

Organizational Culture, Strategic HRM, and Brand Identity: A Psychological Integration Model in SMEs

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Background/Purpose: In contemporary business environments, brand identity is increasingly recognized as a critical intangible asset shaped not only by external communication but also by internal organizational factors. While prior research has examined organizational culture, strategic human resource management (HRM), and brand identity in related but often separate streams, limited attention has been given to their combined integration through employee-related psychological mechanisms, particularly in small and medium-sized enterprises (SMEs) operating in emerging economies. The purpose of this study is to develop and empirically test a psychological integration model that explains how perceived organizational culture and perceived strategic HRM influence brand identity in SMEs.

Methods: The study adopts a quantitative research design based on survey data collected from 250 employees working in SMEs in the Republic of North Macedonia. A structured questionnaire was used to measure perceived organizational culture, perceived strategic HRM practices, employee identification, engagement, brand commitment, brand-consistent behavior, and brand identity. Structural equation modeling (SEM) was applied to test the hypothesized relationships and to examine the mediating role of psychological mechanisms.

Results: The findings indicate that both perceived organizational culture and perceived strategic HRM practices have significant positive effects on employee-related psychological mechanisms, including identification, engagement, and brand commitment. These psychological factors, in turn, significantly influence brand-consistent behavior and contribute to the development of internal brand identity. The results further support the proposed indirect pathways through which organizational factors influence brand identity via employee-related psychological processes.

Conclusion: This study contributes to the literature by proposing and validating an integrative framework that connects organizational culture, HRM, and brand identity through a psychological perspective in the context of SMEs in an emerging economy. The findings provide important managerial implications, suggesting that SME managers should align organizational culture and HRM practices with brand strategy in order to strengthen internal brand coherence and support sustainable competitive advantage.

Keywords: Organizational culture, Strategic HRM, Internal branding, Brand identity, Employee engagement, SMEs

1 Introduction

In increasingly competitive and dynamic business environments, organizations are required to develop sustainable competitive advantages that extend beyond tangible resources and operational capabilities. Among the key in-

tangible assets, brand identity has received considerable attention because it reflects how an organization defines, communicates, and enacts its core values. Although brand identity has traditionally been examined primarily from a marketing perspective, contemporary research increasingly recognizes employees as active contributors to the cre-

ation and delivery of consistent brand meaning (Xiong & King, 2015; Piehler et al., 2016).

Internal branding provides an important mechanism for aligning employee attitudes and behavior with organizational values and brand strategy. Employees contribute to brand identity through their everyday decisions, interactions, and customer-facing behavior, thereby influencing whether the organization consistently delivers its brand promise (King & Grace, 2012; Buil et al., 2016). Consequently, the development of a coherent brand identity depends not only on external communication but also on the internal organizational conditions that shape employee perceptions and behavior.

Two internal organizational dimensions are particularly relevant to this process: organizational culture and strategic human resource management (HRM). Organizational culture provides a system of shared values, norms, and assumptions that guides employee interpretation and behavior (Schein, 2010). Strategic HRM practices—including recruitment, training, performance management, and reward systems—represent formal mechanisms through which organizations develop employee competencies, motivation, and alignment with strategic objectives (Jiang et al., 2012; Collings et al., 2021).

Despite growing research on organizational culture, strategic HRM, employee attitudes, and internal branding, these areas have frequently been examined separately or through bilateral relationships. Existing studies have generated important insights into culture–attitude relationships, HRM–performance links, and the effects of internal branding on employee behavior. However, less attention has been devoted to explaining how perceived organizational culture and perceived strategic HRM jointly influence brand identity through interconnected employee-related psychological mechanisms.

This gap is especially relevant in SMEs operating in emerging economies. Compared with larger organizations, SMEs often have less formalized structures, fewer specialized HR and marketing functions, and a stronger reliance on interpersonal relationships and direct managerial influence (Davcev et al., 2017; Jovanov et al., 2016). Under such conditions, employees' perceptions of organizational culture and HRM practices may play an especially important role in shaping identification, engagement, brand commitment, and brand-consistent behavior. The Republic of North Macedonia provides a relevant context for examining these relationships because SMEs operate under resource constraints while depending heavily on employees to support organizational adaptability and brand differentiation.

Accordingly, this study develops and empirically tests a psychological integration model that connects perceived organizational culture and perceived strategic HRM with brand identity through employee identification, employee engagement, brand commitment, and brand-consistent be-

havior. The study addresses the following research question:

How do perceived organizational culture and perceived strategic HRM influence brand identity through employee-related psychological mechanisms in SMEs?

The study contributes to the literature in three ways. First, it integrates organizational culture, strategic HRM, organizational psychology, and internal branding within a unified explanatory model. Second, it clarifies the sequential psychological and behavioral mechanisms through which internal organizational conditions contribute to brand identity. Third, it provides empirical evidence from SMEs operating in an emerging economy, thereby extending knowledge beyond large organizations and more developed institutional contexts.

The remainder of the paper is organized as follows. Section 2 reviews the relevant literature and identifies the research gap. Section 3 develops the conceptual framework and hypotheses. Section 4 explains the methodology, while Section 5 presents the empirical results. Section 6 discusses the findings and their implications, and Section 7 provides the conclusion, limitations, and directions for future research.

2 Literature review

2.1 Organizational Culture and Employee Behavior

Organizational culture is widely recognized as a fundamental determinant of employee attitudes and behavior, as it shapes how individuals interpret organizational reality, interact with colleagues, and respond to managerial expectations. Commonly defined as a system of shared values, norms, and beliefs, organizational culture provides an interpretive framework that guides employee behavior and supports internal coordination (Schein, 2010; Denison, 2000). Prior research has consistently shown that strong and coherent organizational cultures are associated with higher levels of employee commitment, engagement, and organizational effectiveness (Hartnell et al., 2011; O'Reilly & Chatman, 1996).

Prior research has increasingly emphasized the psychological dimension of organizational culture, suggesting that culture influences not only observable behavior but also deeper employee perceptions, including belongingness, identification, engagement, and emotional attachment to the organization (Hartnell et al., 2011; Saks, 2006). In this sense, organizational culture may be understood not merely as an organizational characteristic, but also as a perceived internal environment that shapes how employees evaluate their relationship with the organization. This distinction is especially important in survey-based research, where what is captured empirically is

employees' perception of culture rather than an objective organizational reality.

From an internal branding perspective, culture is particularly relevant because it provides the symbolic and normative foundation through which employees make sense of organizational and brand values. A culture that consistently reinforces shared meanings and desired behavioral standards can foster stronger employee identification and alignment with brand-related expectations. This is especially relevant in small and medium-sized enterprises (SMEs), where formal control systems are often less developed and culture frequently acts as a primary coordination mechanism. In such organizations, employees are typically more directly exposed to managerial values and daily behavioral expectations, which may strengthen the influence of cultural perceptions on employee psychological states.

At the same time, the role of organizational culture in shaping brand-related outcomes has often been treated only indirectly in prior research. Although studies have linked culture to employee attitudes and performance, less attention has been given to how perceived organizational culture contributes to internal brand formation through psychological mechanisms such as identification, engagement, and commitment. This limitation is particularly important in SMEs operating in emerging economies, where lower formalization, closer interpersonal interaction, and resource constraints may intensify the role of culture in shaping employee responses.

2.2 Strategic HRM and Internal Branding

Strategic human resource management (HRM) has long been regarded as an important source of organizational effectiveness and competitive advantage because it aligns human resource practices with broader organizational goals and strategic priorities (Jiang et al., 2012; Collings et al., 2021). HRM practices such as recruitment and selection, training and development, performance appraisal, and reward systems influence employee competencies, motivation, and behavioral alignment with organizational objectives (Guest, 2017; Becker & Huselid, 1998).

