CHAPTER 2 : LITERATURE REVIEW

A literature review of the scope of this thesis will be presented in this chapter. This chapter is divided into 8 sections. The chapter begins by giving an overview of the brand definition. It presents the traditional definition of a brand and the historical and recent meaning of the word. The difference between corporate brands and product brands is presented in the next section to relate to the corporate brands that are chosen as the sample. In the next section, a study of corporate rebranding is explored where it is used to describe three different events that is presented below. The corporate rebranding framework is also presented in this section which shows that there are three areas when it comes to rebranding – analysis, planning and evaluation.

In order to answer the research questions, rationale for corporate rebranding from previous studies are explored which is presented in the fourth section of this chapter. In particular, the reasons presented relate to the reasons for companies changing their corporate logo. As corporate rebranding of an organisation needs to be communicated to all, section 5 presents the marketing communication strategy that may be adopted, followed by an overview of brand equity.

This chapter ends by providing an overview of the event study methodology and efficient market hypothesis which are crucial in providing the understanding of the results.

2.1 Brand

The definition of a brand as presented by the American Marketing Association is “a name, term, symbol, design or a combination of them intended to identify goods or services of one seller or a group of sellers and to differentiate them from those of competitors” (Kotler, 2008). Kapfarer (1993) denotes to the link between the historical and recent meaning of the word which is the actual act of burning a mark onto the skin of an animal in order to designate ownership of the cattle. Similarly, today’s branding refers to the way companies try to mark their own products and other properties to identify and differentiate their product from others.

However, it has been increasingly more difficult to find an inherent competitive advantage of a product that cannot be copied or shared and the drinks industry which encompasses a diverse range of products (soft drinks, hot drinks, alcoholic) is one such example. Consequently, brands are the only intangible factors of a company that do not have to be shared (Olins, 2000). Balmer and Gray (2003) have also defined brand as a mark, name, trademark or logotype denoting ownership, an image-building device, a symbol associated with key values, a mean by which to construct individual identities or a conduit by which pleasurable experiences may be consumed.

A brand essentially represents an intangible array of emotional and functional values, which emulates an experience. It is therefore, a dynamic interface between a company’s actions and the interpretations from its investors (de Chernatony, 2002). Strong brands are built through years of sustained investment in a name which yields a loyal set of customers, higher margins and continuing stream of income for the brand owner (Aaker, 1996; Kapferer, 1998; Keller, 2002). It also results in larger sales, a higher market share and a continuous income stream for the brand owner (Kapferer, 1995; Aaker, 2000; Keller, 2002). A successful brand is capable of differentiating, protecting and communicating its inlaying message to all stakeholders. A strong brand is "a safe place for customers" since it increases trust, decreases customers' perceived monetary, social and safety risk as well as enables better visualization and understanding of the product (Berry, 2000).

2.2 Corporate Brand

While the above have just explained the definition of a brand, there are many definitions to the term "corporate brand" which have been explored by many researchers. Brand names however are different than corporate brand names and corporate brands are more than just trade names (Muzellec, 2006). The first mentions of corporate branding in the literature were made in the early 1990s (Balmer and Gray, 2003). In recent years, customers are increasingly placing more emphasis on the culture of the company rather than perceiving a company as a simple supplier of a service or a consumable product. According to Knox and Bickerton (2003), corporate brands are a "visual, verbal and behavioural expression of an organisation's unique business model which is communicated via experience and interaction with the personnel as well as by word of mouth" (de Chernatony, 1999; Balmer and Gray, 2003). In Einwiller and Will (2002, p. 101), a corporate brand is considered as a "systematically planned and implemented process of creating and maintaining a favourable image and consequently a favourable reputation of the firm as a whole by sending signals to all stakeholders by managing behaviour, communication and symbolism". Kay (2006) said that corporate branding is the way a company communicates its identity whilst Tadelis (1999) mentioned that the reputation of a company is an intangible yet valuable asset. Corporate brands are said to be more central and strategic when compared with product brands and the former is controlled by the upper echelons of companies (Hatch and Schultz, 2003). In addition, corporate brands are more abstract, representing higher-order values (de Chernatony, 2002) and more complex, with possible different meanings for different stakeholders (Balmer and Greyser, 2002) when compared to product brands. Corporate brands are designed to evoke positive associations from stakeholders (Dacin and Brown, 2002). Therefore, to an employee, the corporate brand will have a different meaning from an investor who has an external point of view. Based on the definitions stated, this is consistent with the study's definition of a corporate brand where it represents an organisation and this could be communicated using the different channels in order to project the elements of the brand – its name, logo, slogan or tagline. Corporate brands are not built overnight and it takes a lot of hard work to ensure that the corporate brand is precisely and this ensures that the corporate image (what the organisation is perceived externally) is consistent with the corporate identity (what the organisation aims to represent). Apart from the brand, the culture and structure of a corporate brand are critical elements because it forms a major part of the brand as mentioned previously. Managers and academics are beginning to realize that companies with strong corporate brands can have market values twice as big as their book values (Hatch and Schultz, 2001).

