industry. The results can be reliably inferred and there is scientific support for using the method of ordinary least squares estimation, also known as linear regression, paying special attention that the regression model assumptions are met.

Concerning the implications for management or practical application of knowledge in business, the proposed model shows an alternative for those entrepreneurs willing to respond to objective questions and quantifiable information as how much to
invest in advertising or in the attributes of the product or service and what financial effect these investments will have, thereby allocating more resources to those strategies that generate a greater impact on profitability and enabling the company to achieve a competitive advantage.

REFERENCES