More recently, the literature has highlighted the growing intersection between HRM and branding, especially within the field of internal branding. Internal branding is commonly understood as a cross-functional process through which marketing and HRM practices work together to ensure that employees understand, internalize, and enact brand values (Foster et al., 2010; Punjaisri & Wilson, 2011). In this perspective, employees are not only internal stakeholders but also active contributors to brand value creation, as their day-to-day behavior shapes the consistency and credibility of the brand.

Empirical research suggests that well-designed HRM

systems can enhance employee engagement, strengthen brand commitment, and encourage brand-consistent behavior (Alfes et al., 2013; Jiang et al., 2012). When employees perceive HRM practices as fair, supportive, and strategically aligned, they are more likely to experience stronger motivation and clearer role understanding, which can facilitate internal brand alignment. As with organizational culture, however, the survey-based nature of this study requires an important distinction: the present research focuses on employees' perceptions of strategic HRM practices rather than objectively verified HRM systems. This distinction matters because employees' reactions are shaped primarily by how they interpret and experience HR-related practices within the organization.

This issue is especially relevant in SMEs. Compared with larger organizations, SMEs often rely on less formalized HR systems, more direct managerial contact, and greater interpersonal visibility of employee behavior. As a result, the perceived consistency between HRM practices and organizational values may have a stronger psychological effect on employees in SMEs than in large corporations, where bureaucratic structures and specialization can weaken the immediacy of such effects. Therefore, in SME settings, perceived strategic HRM may function not only as a managerial tool but also as an important internal branding mechanism that influences employees' psychological attachment to the organization and its brand.

Despite growing interest in this intersection, much of the existing literature still examines HRM-performance relationships and internal branding processes separately. Consequently, there is still limited understanding of how perceived strategic HRM contributes to brand-related outcomes through employee-level psychological mechanisms, especially in SMEs and emerging economy contexts.

2.3 Brand Identity and Internal Branding Perspective

Brand identity has traditionally been conceptualized as a strategic construct that reflects how organizations define, position, and communicate their values and distinctive characteristics (Keller, 2013). From a conventional marketing perspective, brand identity is often viewed in relation to intended market positioning and externally communicated brand meaning. However, more recent research has increasingly emphasized that brand identity is not shaped exclusively through external communication, but is also influenced by internal organizational processes and employee behavior.

The internal branding perspective places employees at the center of this process. Employees are regarded as key actors in delivering brand promises, translating abstract brand values into concrete service experiences, and reinforcing consistency between intended and perceived brand

meaning (King & Grace, 2012; Xiong & King, 2015). In this regard, concepts such as brand citizenship behavior and employee-based brand equity further support the idea that employees contribute directly to the creation and maintenance of brand value (Morhart et al., 2009; Piehler et al., 2016).

At the same time, brand identity is not determined solely by internal organizational influences. It is also shaped by external stakeholders and environmental conditions, including customer expectations, competitor positioning, and broader market dynamics. Acknowledging these influences is theoretically important because it places internal brand identity within a wider relational and competitive context. Nevertheless, the present study focuses specifically on the internal organizational foundations of brand identity, and more precisely on how employees' perceptions, attitudes, and behavior contribute to the internal strengthening of brand identity.

Within this perspective, internal branding initiatives are important because they connect organizational values, managerial systems, and employee behavior. Existing studies have shown that internal branding can positively influence employee attitudes, role clarity, well-being, and brand-supportive behavior. However, prior research has often focused more on direct links between internal branding practices and employee outcomes, while paying less attention to the broader organizational antecedents of internal brand identity. In particular, the role of perceived organizational culture and perceived strategic HRM as upstream conditions that shape brand identity through psychological processes remains insufficiently developed.

This gap is particularly meaningful in SMEs, where employees often have more direct interaction with customers, greater visibility within the organization, and a stronger role in representing organizational values through daily behavior. In such contexts, internal brand identity may depend less on formal brand communication systems alone and more on the extent to which organizational culture and HRM practices are experienced as coherent, credible, and aligned with the brand.

2.4 Psychological Mechanisms

Employee behavior is not shaped only by structural or managerial conditions, but also by psychological processes through which employees interpret, internalize, and respond to organizational signals. For this reason, psychological mechanisms represent a crucial explanatory link between internal organizational factors and brand-related outcomes.

Social identity theory provides an important theoretical foundation for understanding this process. According to this perspective, individuals define themselves partly through their membership in social groups and organi-

zations, and stronger identification with the organization increases the likelihood that employees will internalize organizational values and align their behavior with collective goals (Ashforth & Mael, 1989). In organizational settings, employee identification can therefore serve as a key mechanism through which perceived organizational culture translates into stronger attachment to organizational and brand values.

Employee engagement is another central psychological mechanism. It is generally described as a positive and fulfilling work-related state characterized by vigor, dedication, and absorption (Schaufeli et al., 2002). Engagement is important because engaged employees are more likely to invest discretionary effort, demonstrate positive work attitudes, and enact behavior that supports organizational objectives. Similarly, commitment-related constructs, including brand commitment, capture the degree of emotional attachment and loyalty that employees develop toward the brand and represent an important foundation for consistent brand-supportive action.

Self-determination theory further supports this logic by emphasizing that individual behavior is shaped by internalized motivation and psychological needs (Deci & Ryan, 2000). When employees perceive organizational practices as meaningful, supportive, and aligned with their values, they are more likely to respond with stronger motivation, engagement, and commitment. In this respect, organizational culture and HRM practices are unlikely to affect brand outcomes in a purely direct way; rather, their influence is filtered through employees' perceptions, interpretations, and affective responses.

Recent empirical studies increasingly support the mediating role of psychological constructs in explaining the relationship between HRM practices, organizational context, and branding outcomes (Alfes et al., 2013; Buil et al., 2016). Nevertheless, this body of research remains fragmented, and the explicit integration of employee identification, engagement, and brand commitment into a single model linking perceived organizational culture and perceived strategic HRM with brand identity remains limited. This limitation is even more visible in SMEs and emerging economies, where employees may respond more strongly to internal organizational conditions because of lower formalization and closer social interaction.

2.5 Research Gap and Integration

Although a substantial body of literature exists on organizational culture, strategic HRM, internal branding, and employee behavior, these research streams have often developed in parallel and have usually been examined through partial or bilateral relationships. Existing studies have provided valuable insights into culture–attitude links, HRM–performance relationships, and internal branding–

employee behavior dynamics, but more limited attention has been given to their combined integration within a single explanatory framework.

For this reason, it would be too strong to claim that no integrative approaches exist. Rather, the literature indicates that there is still room for a more combined and context-sensitive integrative framework that explains how perceived organizational culture and perceived strategic HRM jointly influence brand identity through employee-related psychological mechanisms. This need is especially relevant in SMEs operating in emerging economies, where internal organizational alignment may function differently from that in larger and more formalized firms.

In SME contexts, lower bureaucratic intensity, closer interpersonal ties, and resource limitations may alter the relative strength of direct and indirect relationships. On the one hand, the reduced complexity of organizational structures may allow employees to experience culture and HRM practices more directly. On the other hand, because these firms rely heavily on employees' day-to-day behavior and interpersonal coordination, psychological mechanisms such as identification, engagement, and brand commitment may become especially important in translating internal organizational conditions into brand identity outcomes. This makes SMEs in emerging economies, including the Republic of North Macedonia, a particularly relevant setting for extending current theory.

Accordingly, the present study addresses this gap by developing and empirically testing a psychological integration model that connects perceived organizational culture and perceived strategic HRM with brand identity through employee-related psychological mechanisms. By doing so, the study contributes to the literature in three ways. First, it integrates organizational culture, strategic HRM, internal branding, and organizational psychology into a more unified framework. Second, it emphasizes employees' perceptions as the relevant mechanism through which internal or organizational conditions influence brand-related outcomes. Third, it offers context-specific insight into internal brand formation in SMEs in an emerging economy, thereby extending the applicability of existing theory beyond large firms and more developed market settings.