Whilst it takes a long time to build, the corporate brand carries a value and investors aim to invest in an organisation that carries a great amount of value in the corporate brand. In addition, a corporate brand acts as a signal and sometimes as an announcement of the corporate brand as perceived by the stakeholders themselves. Dowling (2006) presents a framework linking corporate reputation to the creation of shareholder value, based on the four-part valuation model of Copeland, Koller and Murrin (2002).

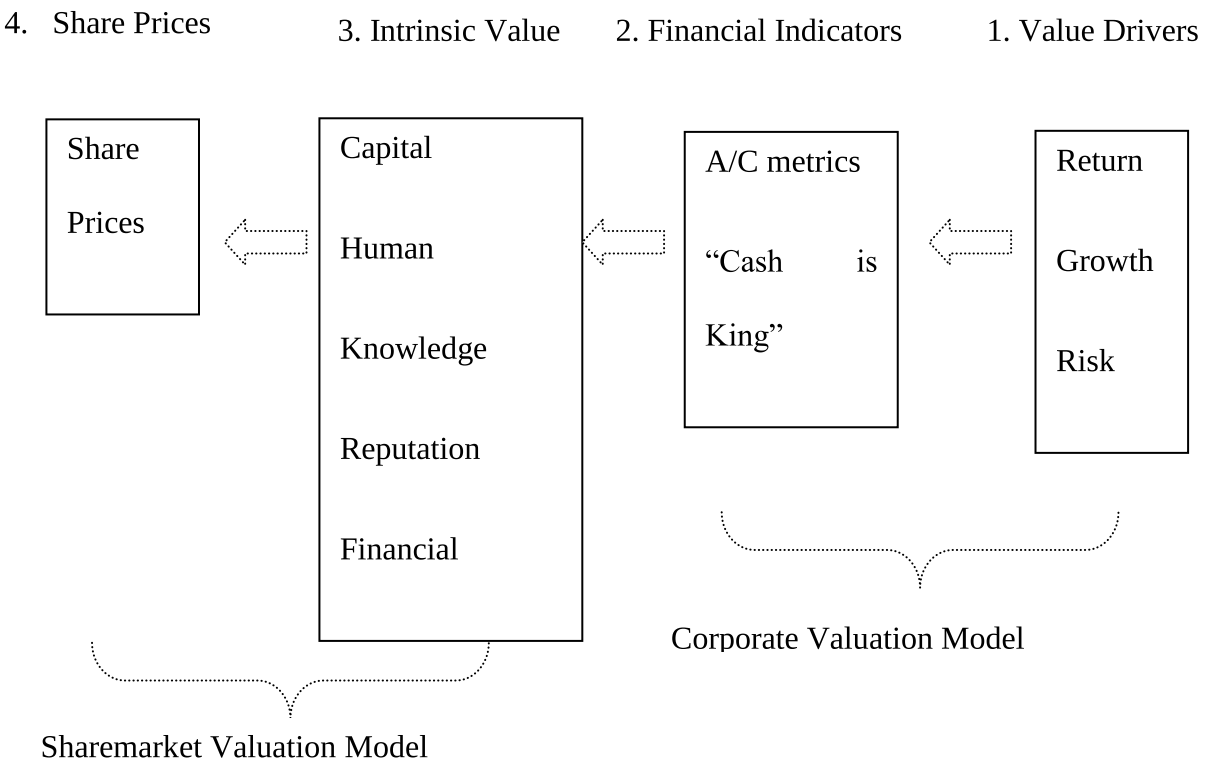

Figure 2 : Four-part model of sharemarket valuation (Copeland, Koller and Murrin, 2000)

The study points states that a good corporate reputation forms part of the company's intrinsic value which will be factored into the firm's stock price. Einwiller and Will (2002) find evidence in their study that a strong corporate brand and a favourable reputation contribute to higher stock prices. This was also supported by Schultz and de Chernatony (2002) where successful corporate branding strategies will provide an opportunity for generating a significant future income stream.