3 Conceptual Framework and Hypotheses development

3.1 Theoretical Foundation of the Model

This study adopts an interdisciplinary perspective that integrates organizational culture theory, strategic human resource management (HRM), internal branding, and organizational psychology in order to explain the development of brand identity in small and medium-sized en-

terprises (SMEs). The proposed conceptual framework is based on the assumption that internal organizational factors influence brand identity both directly and indirectly through employee-related psychological mechanisms.

The theoretical foundation of the model is grounded in social identity theory, which explains how individuals internalize organizational values and define themselves in relation to the organizations to which they belong (Ashforth & Mael, 1989). When employees develop strong identification with the organization, they are more likely to align their attitudes and behavior with organizational and brand values. In addition, self-determination theory highlights the role of intrinsic and extrinsic motivation in shaping employee behavior (Deci & Ryan, 2000), while internal branding theory emphasizes the role of employees in delivering brand promises and ensuring internal brand consistency (King & Grace, 2012; Xiong & King, 2015).

Within this framework, perceived organizational culture and perceived strategic HRM are conceptualized as key antecedent variables. These factors shape employee-related psychological states, including identification, engagement, and brand commitment. Brand-consistent behavior represents the behavioral manifestation of this psychological alignment, while brand identity is positioned as the ultimate organizational outcome.

This perspective is particularly relevant in SMEs, where lower levels of formalization, closer interpersonal relationships, and stronger reliance on informal coordination mechanisms may amplify the role of employee perceptions and psychological processes in shaping organizational outcomes.

3.2 Organizational Culture and Psychological Mechanisms

Organizational culture plays a central role in shaping employee attitudes, values, and behavior by providing a shared interpretive framework. When employees perceive organizational values as clear, meaningful, and consistently reinforced, they are more likely to develop a sense of belonging and alignment with organizational goals.

From a psychological perspective, perceived organizational culture is expected to strengthen employee identification by aligning individual and organizational values. In addition, supportive and cohesive cultures contribute to higher levels of employee engagement by creating motivating and psychologically meaningful work environments.

These relationships may be particularly strong in SMEs, where employees are more directly exposed to organizational values and managerial practices, which can intensify the impact of perceived culture on psychological states.

Therefore, the following hypotheses are proposed:

H1: Perceived organizational culture has a positive effect on employee identification.

H2: Perceived organizational culture has a positive effect on employee engagement.

3.3 Strategic HRM and Employee Psychological States

Strategic HRM refers to the alignment of human resource practices with organizational goals and long-term strategic priorities. Through practices such as recruitment, training, performance management, and reward systems, organizations shape employee competencies, motivation, and behavioral alignment.

When employees perceive HRM practices as fair, supportive, and strategically aligned, they are more likely to develop higher levels of engagement and stronger emotional attachment to the organization and its brand. In this respect, perceived strategic HRM influences not only employee performance but also employee attitudes and psychological states.

Within the internal branding perspective, HRM practices play a critical role in reinforcing brand values and encouraging employees to internalize and enact these values in their daily work. This role is particularly important in SMEs, where employees often interact directly with customers and contribute visibly to brand delivery.

Accordingly, the following hypotheses are formulated:

H3: Perceived strategic HRM practices have a positive effect on employee engagement.

H4: Perceived strategic HRM practices have a positive effect on brand commitment.

3.4 Psychological Mechanisms and Brand-Related Outcomes

Employee-related psychological mechanisms represent the key link between organizational factors and brand-related outcomes. Employee identification reflects the extent to which individuals define themselves in relation to their organization, while engagement captures a positive and energized work-related state.

Employees who strongly identify with the organization are more likely to develop emotional attachment to the brand, which strengthens brand commitment. Similarly, engaged employees are more likely to demonstrate discretionary effort and behaviors that are consistent with organizational and brand values.

Brand commitment reflects an employee's emotional attachment to the brand and is expected to directly influence internal brand identity. In addition, brand-consistent behavior represents the behavioral expression of psycho-

logical alignment and contributes to the reinforcement of brand identity.

Therefore, the following hypotheses are proposed:

H5: Employee identification has a positive effect on brand commitment.

H6: Employee engagement has a positive effect on brand-consistent behavior.

H7: Brand commitment has a positive effect on brand identity.

H7a: Brand-consistent behavior has a positive effect on brand identity.

3.5 Mediating Role of Psychological Mechanisms

A central assumption of this study is that the relationship between organizational factors and brand identity is primarily indirect and operates through employee-related psychological mechanisms.

Perceived organizational culture and perceived strategic HRM do not directly create brand identity; rather, they shape how employees interpret organizational values, which in turn influences their identification, engagement, and commitment. These psychological states subsequently drive behavior and contribute to the development of brand identity.

This mediation logic is particularly relevant in SMEs, where employees play a central role in organizational functioning and brand delivery. Due to lower formalization and stronger interpersonal interaction, psychological mechanisms may represent a dominant pathway through which organizational factors influence outcomes.

Based on this reasoning, the following mediation hypotheses are proposed:

H8: Employee identification and brand commitment serially mediate the relationship between perceived organizational culture and brand identity.

H9: Employee engagement and brand-consistent behavior serially mediate the relationship between perceived strategic HRM and brand identity.

H10: Brand commitment mediates the relationship between employee identification and brand identity.

H11: Brand-consistent behavior mediates the relationship between employee engagement and brand identity.

Beyond the full serial chains (H8 and H9), the two downstream links are specified as hypotheses in their own right (H10 and H11) because each carries independent theoretical weight. Employees who identify themselves in terms of their organization are expected to extend that self-definition to its brand, converting identification into an affective attachment and willingness to invest in the brand's success; brand commitment is therefore the proximal psychological state through which identification translates into a coherent brand identity (H10). In parallel,

engagement translates into the energy and effort that employees must expend for brand promises to be enacted at the point of contact; however, engagement is affectively and motivationally general rather than brand-specific. It is only when that energy is channelled into brand-consistent behavior - the observable presentation of brand values in day-to-day work - that it becomes visible to stakeholders and consolidates into brand identity (H11). Testing these component paths separately establishes that each internal link holds on its own before the longer sequences proposed in H8 and H9 are evaluated.

3.6 Conceptual Model

Based on the theoretical arguments and hypotheses developed above, this study proposes an integrative conceptual model that explains how perceived organizational culture and perceived strategic HRM influence brand identity through employee-related psychological mechanisms.

The model positions organizational culture and strategic HRM as antecedent variables, employee identification and engagement as initial psychological mediators, brand commitment and brand-consistent behavior as intermediate mechanisms, and brand identity as the final outcome variable.

More specifically, perceived organizational culture is expected to strengthen employee identification and engagement, while perceived strategic HRM enhances engagement and brand commitment. Employee identification contributes to brand commitment, engagement promotes brand-consistent behavior, and both brand commitment

and brand-consistent behavior contribute to the development of internal brand identity.

The proposed relationships are illustrated in Figure 1.

The figure presents the conceptual framework of the study. Perceived organizational culture and perceived strategic HRM are modeled as antecedent variables influencing employee identification and employee engagement. These psychological mechanisms further affect brand commitment and brand-consistent behavior, which represent key intermediate outcomes. Both brand commitment and brand-consistent behavior contribute to the development of brand identity as the final outcome variable. The model also includes indirect relationships, where psychological mechanisms mediate the effects of organizational factors on brand identity.

4 Methodology

4.1 Research Design

This study adopts a quantitative research design to empirically test the proposed conceptual model and the hypothesized relationships among perceived organizational culture, perceived strategic human resource management (HRM), employee-related psychological mechanisms, and brand identity. A survey-based approach was employed, as it enables the systematic collection of standardized data from a relatively large sample and supports the application of multivariate statistical techniques.

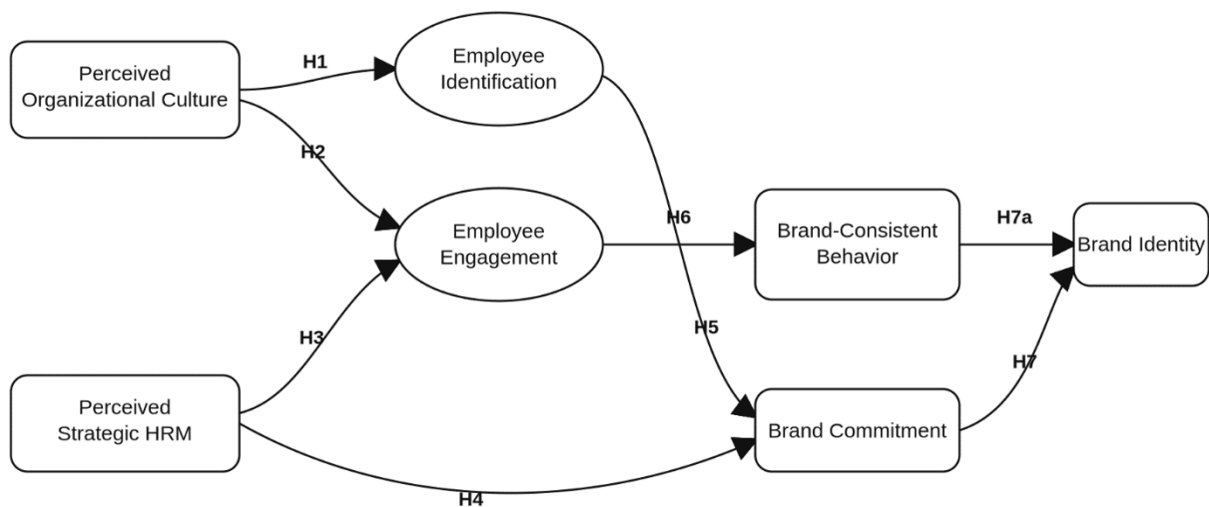


Figure 1: Conceptual Model of the Study
Source: Authors' own elaboration

The research design is cross-sectional, capturing employee perceptions at a single point in time. While this approach is appropriate for testing theoretical relationships among latent constructs, it does not allow for strong causal inference, which is acknowledged as a limitation of the study.

Importantly, the study focuses on employees' perceptions of organizational culture and strategic HRM practices rather than objective organizational characteristics. This distinction is essential because employee attitudes and behavior are primarily shaped by how individuals interpret and experience internal organizational conditions.

4.2 Sample and Data Collection

The empirical analysis was based on data collected from 250 respondents working in 150 small and medium-sized enterprises (SMEs) in the Republic of North Macedonia. Data collection was conducted between February and April 2026 using a combination of online and paper-based questionnaires. A total of 300 questionnaires were distributed, of which 250 complete and usable responses were retained for analysis, resulting in an effective response rate of 83.3%. Cases containing incomplete responses were excluded before the analysis.

A non-probability sampling approach combining purposive and convenience sampling was applied. An initial pool of potentially eligible enterprises was identified using publicly available information from the Central Registry of the Republic of North Macedonia, complemented by the personal, professional, and academic networks of the research team. The professional and academic networks represented the primary channel through which the enterprises were contacted and invited to participate. From the initial pool, enterprises were purposively selected to provide structural variation across the three SME size categories defined by the European Commission and the four economic sectors included in the study (European Commission, 2003; Etikan et al., 2016).

The final company sample consisted of 50 micro-enterprises, 50 small enterprises, and 50 medium-sized enterprises. In terms of sectoral distribution, 25 enterprises operated in manufacturing, 50 in services, 50 in trade, and 25 in information and communication technology (ICT). The participating enterprises were located in multiple cities and regions of the Republic of North Macedonia, thereby reducing excessive geographic concentration within the sample.

Within each participating enterprise, a designated internal contact facilitated access to eligible respondents. In micro-enterprises, this role was generally performed by the owner or manager, whereas in small and medium-sized enterprises, questionnaires were distributed with the assistance of an HR or administrative representative.

The designated contact provided eligible employees with either an online questionnaire link or a paper copy. Employees decided independently and voluntarily whether to participate, and no individual respondent was required to complete the questionnaire. This approach was appropriate because direct researcher access to individual employees within participating enterprises was not always feasible (Fowler, 2014).

Employees were eligible to participate if they: (1) were employed by an enterprise meeting the European Union SME classification of fewer than 250 employees (European Commission, 2003); (2) had worked in the organization for at least six months, ensuring sufficient exposure to its organizational culture, HR practices, and brand-related routines; (3) held full-time or otherwise substantive employment status; and (4) provided voluntary informed consent after receiving information about the purpose of the study.

One respondent was included from each micro-enterprise, whereas two respondents were included from each small and medium-sized enterprise. Accordingly, the final sample comprised 50 respondents from micro-enterprises, 100 respondents from small enterprises, and 100 respondents from medium-sized enterprises. Both managerial and non-managerial perspectives were represented across the overall sample: 151 respondents held managerial positions, while 99 were non-managerial employees.

Several measures were taken to reduce potential selection bias associated with the non-probability sampling design. First, *ex ante* targets were applied for enterprise size and sector, preventing the sample from being dominated by a single, readily accessible category of enterprises (Etikan et al., 2016). Second, enterprises from multiple cities and regions were included to increase geographic variation. Third, both managerial and non-managerial respondents were represented across the overall sample, reducing reliance on a purely top-management perspective. Finally, participation was voluntary and anonymous, and respondents were assured that their answers would remain confidential and be used exclusively for academic purposes, thereby reducing potential consent and social-desirability pressures (Podsakoff et al., 2003). Nevertheless, consistent with the limitations of purposive and convenience sampling, the findings are interpreted as context-specific and not as statistically representative of the entire population of SMEs in the Republic of North Macedonia (Jager et al., 2017; Sedgwick, 2013).

The sample included 145 women (58.0%) and 105 men (42.0%). The largest proportion of respondents was between 25 and 34 years of age, while most participants reported between 8 and 10 years of organizational tenure. A more detailed demographic overview is provided in the Results section.

The sample size of 250 respondents was considered adequate for structural equation modeling, following es-

established recommendations of a minimum ratio of 5–10 respondents per estimated parameter (Hair et al., 2019).

4.3 Measurement Instruments

All constructs included in the study were measured using established multi-item scales adapted from prior research, ensuring content validity and comparability with existing literature. A five-point Likert scale was used for all items, ranging from 1 (strongly disagree) to 5 (strongly agree).

- Perceived Organizational Culture was measured using items adapted from Denison (2000), focusing on shared values, norms, and internal alignment.
- Perceived Strategic HRM was measured through items capturing key HR practices such as recruitment, training, performance evaluation, and reward systems (Jiang et al., 2012; Collings et al., 2021).
- Employee Identification was adapted from Ashforth and Mael (1989).
- Employee Engagement was measured using established engagement scales (Schaufeli et al., 2002).
- Brand Commitment was adapted from internal branding literature (Burmman et al., 2009).
- Brand Identity (Internal Perspective) was measured using items that capture employees' understanding and alignment with brand values (Piehler et al., 2016).
- Brand-Consistent Behavior was included as a behavioral construct reflecting the extent to which employees act in accordance with organizational brand values.

4.4 Data Analysis

The data were analyzed using Structural Equation Modeling (SEM) with the software AMOS (version 26) to assess both the measurement model and the structural relationships among variables.

The analysis was conducted in two stages.

In the first stage, the measurement model was evaluated in terms of reliability and validity. Internal consistency reliability was assessed using Cronbach's Alpha and Composite Reliability (CR), with threshold values above 0.70. Convergent validity was examined using the Average Variance Extracted (AVE), with acceptable values above 0.50. Discriminant validity was evaluated using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio.