By using corporate branding with a successfully marketed product, a company can familiarize customers with its products and therefore create brand loyalty among said customers. Corporate branding is usually successful if the company is well known and sells reputable products with a positive image. Consumers will want to buy from organisations that provide products or services that will bring more value to them than the cost of obtaining it.

For the purpose of this thesis, the brand as the organisation will be the main focus versus the brand of the products that the organisation provides. This focuses on attributes of the organisation (organisational culture values and programmes) rather than those of the product or service. Viewing the brand as an organisation generates organisational associations that can be attached to the brand as part of the brand identity. For example, the corporate brand name of Pharmaniaga Berhad incorporate the history of its name and the cultures or corporate values that Pharmaniaga has within the organisation in order to represent its core values. As much as product brand is important, organisations with strong corporate brand are just as important because this is where customers (both existent and potential ones) associate themselves with.

Corporate brand may also be applied to many products and this creates economies of scale as well as a large scope in creating visibility and awareness. The cost of doing this is spread over multiple products and categories because the brand name is exposed wherever and whenever these products are advertised or sold. Multiple products therefore translate directly into more exposure for the brand name. Therefore, if one of the products is not doing well or delivering poor results, this could potentially tarnish the corporate name.

In communicating the corporate brand, a much more diverse communication media is required, from face-to-face contact to Internet and general publicity (King, 1991). A corporate brand should be publicised to all stakeholders through multiple channels of communication. The totality of corporate communication should include the performance of the products and services, the behaviour of the CEO and the behaviour of the whole company as a whole. This forms the corporate brand promise that the company aims to communicate to all stakeholders in order to create a positive perception of the brand.

2.3 Corporate Rebranding

Whilst corporate branding has been adequately discussed in literatures, corporate rebranding has been neglected from academic research. Most of the existing research on corporate rebranding focuses on revolutionary rebranding such as the creation of a new name (Horsky and Sqyngedouw, 1987, Delattre, 2002, Muzellec and Lambkin, 2006). Despite big investment spent on communicating the company's position, companies still fail to create a distinctive image and have to rebrand (Bravo et al., 2009). Corporate rebranding strategies are directly linked with brand equity management. Companies wanting to add value from corporate rebranding have to evaluate and manage their brand equity.

Adopting the definition proposed by Muzellec and Lambkin (2006), rebranding corresponds to the creation of a new brand element aiming to create a new image or position in the mind of stakeholders. A good and strong corporate image can have a positive impact on the employees, managers, potential inventors, current shareholders and customers' evaluations. On the other hand, rebranding is a strategy involving considerable risks as strong brands take years to successfully build in order to provide higher margins, loyal customer bases and a continuous stream of income for the company representing the brand (Aaker, 1996; Keller, 2002). Rebranding is variously used to describe three different events : changing name, changing the brand aesthetics (colour palette, logo, etc.), and/or repositioning the brand (Muzellec, Doogan and Lambkin, 2006). An alternative definition given by Muzellec and Lambkin (2006) on rebranding is the practice of building anew a name representative of a differentiated position in the mind frame of stakeholders and a distinctive identity from competitors. Therefore, corporate rebranding aims to modify the image (the perceived-self) and/or to reflect a change in the identity (the core-self).

Another definition provided is derived from an etymological perspective - 're' and 'branding' may indicate that the intention is to restore a previous state of things, for eg. in the regaining of a previous image or reputation. However, this definition is seldom used because people would want to be perceived as something new versus having to change back to its old self. (Muzellec, Doogan and Lambkin, 2006).

Rebranding can be also defined as the practice of building anew a name representative of a differentiated position in the mind frame of stakeholders and a distinctive identity from competitors. Number of studies on corporate rebranding have been done in the academic field (Daly and Moloney, 2004; Muzellec and Lambkin, 2006). Corporate rebranding exercise may sometimes be referred to as repositioning or revitalising the brand. Koku (1997) explained that while a company decides to change its name, it would not only change the company’s performance but also the communication between a firm and its consumers. The corporate rebranding framework is presented :

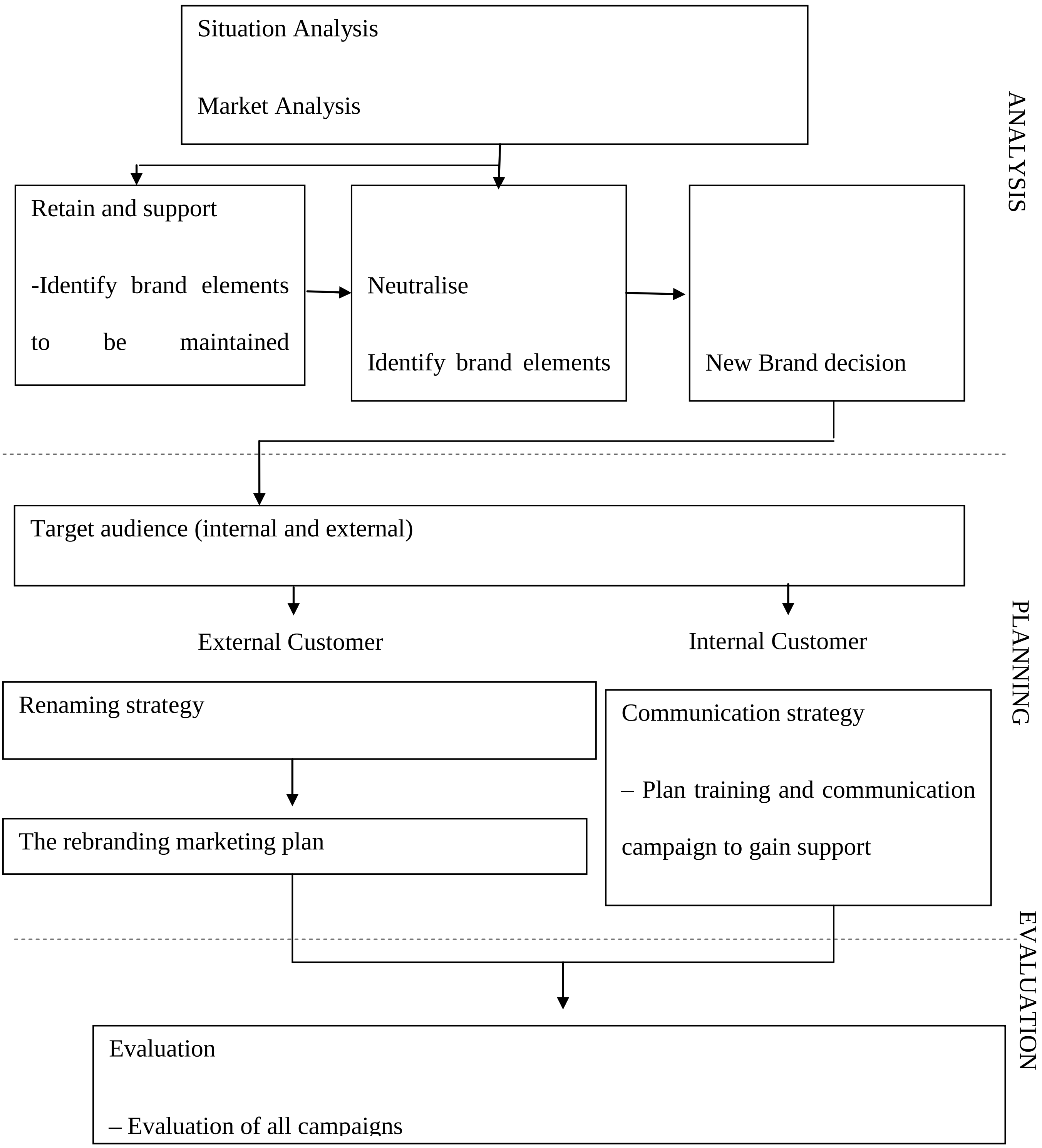

Figure 3 : Corporate Rebranding Framework

As a brand is composed of tangible and intangible elements, rebranding may consist of changing one or all of these elements along a continuum (Daly and Moloney, 2004), from minor improvements to the visual identity of the corporate brand (ie logos and slogan) defining an evolutionary rebranding, to major changes such as the creation of a new name, ie revolutionary rebranding (Daly and Moloney, 2004; Muzellec and Lambkin, 2006). In this study, changing of the brand aesthetic which is the logo is the main focus of the rebranding exercise undertaken by companies. The word *logo* can refer to a variety of graphic and typeface elements. In this study, the term logo is referred to as the graphic design that a company uses, with or without its name, to identify itself or its products (Bennet 1995; Giberson and Hulland, 1994). Corporate identity literature treats logos as a company's signature on its materials (Synder, 1993). A symbol can be the anchor that keeps a brand seemingly stuck in the past unless it is updated. In addition to obtain a unique position, it is important for companies to own an effective identity symbol that enhances customers' understanding and remembering of the brand identity and links it with the brand (Aaker, 1996). One example that can be provided is the Prudential rock that has evolved to a more abstract representation in order to signal a more modern presentation. In all cases, the meaning of the symbol has not changed as the symbol will still represent the heritage of the brand.

Corporate branding responsibility does not lie only within the management. All personnel within the organisation should be involved in corporate branding (Bergstrom et al., 2002). Whilst corporate brand important in the organisation, there are situations where the organisation needs to remake or rebrand themselves. The process of executing the rebranding exercise would most likely require a change in management process. Usually the decision to rebrand is often taken by a handful of people, generally the senior management (Brierley, 2002; Griffin, 2002). This would involve some changes which include getting all units in the company to adhere consistently to policy and procedure specifications (such as common letterheads or business cards, or the use of colours and designs). It also requires all units to move from one mindset and culture to another. On an external basis, rebranding is done through a change in the visual identification communicated through conventional corporate communications media (Stuart and Muzellec, 2004). The corporate rebranding framework would include :