In the second stage, the structural model was assessed

by examining standardized path coefficients (β), their statistical significance (t-values and p-values), and the explanatory power of the model (R^2 values). Model fit was evaluated using standard indices, including the chi-square statistic (χ^2/df), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), and Standardized Root Mean Square Residual (SRMR).

Multicollinearity was assessed using the Variance Inflation Factor (VIF). All VIF values were below the conservative threshold of 3.0, indicating that multicollinearity does not threaten the stability of the structural model estimates.

4.5 Pilot Study

Prior to the main data collection, a pilot study was conducted in January 2026 to assess the clarity, comprehensibility, relevance, and preliminary reliability of the measurement instrument. The pilot sample consisted of 30 employees from 30 different SMEs, with one respondent participating from each enterprise. The participating enterprises were located in multiple cities across different regions of the Republic of North Macedonia. This geographical dispersion was intended to obtain feedback from respondents operating in different local business environments.

The pilot participants evaluated the clarity, wording, and relevance of the questionnaire items. Based on their feedback, minor linguistic and wording adjustments were made to improve the comprehensibility of the instrument, without changing the conceptual meaning of the measurement items. Preliminary reliability analysis indicated that all constructs achieved acceptable levels of internal consistency, with Cronbach's alpha coefficients exceeding the recommended threshold of 0.70. The pilot study therefore confirmed the suitability of the questionnaire for the main data collection.

4.6 Demographic Characteristics and Common Method Bias

Gender, age, organizational tenure, and industry sector were recorded to describe the sample and to provide information about potential respondent and organizational heterogeneity. However, these demographic characteristics were not modeled as focal predictors in the proposed structural model.

Given that the data were collected using a single survey instrument and from a single source, the potential for common method bias (CMB) was carefully addressed. First, Harman's single-factor test was conducted, and the results indicated that a single factor did not account for the majority of the variance (less than 50%).

In addition, a Common Latent Factor (CLF) approach was applied to further assess the presence of common method variance. The comparison between models with and without the common latent factor did not reveal substantial differences in factor loadings, suggesting that common method bias is not a serious concern in this study.

Procedural remedies were also implemented, including ensuring respondent anonymity, reducing evaluation apprehension, and using clear and concise questionnaire items.

5 Results

5.1 Descriptive Statistics

The sample consisted of 250 respondents employed in SMEs in the Republic of North Macedonia, including 145 women (58.0%) and 105 men (42.0%). Regarding age, 22 respondents (8.8%) were under 25 years old, 95 (38.0%)

were aged 25–34, 65 (26.0%) were aged 35–44, 41 (16.4%) were aged 45–54, and 27 (10.8%) were aged 55 or above. Overall, 160 respondents (64.0%) were between 25 and 44 years old, representing the majority of the sample.

Regarding organizational tenure, 3 respondents (1.2%) had less than one year of tenure, 51 (20.4%) had between 1 and 3 years, 81 (32.4%) had between 4 and 7 years, 84 (33.6%) had between 8 and 10 years, and 31 (12.4%) had more than 10 years of tenure. Thus, 165 respondents (66.0%) had between 4 and 10 years of organizational tenure.

In terms of hierarchical position, 151 respondents (60.4%) held managerial positions, while 99 (39.6%) were non-managerial employees. The participating companies operated in the manufacturing, services, trade, and ICT sectors, ensuring variability across organizational contexts.

Table 1 presents the descriptive statistics and correlations among the study variables.

Table 1: Descriptive Statistics and Correlations

Construct	Mean	SD	1	2	3	4	5	6	7
1. Organizational Culture	3.98	0.68	1						
2. Strategic HRM	3.85	0.72	0.58	1					
3. Employee Identification	4.02	0.65	0.62	0.49	1				
4. Employee Engagement	3.90	0.70	0.55	0.57	0.60	1			
5. Brand Commitment	3.95	0.69	0.50	0.54	0.63	0.58	1		
6. Brand Identity	4.05	0.66	0.48	0.52	0.55	0.56	0.64	1	
7. Brand-Consistent Behavior	3.97	0.71	0.46	0.50	0.52	0.62	0.57	0.59	1

*Note: All correlations are significant at $p < 0.01$.

Source: Authors' own calculations.

Table 2: Reliability and Convergent Validity

Construct	CA	CR	AVE
Organizational Culture	0.88	0.91	0.63
Strategic HRM	0.87	0.90	0.60
Employee Identification	0.89	0.92	0.66
Employee Engagement	0.90	0.93	0.68
Brand Commitment	0.88	0.91	0.64
Brand Identity	0.91	0.94	0.70
Brand-Consistent Behavior	0.89	0.93	0.67

Source: Authors' own calculations.

The results indicate moderate to strong positive correlations among the constructs. In particular, perceived organizational culture and perceived strategic HRM show strong associations with employee-related psychological variables, while brand commitment and brand-consistent behavior demonstrate significant relationships with brand identity.

Brand-consistent behavior also shows strong positive correlations with employee engagement and brand identity, further supporting the proposed structural relationships.

5.2 Measurement Model Evaluation

The reliability and validity of the measurement model were assessed using Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE).

All constructs demonstrate satisfactory internal consistency, with CA and CR values exceeding the recommended threshold of 0.70. Convergent validity is confirmed, as all AVE values are above 0.50.

5.3 Discriminant Validity and Multicollinearity

Discriminant validity was assessed using the Fornell–Larcker criterion and the HTMT ratio. The results indicate that all constructs are empirically distinct, with HTMT values below the threshold of 0.90.

Multicollinearity was assessed using the Variance Inflation Factor (VIF). All VIF values were below the conservative threshold of 3.0 (range = 1.24–2.67), indicating that multicollinearity does not pose a threat to the stability of the structural model.

5.4 Structural Model Results

The structural model was evaluated using standardized path coefficients (β), t-values, and p-values obtained through bootstrapping procedures. The results of the hypothesis testing are presented in Table 3.

The results provide strong support for all hypothesized direct relationships. Perceived organizational culture significantly influences both employee identification ($\beta = 0.52$) and employee engagement ($\beta = 0.41$), indicating its central role in shaping employee psychological states.

Perceived strategic HRM practices also demonstrate significant positive effects on employee engagement ($\beta = 0.47$) and brand commitment ($\beta = 0.39$), confirming their importance as formal organizational mechanisms that support internal alignment.

Furthermore, employee identification has a significant positive effect on brand commitment ($\beta = 0.44$), suggesting that employees who strongly identify with the organization are more likely to develop emotional attachment to the brand.

Table 3: Hypotheses Testing Results

Hypothesis	Relationship	β	t-value	p-value	Result
H1	Org. Culture $\rightarrow$ Employee Identification	0.52	8.21	< 0.001	Supported
H2	Org. Culture $\rightarrow$ Employee Engagement	0.41	6.75	< 0.001	Supported
H3	HRM $\rightarrow$ Employee Engagement	0.47	7.10	< 0.001	Supported
H4	HRM $\rightarrow$ Brand Commitment	0.39	6.02	< 0.001	Supported
H5	Employee Identification $\rightarrow$ Brand Commitment	0.44	7.35	< 0.001	Supported
H6	Employee Engagement $\rightarrow$ Brand-Consistent Behavior	0.48	7.80	< 0.001	Supported
H7	Brand Commitment $\rightarrow$ Brand Identity	0.55	8.90	< 0.001	Supported
H7a	Brand-Consistent Behavior $\rightarrow$ Brand Identity	0.42	7.25	< 0.001	Supported

Source: Authors' own calculations.

*Note: Mediation hypotheses (H8–H11) are tested separately and presented in Table 4.

*Note: All relationships are statistically significant at $p < 0.001$.

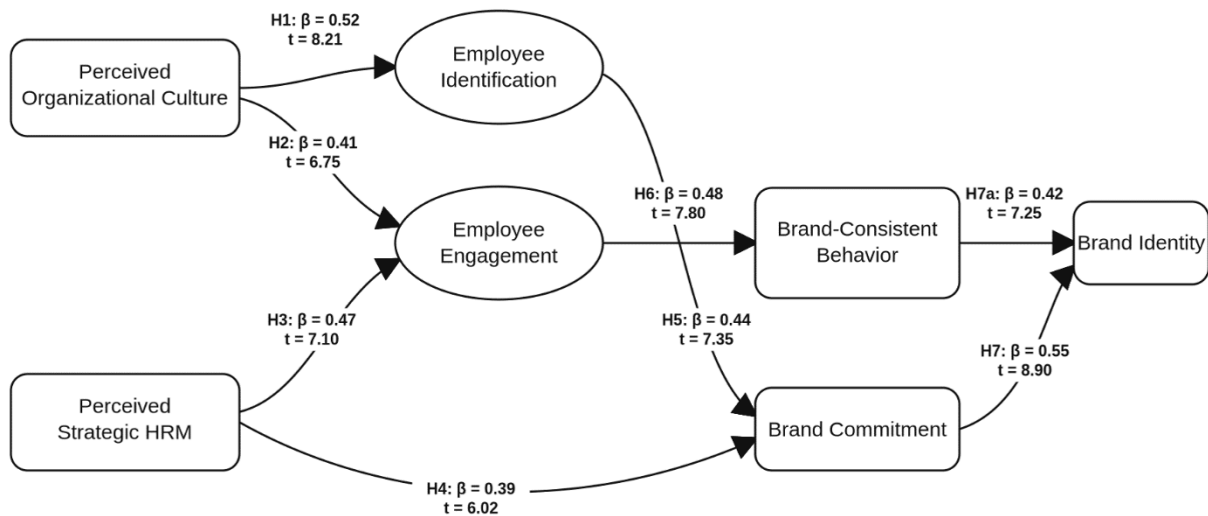


Figure 2: Structural Model Results
Source: Authors' own elaboration

Table 4: Mediation Analysis Results

Hypothesis	Indirect Path	β	t-value	p-value	95% CI	Result
H8	OC $\rightarrow$ EI $\rightarrow$ BC $\rightarrow$ BI	0.21	4.60	< 0.001	[0.13, 0.30]	Supported
H9	HRM $\rightarrow$ EE $\rightarrow$ BCB $\rightarrow$ BI	0.25	4.95	< 0.001	[0.16, 0.34]	Supported
H10	EI $\rightarrow$ BC $\rightarrow$ BI	0.24	5.10	< 0.001	[0.15, 0.32]	Supported
H11	EE $\rightarrow$ BCB $\rightarrow$ BI	0.20	4.30	< 0.001	[0.12, 0.28]	Supported

*Note: Note: OC = Perceived Organizational Culture; HRM = Perceived Strategic Human Resource Management; EI = Employee Identification; EE = Employee Engagement; BC = Brand Commitment; BCB = Brand-Consistent Behavior; BI = Brand Identity. Indirect effects were assessed using bootstrapped 95% confidence intervals.

Source: Authors' own calculations.

Employee engagement significantly influences brand-consistent behavior ($\beta = 0.48$), indicating that engaged employees are more likely to act in accordance with organizational brand values.

Importantly, both brand commitment ($\beta = 0.55$) and brand-consistent behavior ($\beta = 0.42$) show significant positive effects on brand identity. Among these, brand commitment exhibits the strongest direct effect, highlighting its

central role in the development of internal brand identity.

Overall, these findings provide empirical support for the proposed theoretical model and confirm the relevance of employee-related psychological mechanisms in explaining brand identity in SMEs.

To provide a clearer visualization of the structural relationships and the strength of the estimated effects, the standardized path coefficients are illustrated in Figure 2.

Figure 2 presents the standardized path coefficients and corresponding t-values for all direct relationships in the structural model. Consistent with the results reported in Table 3, perceived organizational culture positively influences employee identification (H1: $\beta = 0.52$, $t = 8.21$) and employee engagement (H2: $\beta = 0.41$, $t = 6.75$). Perceived strategic HRM positively affects employee engagement (H3: $\beta = 0.47$, $t = 7.10$) and brand commitment (H4: $\beta = 0.39$, $t = 6.02$). Employee identification strengthens brand commitment (H5: $\beta = 0.44$, $t = 7.35$), while employee engagement enhances brand-consistent behavior (H6: $\beta = 0.48$, $t = 7.80$). Finally, brand commitment (H7: $\beta = 0.55$, $t = 8.90$) and brand-consistent behavior (H7a: $\beta = 0.42$, $t = 7.25$) both positively influence brand identity. Brand commitment exhibits the strongest direct effect on brand identity.

5.5 Mediation Analysis

To test the mediating role of psychological mechanisms, indirect effects were examined using bootstrapping procedures with 95% confidence intervals.

The mediation analysis provides support for all four indirect-effect hypotheses. The serial indirect effect of perceived organizational culture on brand identity through employee identification and brand commitment was positive and statistically significant (H8: $\beta = 0.21$, $t = 4.60$, $p < 0.001$, 95% CI [0.13, 0.30]). Similarly, the serial indirect effect of perceived strategic HRM on brand identity through employee engagement and brand-consistent behavior was statistically significant (H9: $\beta = 0.25$, $t = 4.95$, $p < 0.001$, 95% CI [0.16, 0.34]).

Brand commitment significantly mediated the relationship between employee identification and brand identity (H10: $\beta = 0.24$, $t = 5.10$, $p < 0.001$, 95% CI [0.15, 0.32]). Brand-consistent behavior also significantly mediated the relationship between employee engagement and brand identity (H11: $\beta = 0.20$, $t = 4.30$, $p < 0.001$, 95% CI [0.12, 0.28]). Because none of the bootstrapped confidence intervals included zero, H8, H9, H10, and H11 were supported.

5.6 Model Fit and Explanatory Power

The explanatory power of the model was assessed using R^2 values. The results indicate that the model explains a substantial proportion of variance in key constructs, with R^2 values of 0.62 for brand identity, 0.54 for brand commitment, and 0.49 for employee engagement.

To further evaluate the robustness of the proposed model, model fit and predictive quality indicators were examined.

The model demonstrates a good overall fit. The χ^2/df ratio is within the acceptable range, while the Comparative Fit Index (CFI) and Normed Fit Index (NFI) exceed the recommended threshold of 0.90. The Root Mean Square Error of Approximation (RMSEA) and Standardized Root Mean Square Residual (SRMR) are below the recommended thresholds, indicating an acceptable model fit.

5.7 Summary of Findings

The findings provide strong empirical support for the proposed conceptual model. Both perceived organizational culture and perceived strategic HRM significantly influence employee psychological states.

Most importantly, the results support the proposed indirect relationships between organizational factors and brand identity through employee identification, engagement, brand commitment, and brand-consistent behavior.

6 Discussion

The aim of this study was to examine the relationship between perceived organizational culture, perceived strategic human resource management (HRM), and brand identity through employee-related psychological mechanisms in SMEs. The findings provide strong empirical support for the proposed conceptual model and offer important insights into the role of internal organizational factors in shaping brand identity.

Table 5: Model Fit Indices

Fit Index	Value	Recommended Threshold	Interpretation
χ^2/df	2.10	< 3.00	Good fit
CFI	0.94	> 0.90	Good fit
RMSEA	0.055	< 0.08	Acceptable fit
SRMR	0.045	< 0.08	Good fit
NFI	0.91	> 0.90	Good fit

*Note: R^2 values of 0.25, 0.50, and 0.75 are considered weak, moderate, and substantial respectively.

Source: Authors' own calculations.

6.1 The Role of Organizational Culture

The results show that perceived organizational culture has a significant positive effect on both employee identification and employee engagement. These findings confirm that when employees perceive organizational values as clear, consistent, and meaningful, they are more likely to develop a strong sense of belonging and psychological attachment to the organization.