1. Focus on how and to what extent the corporate brand should be changed;
2. Emphasis on justifying the reason to revise the brand – both benefits and costs;
3. In order to ensure that there is no internal resistance to the brand change, a well-structured change management programme is required to get brand buy-in from all units;
4. Highlight the need to alert all stakeholders to the new brand. This includes using proper marketing channels to communicate this change to external stakeholders like suppliers, creditors and potential investors.

2.4 Reasons for Corporate Rebranding

There are many reasons why companies would want to rebrand based on the definitions stated above. The reasons to rebrand can come from changing external conditions, weaker competition position, changing ownerships structures and or change in corporate strategy (Fombrun and Shanley, 1990; Muzellec and Lambkin, 2006). Delattre (2002) finds four categories of reasons to rebrand: new corporate image, new management or shareholding structure, new activity and change of legal status but the overall reason for the rebranding is to send a signal to the marketplace which is to communicate to stakeholders that something about the company has changed. Aaker (1991) highlighted some rationales for change :

Rationale 1:The identity/execution appeals to a limited market

When the brand identity/execution is working well but addresses a market that is limited and perhaps shrinking, there may be a need to change the identity in order to reach a broader market. A brand can be repositioned to reach another segment.

Rationale 2 : The identity/execution is not contemporary.

Even a brand identity that is still relevant and meaningful may appear old-fashioned and dull. This leads to customers being bored by the old identity.

Rationale 3 : The identity/execution is tired

Having a single brand identity/execution over time is that it may become boring to consumers. Competitors with more exciting identities and ways to communicate them have an advantage.

There are also other reasons as to why companies would want to change their corporate logo. Companies aim to modify the image (the perceived-self) and/or to reflect a change in the identity (the core-self). Companies do so to differentiate themselves from other competitors. Companies changing their corporate logo may also be seen as a signalling device. New product and brand introductions also develop new logos (Siegel 1989). Changing of corporate image require new logos (eg name changes such as Federal Express to FedEx) (Horsky and Swyngedouw 1987). In Malaysia, companies are also taking the steps to rebrand themselves to make themselves competitive in the market.

A summary of the reasons of rebranding according to Muzzellec and Lambkin (2006) are presented below :

Change in Ownership structure	**Change in Corporate Strategy**	**Change in Competitive position**	**Change in external environment**
Mergers and acquisition	Diversification and divestment/refocus	Erosion of market position	Legal obligation
Spin-offs and demergers	Internationalization and localization	Outdated image	Major crisis or catastrophes
Private to Public ownership		Reputation problems	
Sponsorship			

Table 1 : Reasons for corporate rebranding (Muzellec and Lambkin, 2006)

However, Stuart and Muzellec's (2004) argument state that rebranding may not be the solution to the problems that the companies may be facing. The authors suggest that rebranding considerations include providing a complete assessment of the potential benefits, clarity about what is being signalled and checking that key stakeholders understand and support the rebranding exercise. Therefore, a company need to consider carefully when doing a rebranding exercise because if the costs exceed the benefits, it may not be beneficial to the company.

There have been previous case studies from previous research that provide insights into the development processes of corporate rebranding. Merrilees (2005) analysed the rebranding of a major auto and leisure goods retailer named Canadian Tire. In this study, it highlighted the roles of qualitative and quantitative market research and company intuition to guide the new brand vision. The company uses a three-stage process of changing the brand vision to brand-oriented commitment from stakeholders, and to brand strategy implementation including advertising and other changes to the marketing mix, linked to the new brand values. In this study, two companies, Pos Malaysia Berhad and Emery Oleochemicals Sdn Bhd were interviewed to find out the rebranding process undertaken by these companies. The summary of the interviews will be presented in Chapter 4 to support the rationale for a corporate rebranding exercise.

2.5 Marketing Communication Strategy

Marketing communication plays an important role in building and maintaining stakeholder relationship, and in leveraging these relationships in terms of brand and channel equity (Duncan and Moriarty, 1998). As the stakeholders may not know about what the new brand stands for after the rebranding exercise, its values and image must be communicated to all stakeholders through an integrated marketing communication campaign (Daly and Moloney, 2004). The integrated marketing communication (IMC) helps businesses to develop an effective and efficient marketing communications strategy. IMC strategy is essential to the company's strategic brand management and that it strengthens the interface between the company's brand identity strategy and its customer-based brand equity. Therefore, a company which is rebranding will use IMC to build brand equity. The primary goal is to send a strong signal to stakeholders that something about the company is about to change or has already changed and/or to foster a new image (Muzellec and Lambkin, 2006).

2.6 Brand Equity

Rebranding strategies are directly linked with brand equity management. Companies wanting to add value to their offer through corporate rebranding have to evaluate and manage their brand equity. The definitions of brand equity can be categorized into customer-level, financial level and product level definitions (Chattopadhyay, Shivani and Krishnan, 2008). Farquhar (1989) defines brand equity as an intangible asset that depends on the associations made by the consumers. The customer-based definitions agree that a strong brand increases the strength of customers´ attitude towards the product associated with the brand and it is the added value of the brand to the customers (Chattopadhyay et al. 2008). Brand equity is a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers (Aaker, 1991). As the brand equity is a set of assets, the management of brand equity involves investment to create and enhance these assets. The Marketing Science Institute (1990) defines brand equity as the set of associations and behaviours on the part of a brand's customers and channel members what allows the brand to gain greater volume and margins that it could obtain without the brand name.

Financial definitions for brand equity represent it as an incremental contribution (in monetary form) per year obtained by the brand in comparison to the underlying product with no brand building efforts (Srinivasan, Park and Chang 2005). The goal of brand valuation is to either set a price when the brand is sold or to include it as an intangible asset on a balance sheet (Feldwick, 1998). Brand equity can be used to build stable long-term demand, build and maintain profit margins, add value to a product, provide a base for expansion into new products or markets, and protect the company against increasingly strong intermediaries (King, 1991). Companies that have a strong brand equity have the possibility to compete both with price and specifications (Aaker and Joachimsthaler 2000a), and it is also a platform for new products and licensing (Farqurah, 1989). In the product-level, brand equity is often described to be a synonymous with price premium which is the willingness of the consumers to pay more for a brand compared to other brands.