These results are consistent with prior research emphasizing the importance of organizational culture in shaping organizational effectiveness and employee-related attitudes and behaviors (Hartnell et al., 2011; Saks, 2006). However, the present study extends existing knowledge by demonstrating that the influence of organizational culture also plays a critical role in internal brand-related processes, particularly through its impact on psychological mechanisms.

Importantly, this effect appears to be particularly pronounced in SMEs. Due to lower levels of formalization and closer interpersonal relationships, employees in SMEs are more directly exposed to organizational values and managerial practices. As a result, perceived organizational culture may exert a stronger influence on employee identification and engagement compared to larger and more bureaucratic organizations. This suggests that in SME contexts, culture functions not only as a coordination mechanism but also as a key driver of internal brand alignment.

These findings are particularly relevant in the emerging-economy context of the Republic of North Macedonia. SMEs in this environment frequently operate with limited financial and managerial resources, lower levels of organizational formalization, and fewer specialized HR and brand-management functions. Under such conditions, informal organizational culture, direct interpersonal relationships, and the everyday behavior of owners and managers may play an even more influential role in shaping employee identification and psychological attachment than formal corporate procedures. Shared values and close communication can therefore function as low-cost but strategically important mechanisms through which Macedonian SMEs strengthen internal cohesion and encourage employees to support the organizational brand.

6.2 Strategic HRM and Employee Outcomes

The findings also indicate that perceived strategic HRM practices significantly influence employee engagement and brand commitment. This supports the view that HRM is not only an administrative function but also a strategic mechanism for shaping employee attitudes and behavior in line with organizational and brand objectives.

These results are aligned with previous research highlighting the role of HRM in enhancing employee engagement and organizational outcomes (Collings et al., 2021; Alfes et al., 2013). The present study contributes to this literature by demonstrating that perceived HRM practices also play a central role in fostering brand commitment, thereby linking HRM more directly to internal branding outcomes.

In the context of SMEs, this relationship is particularly important. Given the relatively informal nature of HRM systems in SMEs, employees' perceptions of fairness, consistency, and strategic alignment become critical. When HRM practices are perceived as supportive and coherent, they can strengthen employees' emotional attachment to the brand and encourage behavior that reinforces brand values.

The relevance of these findings should also be considered in light of the relatively low formalization of HR processes in many Macedonian SMEs. Limited financial resources and the absence of specialized HR departments do not necessarily prevent SMEs from developing strategically aligned employee practices. Recruitment, training, performance feedback, recognition, and managerial support may be implemented through relatively simple and informal arrangements. When these practices are perceived as fair, consistent, and aligned with organizational values, they can strengthen employee engagement and internal brand alignment even without complex corporate HR systems. In this context, the quality of everyday managerial interaction may be more important than the administrative sophistication of HR procedures.

6.3 Psychological Mechanisms as Mediators

One of the most important contributions of this study lies in confirming the mediating role of employee-related psychological mechanisms. The findings demonstrate that employee identification, engagement, and brand commitment serve as key pathways through which perceived organizational culture and strategic HRM influence brand identity.

These findings provide strong support for social identity theory (Ashforth & Mael, 1989), as they show that employees who identify with the organization are more likely to internalize organizational values and develop stronger attachment to the brand. In addition, the results confirm the role of engagement as a driver of brand-consistent behavior, indicating that engaged employees are more likely to actively support and enact brand values in their daily work.

Importantly, the results suggest that organizational factors do not influence brand identity directly, but rather through these psychological processes. This highlights the importance of understanding how employees interpret and

experience organizational conditions, rather than focusing solely on structural or managerial variables.

This mediation effect may be particularly strong in SMEs, where employees are more closely connected to organizational processes and have a more direct role in shaping organizational outcomes. As a result, psychological mechanisms represent a central pathway through which internal organizational conditions are translated into brand-related outcomes.

6.4 Implications for Brand Identity

The findings demonstrate that brand commitment and brand-consistent behavior are key determinants of brand identity. Among these, brand commitment exhibits the strongest direct effect, suggesting that emotional attachment to the brand plays a central role in ensuring internal brand coherence.

At the same time, brand-consistent behavior represents the behavioral expression of internal alignment. Employees who act in accordance with brand values contribute directly to the consistency and credibility of the brand. This reinforces the idea that brand identity is not only a strategic or symbolic construct but also a behavioral outcome shaped by employee actions.

These findings support the internal branding perspective, which emphasizes the role of employees as key agents in delivering brand promises (Xiong & King, 2015; Piehler et al., 2016). The results suggest that organizations should not rely solely on external communication strategies, but must also focus on aligning internal processes, psychological mechanisms, and employee behavior.

6.5 Contextual Interpretation in the Republic of North Macedonia

The findings should also be interpreted in relation to the specific institutional and organizational context of the Republic of North Macedonia. SMEs occupy a central position in the national economy, accounting for a substantial share of employment and value creation. At the same time, many SMEs operate with limited financial resources, relatively small managerial teams, and less specialized HR and brand-management functions (Davcev et al., 2017; Jovanov et al., 2016). Recent assessments also indicate continuing challenges related to access to finance, skills development, digital transformation, and the capacity of SMEs to implement formalized strategic practices (OECD, 2026).

Against this background, the strong effect of perceived organizational culture on employee identification and engagement may reflect the importance of informal coordination in Macedonian SMEs. Where formal HR systems and specialized internal-branding structures are less de-

veloped, shared values, interpersonal relationships, direct communication, and the behavior of owners and managers may become particularly influential in shaping employee perceptions. Organizational culture may therefore partly compensate for limited formalization by providing employees with a clearer sense of belonging, expected behavior, and organizational purpose.

The significant effects of perceived strategic HRM should not be interpreted as evidence that all participating SMEs possess highly formalized HR systems. Rather, the results suggest that employees respond positively when recruitment, training, performance evaluation, and reward practices are perceived as consistent, fair, and aligned with organizational goals, even when these practices are implemented through relatively simple arrangements. In resource-constrained settings, the perceived quality and coherence of HRM practices may be more important than their administrative complexity.

The strong role of brand commitment may also be contextually meaningful. In smaller organizations, employees often have more direct contact with owners, managers, colleagues, and customers, making their individual behavior highly visible and consequential for brand delivery. Emotional attachment to the organization and its brand can therefore become a particularly important mechanism connecting internal organizational conditions with brand identity. Nevertheless, these explanations should be regarded as contextually grounded interpretations rather than directly tested institutional effects, as the study did not compare North Macedonia with another national setting.

6.6 Theoretical Contributions

This study makes several important theoretical contributions.

First, the study integrates organizational culture, strategic HRM, and brand management into a unified conceptual framework, thereby extending prior internal branding research that connects managerial practices, employee attitudes, and brand-supporting behavior (Buil et al., 2016).

Second, the study extends internal branding literature by explicitly incorporating employee-related psychological mechanisms as mediators. While prior research has acknowledged the importance of employees, this study provides empirical evidence on how identification, engagement, and brand commitment jointly explain the relationship between organizational factors and brand identity.

Third, the study contributes to the limited body of research on SMEs and emerging economies. By focusing on SMEs in the Republic of North Macedonia, it provides context-specific insights into how internal organizational conditions influence brand-related outcomes in less formalized and resource-constrained environments.

6.7 Managerial Implications

From a practical perspective, the findings highlight the importance of aligning organizational culture and HRM practices with brand strategy.

Managers in SMEs should focus on developing a strong organizational culture that promotes shared values and fosters employee identification. In addition, organizations should invest in HRM practices that enhance employee engagement and strengthen emotional attachment to the brand.

Training programs, performance management systems, and reward mechanisms should be designed to reinforce brand values and encourage brand-consistent behavior. Particular attention should be given to how employees perceive these practices, as perceptions play a critical role in shaping psychological responses and behavior.