Each brand equity asset creates value in a variety of very different ways. In order to manage brand equity effectively and to make informed decisions about brand-building activities, it is important to be sensitive to the ways in which strong brands create value (Aaker, 1991). For assets or liabilities to underlie brand equity, they must be linked to the name and symbol of the brand (Aaker, 1991). This would include the name, slogan, tagline and logo of the brand. If the brand's name or symbols should change, some or all of the assets or liabilities could be affected and even lost, although some might be shifted to the new name and symbol.

Measuring brand performance has been a challenge to the academics since the mid 1980s (Kapferer, 1995; Keller, 2002). Methods used to evaluate corporate brand performance vary depending on the ontological approach taken by the various authors. Some ways of measuring the brand strength - customer-based brand equity perspective ie CBBE Model (Keller, 1993) or by considering the brand personality (Aaker,1997). Corporate brand/reputation can be accessed from a multi-stakeholder perspective by using the Reputation Quotient (Fombrun et. al. 2000) and corporate image can be appraised by using various qualitative techniques (van Riel et. al., 1998). However none of these techniques has so far been used to evaluate the impact of a rebranding on a firm's performance.

The only systematic studies available today indicate that a corporate name change may enhance market recognition and position (Morris and Reyes, 1991) and generate an increase in the stock market value of the renamed firm (Horsky and Swyngedouw, 1987; Dursun and Kilic, 2003).

According to Keller (2008), "corporate brand equity is the differential response by consumers, customers, employers, other firms or any relevant constituency to the words, actions, communications, products or services provided by an identified corporate entity".

When the corporate brand equity is positive, the relevant stakeholders respond favourable to corporate ad campaigns and corporate-branded products and services compared to the same offering that may be provided by an unknown company. Therefore, it should be observed that there may be abnormal return obtained when the change of logo announcement is made by the company.

As discussed above, one way to assess the value of brand equity of a company derives from finance theory and uses the stock price as the evaluation basis (Aaker, 1991). The argument is that the stock price will adjust the price of a firm to reflect future prospects of the brand as corporate rebranding exercises are considered major events. Stakeholders' define the image of the company based on the signals that derive from it. As discussed above, corporate rebranding is a very strong formal signal that stakeholders receive that something about the company has changed (Muzellec and Lambkin, 2006). It is expected that these corporate rebranding steps taken by the company will impact the corporate market value and thus constitute a signal that shareholders will use when they evaluate the company. However, there is a disadvantage of using the stock market – the events need to be sufficiently large to be detected.

Financial markets provide clear evidence that investors can be influenced by strategic decisions. However, Howe (1982) did not find a significant reaction associated to the change announcement and this could be due to information leakage. A discussion on the Efficient Market Hypothesis is discussed in the last section of this chapter and if the market is efficient, all the information will be reflected on stock prices in the announcement day.

2.7 The Event Study Methodology

The methodology used in this study is the event study methodology. Event studies are an important tool in finance and much of the corporate finance literature is concerned with the valuation of companies and the change in company value which may result for example changes in capital structure. The premise underlying the event study methodology is the efficient market hypothesis. Originally proposed for studying the effects of stock split announcements over stock prices (Fama *et al,* 1969), the event study methodology is quoted as being the standard measurement tool for behavioural studies of security price during an occurrence or event (Binder, 1998). It explains that financial markets are efficient and hence stock prices reflect instantaneously all the available information related to the profitability of the firm (Fama, 1970). It measures the stock price reaction to the unanticipated announcement of an event. Abnormal returns occur when the market perceives that the firm's announcement or "event" will have a positive (or negative) impact on the firm's future cash flows, resulting in immediate stock price increases (decreases). Hence, the event study methodology to analyse on the impact of the corporate logo changes will be applied in this study. It aims to measure market reaction following the announcement and how it affects the company's stock price. Other areas that have used the event study methodology include mergers (Mandelker 1974; Dodd 1980), stock splits (Fama, Fisher, Jensen and Roll 1969), equity offerings (Asquith and Mullins 1986, Eckbo 1986; Masulis and Korwar 1986; Mikkelson and Partch, 1986). The event study has also been reviewed by Brown and Warner (1980, 1985) and Schwert (1981). Information required to undertake an event study – the names of stock-listed companies, the event dates in relation to the announcement of interest and the relevant stock prices. The event study procedure is presented below :

1. Identification of the event of interest;
2. Definition of criteria for inclusion of the event;
3. Calculation of normal and abnormal returns;
4. Estimation of the normal performance model; and
5. Performance of statistical and hypothesis tests.

The problem with event studies is the timing of the event. Event studies require that the date of the announcement is as accurate as possible. However, this is unavoidable sometimes as information may have been leaked previously. The common procedure is to pick the date of the first announcement in financial news source. Some uncertainty regarding the event date is often unavoidable and therefore, when interpreting the results of the event study, care must be taken into account.

2.8 Efficient Market Hypothesis

The financial market perspective of this study can be derived from the "efficient markets" literature that forecasts that in a well functioning capital market, stock prices are the best available unbiased estimates of the value of the assets of a company (Simon and Sullivan, 1993; Fama, 1970). It is preferable to use the financial market valuation than historic accounting measures that does not incorporate the expected future returns of rebranding exercise. By using objective market based measures, comparisons over time and industries are possible.

Efficient Market Hypothesis (EMH) signifies that all appropriate information is quickly and fully assimilated in a security's market price In other words, an investor in the market should not anticipate an abnormal return. However, random walk theorists generally start with the premise that the major security exchanges are good instances of efficient markets. A market where consecutive price changes in individual securities are independent is, by definition, called a random walk market (Fama, 1965). The random walk theory affirms that all information is reflected in the current stock prices. Thus, any new information would also take little time to be completely incorporated in the prices, and the market players, thus, would have little time to exploit this new information to realize above normal profits.

Fama (1970) recognized three forms of market efficiency explicitly: the weak, semi-strong and strong. Weak form of market efficiency says that current stock prices fully reflect all the past information. Any attempt to forecast prices based on historical prices or information is completely futile, as the prices follow random walk process. Semi-strong form expands the idea of efficiency a little further and describes that current stock prices replicate all the publicly available information. Prices adjust very quickly to such information, so the abnormal returns cannot be earned on a consistent basis. The strong form is a situation where all the pertinent information, whether it is within the public domain or private domain, will be reflected in the stock market price. By explaining the event studies, one can measure how quickly stock prices respond to different pieces of news, such as announcement of a corporate rebranding exercise. There have been many studies that mention on the announcement corporate earnings or dividend announcement, merger and takeover.

There have been several earlier studies which provide some evidence of weak and semi-strong form efficiency in the Bursa Malaysia (Malaysian Stock Exchange) (Barnes, 1986; Laurence, 1986; Neoh, 1986). A recent study by Isa and Yap (2004) on merger announcement provides some evidence of semi-strong form efficiency in the Bursa Malaysia.

Nasir and Mohamad (1993) also examined the semi-strong form efficiency in the Bursa Malaysia using earnings and dividends announcements and concluded that a near semi-strong form efficiency existed in the Bursa Malaysia. Monthly returns from 1975 to 1989 were used in their study while Isa and Subramaniam (1992) used weekly returns to avoid the problem of thin trading in the market. If the market is fully efficient in semi-strong form, then any public information released in the market will be reflected instantaneously in the share price movement.

In Malaysia, results of the studies on the stock market efficiency in the Bursa Malaysia have been mixed. Lanjong (1983), Barnes (1986) and Laurence (1986) concluded that despite being a small, emerging and thinly traded market, the Malaysian stock market is weak-form efficient. Considering the various empirical examinations of the weak-form market, Neoh (1986) in particular, strongly supported that the Malaysia market was rather efficient in the weak form but not in the semi-strong form. In the study of Hussin, Ahmed and Teoh (2010), the results obtained provide evidence of semi-strong efficiency in the Malaysian stock market which was similar to the findings of Isa and Subramaniam (1992). It is also concluded that announcements play an important role as signals of changes in the future prospects of a company. On the whole, the empirical results obtained in their study indicate that the Bursa Malaysia has not reached its full efficiency level in semi-strong form as the time required for the market to absorb the information conveyed by the dividend and earnings announcements is extensively long.