For owners and managers of SMEs operating with limited financial resources, strengthening employee-based branding does not necessarily require expensive formal programs. Practical actions may include regular face-to-face communication about organizational and brand values, consistent managerial behavior, timely recognition of employee contributions, informal coaching, and the active involvement of employees in decisions that affect customer experience and brand delivery. Owners and managers should also ensure that recruitment, training, performance feedback, and reward practices communicate the same organizational values. By demonstrating daily support, maintaining open communication, and aligning managerial decisions with the promised brand values, SMEs can strengthen employee identification, engagement, and brand commitment while encouraging employees to act as credible representatives of the brand.

6.8 Limitations and Future Research

Despite its contributions, this study has several limitations that should be acknowledged.

First, the study is based on a cross-sectional research design, which limits the ability to draw strong causal conclusions. Although the results provide support for the proposed relationships, future research could adopt longitudinal designs to better capture the dynamic nature of the relationships among organizational culture, HRM, psychological mechanisms, and brand identity over time.

Second, the study relies on self-reported data collected through a single questionnaire and from a single respondent source. Although procedural and statistical remedies were applied to assess and reduce the risk of common method bias, including respondent anonymity, Harman's single-factor test, and the Common Latent Factor approach, common method variance cannot be entirely excluded. Future research should adopt multi-source

research designs by combining employee responses with assessments provided by owners, managers, HR professionals, or supervisors.

Third, the study examines perceived organizational culture and perceived strategic HRM practices rather than objectively verified organizational systems. This perceptual approach represents a theoretical strength because employee attitudes and behavior are shaped by how organizational conditions are personally experienced and interpreted. However, it also constitutes a limitation because employee perceptions may not fully correspond to formally adopted HR policies, managerial intentions, or actual organizational practices. Future studies could combine perceptual measures with objective or independently verified indicators, such as formal HR policies, training expenditure, employee turnover, absenteeism, customer satisfaction, brand-performance indicators, or managerial assessments. Such triangulation would enable a more robust evaluation of the correspondence between perceived and objectively implemented practices.

Fourth, the research focuses on SMEs in a single national context, namely the Republic of North Macedonia. While this provides valuable context-specific insights, the non-probability sampling procedure and single-country design limit the statistical and contextual generalizability of the findings. Future studies could test the model using probability-based or stratified samples across different countries, industries, and institutional environments.

Fifth, although the sample size was adequate for the applied SEM methodology, future studies could employ larger and more diverse samples to increase statistical power and enable multi-group comparisons among micro, small, and medium-sized enterprises, as well as among different economic sectors.

Finally, future research could extend the model by incorporating additional psychological constructs, such as organizational trust, psychological ownership, or perceived organizational support. Longitudinal research could also examine how employee perceptions, brand commitment, and brand-consistent behavior evolve over time and contribute to the long-term development of brand identity.

Although the study relies on perceptual, self-reported, and cross-sectional data, rigorous statistical procedures were applied to assess common method bias and evaluate the reliability, validity, and overall quality of the measurement and structural models. These procedures reduce, but do not completely eliminate, the possibility of common method variance or establish causal relationships. Future research should therefore employ longitudinal designs to examine how the proposed relationships develop over time and incorporate multi-source data, including assessments from owners, managers, HR professionals, and employees. The inclusion of independently verified objective indicators, such as employee turnover, absenteeism, training expenditure, customer satisfaction, brand performance, and

financial performance, could further strengthen the robustness and practical relevance of future findings.

7 Conclusion

This study examined the relationship between perceived organizational culture, perceived strategic human resource management (HRM), and brand identity through employee-related psychological mechanisms in small and medium-sized enterprises (SMEs).

The findings indicate that both perceived organizational culture and perceived strategic HRM practices significantly influence employee psychological states, including identification, engagement, and brand commitment. These psychological mechanisms, in turn, play a central role in shaping brand-consistent behavior and strengthening internal brand identity.

Importantly, the results provide support for the proposed indirect pathways linking organizational factors to brand identity through employee-related psychological processes.

The study makes an important contribution by integrating perspectives from organizational culture, HRM, and brand management into a unified conceptual framework. It extends existing literature by providing empirical evidence on the mediating role of psychological mechanisms and by offering insights from SMEs in an emerging economy context.

From a managerial perspective, the findings emphasize that building a strong brand identity requires more than external communication strategies. Organizations must ensure alignment between organizational culture, HRM practices, and employee perceptions in order to achieve internal brand coherence and consistent brand delivery.

In conclusion, the study demonstrates that brand identity is not only a strategic construct but also a result of internal organizational alignment and employee-driven processes. By highlighting the importance of psychological mechanisms, the research provides a more nuanced understanding of internal branding dynamics in SMEs and offers a foundation for future research in this area.

The study provides a foundation for future interdisciplinary research on internal branding in SMEs.

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Appendix A Survey Questionnaire

Introduction

This questionnaire is part of an academic research study examining the relationships between organizational culture, strategic human resource management (HRM), and brand identity in small and medium-sized enterprises (SMEs).

All responses are anonymous and will be used exclusively for research purposes. There are no right or wrong answers.

Please respond honestly based on your personal experience within your organization.

Please indicate your level of agreement with each statement using the following scale:

1 – Strongly disagree

2 – Disagree

3 – Neutral

4 – Agree

5 – Strongly agree

SECTION A: ORGANIZATIONAL CULTURE

(Adapted from Denison, 2000)

OC1. My organization has clearly defined values.

OC2. Employees share common organizational goals.

OC3. Organizational values guide employee behavior.

OC4. The organization promotes shared values among employees.

SECTION B: STRATEGIC HRM

(Adapted from Jiang et al., 2012; Collings et al., 2021)

HRM1. The organization recruits employees who fit its values.

HRM2. Employees receive adequate training and development opportunities.

HRM3. Employee performance is fairly evaluated and rewarded.

HRM4. HR practices are aligned with the organization's strategic goals.

SECTION C: EMPLOYEE IDENTIFICATION

(Adapted from Ashforth & Mael, 1989)

EI1. I feel a strong sense of belonging to my organization.

EI2. I identify with the organization's values.

EI3. I am proud to be part of this organization.

EI4. I feel emotionally attached to my organization.

SECTION D: EMPLOYEE ENGAGEMENT

(Adapted from Schaufeli et al., 2002)

EE1. I feel enthusiastic about my work.

EE2. I am fully engaged in my tasks.

EE3. I am willing to go beyond expectations in my job.

EE4. I feel motivated to contribute to my organization's success.

SECTION E: BRAND COMMITMENT

(Adapted from Burmann et al., 2009)

BC1. I feel emotionally attached to the brand.

BC2. I believe in the brand's values.

BC3. I support the brand in my daily work.

BC4. I am committed to maintaining the brand's reputation.

SECTION F: BRAND IDENTITY (INTERNAL PERSPECTIVE)

(Adapted from Piehler et al., 2016)

BI1. I understand what the brand represents.

BI2. The brand values are reflected in my work.

BI3. Employees behave consistently with the brand.

BI4. The organization clearly communicates its brand values internally.

SECTION G: BRAND-CONSISTENT BEHAVIOR

BCB1. I act in accordance with brand values.

BCB2. I represent the brand positively in my work.

BCB3. My behavior reflects the organization's brand image.

BCB4. I actively support the delivery of brand promises.

SECTION H: DEMOGRAPHICS

Gender: ☐ Male ☐ Female

Age: ☐ <25 ☐ 25–34 ☐ 35–44 ☐ 45–54 ☐ 55+

Tenure (years in the organization): ☐ <1 ☐ 1–3 ☐ 4–7 ☐ 8–10 ☐ 10+

Industry: ☐ Manufacturing ☐ Services ☐ Trade ☐ ICT

Position: ☐ Managerial position ☐ Non-managerial employee