

# Internal Branding: A Comparative Analysis of Banking Sector in Pakistan

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## Abstract

*With the growing consumerism and corporate competition, organizations, particularly banks are required to augment the sense of branding among their employees. In this view, this research study intends to extend understanding towards brand supporting behavior and assesses empirical relationship between brand supporting behavior and brand performance. Also, it evaluates internal branding process from perspective of employees to know attributes of organization that motivate them in living the brand or delivering the brand performance. A quantitative survey is conducted in banking sector and structural equation modeling is applied to assess the goodness of fit of model and to interpret causal relationships. To explore the factors of internal branding which drive performance of employees, in-depth interviews are also carried out. Attributes that motivate employees and contribute in building internal branding process are found as: work environment, employment, and internal communication. These factors can influence employees brand supporting behavior and internal branding process which in turn affect the delivery of brand promise. The results of this study provide practical insights about the internal branding dynamics of local market; and suggests that norms valued by the employees, need attention of top management to let employees relate those norms with the brand of the organization.*

**Keywords:** Brand commitment, brand identification, brand loyalty, internal branding

## 1. Introduction

Organizations are faced with a number of challenges due to globalized environment and are continuously struggling to find competitive advantage. This quest of being unique requires organizations to make the most out of available resources. Of all the resources, human resource is now considered as an essential asset in materializing organizational goals irrespective of manufacturing goods or delivering service. Considering this fact, investing and building all aspects of organization's "brand" is a way of gaining a sustainable edge over competitors. Branding is about constructing psychologically registering in the mind of target audience to organize their information about a particular product or service. Organizational brand reflects perception of customers about an organization (Keller 2003) plus an indicator of financial strength of a company (Kerin & Sethuraman 1998). Today, all aspects of an organization demand to focus on the branding process and a shift has been made from product branding to corporate branding. Corporate brand is the relationship of an organization as a whole, not only with its customers but also with its employees. Corporate branding is aligned with both concepts i.e., employer branding and internal branding. When an organization strives to get the people compatible to its environment and having the same values as of the organization, it is called building up an "employer brand". Creating a perception for any organization as the best place to work is also an employer brand. If an organization establishes itself as the best place to work then it can attract the matching talent both in quality and quantity.

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On the other hand, “internal branding” is about promoting the brand within an organization to the existing employees with an aim to ensure the congruence between internal and external brand message. Efforts of internal branding target at developing emotional connection of employees with the organization, in a way that they not only understand company’s strategic direction but also believe in it, support it and do what it is required for the organization to succeed (Sartain & Schumann 2006). It is a joint effort of both marketing and human resource department. There is no universal definition for internal branding; however, many authors agree that it is successful delivery of brand promise that transformed into reality by the employees, meeting the customer’s satisfaction by fulfilling their expectation (e.g. Aurand et al. 2005; Boone 2000; Chernatony & Cottom 2006; King & Grace 2008; Mahnert & Torres 2007; Punjaisri & Wilson 2007). Organizations which have created successful brand have not only focused on the external branding but also worked on all areas of branding, including internal branding. Employees as internal brand ambassadors play a major role for they are considered as a bridge between an organization, its customers, and all other stakeholders (Harris & Ogbonna 2000) by contributing significantly to competitive advantage. Although, internal branding has its role both in case of a tangible (physical good) or intangible (service) product but it dominates more in service industry as employees directly play a role in delivering “first-hand experience”. This first-hand experience can make or break the customer perceptions relating to the organization. Similarly, in case of product being physical good, understanding of employee about the meaning of brand value to its customer is equally necessary.

Earlier, many studies focused on the perspective of management and consultants, ignoring the fact that employees can be treated as target audience of an internal branding campaign. Later on, some studies presented the internal branding process from employee’s perspective in service industry particularly in hotel (King & Grace 2005; Maxwell & Knox 2009; Punjaisri et al. 2009a; Punjaisri & Wilson 2011; Raj & Jyothi 2011) and their extant literature recommend to further strengthen internal branding concept by studying it in particular organizational settings, cultures and actions which influence overall performance of the organization. In line with these researches, this study also focuses on front line employees in banking industry with regard to internal branding process. Furthermore, there is a very limited research conducted in Asian countries on internal branding, and this research expands the knowledge of internal branding into local cultural background, and helps in adopting this branding concept in a wider context.

This study aims to understand the link between “brand supporting behavior” (i.e. brand identification, commitment and loyalty) and “delivery of brand performance”, and it also attempts to explore internal branding process from employees’ perspective (i.e. what attributes of organization are important for current employees). The study further provides an insight into internal branding process to both marketing and HR practitioners in relation to what attributes of organizations are important for existing employees to engage them to “live the brand”. Finally, it identifies that how to increase employees’ brand identification, commitment and loyalty for long term success of an organization.

The objectives of this research study are:

- To empirically assess the causal relationship among different brand attitudes i.e., brand identification, brand commitment and brand loyalty.
- To explore the relationship between brand attitude and employee’s brand performance.
- To identify categories of attributes considered more or less attractive by current employees in the banking sector which motivate them to live the brand.

- To find out the differences of attributes between national and multinational organizations.

## 2. Literature Review

Internal branding is defined as a “set of strategic processes that align and empower employees to deliver the appropriate customer experience in a consistent fashion” (CMA 2007). This concept has received considerable interest recently and many researchers (e.g. de Chernatony & Cottom 2006; Mahnert & Torres 2007; King & Grace 2005; Punjaisri & Wilson 2009, 2011) have assessed its impact towards the success and failure of organization. In the literature of corporate branding it has been acknowledged that employer can influence brand perception of their customers and other stakeholders through the role they play in conveying both functional (what are delivered) components and emotional (how they are delivered) values (Chernatony 2002). When these functional and emotional values are associated with the brand values (goods or services), true spirit of corporate brand can achieve competitive advantage which is sustainable in the long run (Pringle & Thompson 2001). In fact, internal branding is a way of achieving competitive advantage and employees are target of core objective, which cannot be replicated (Jacobs 2003).

Employees’ identification and commitment with brand is needed across the organization if its corporate brand is to be successful and distinct (Balmer 2001). Once all employees of an organization have clear understanding of the value of other organization’s brand, they can engage themselves with brand intellectually and emotionally (Thomson et al. 1999). This engagement with the brand attempts to develop a shared agreement of the brand values. Latest research studies endorsed that employees’ brand commitment is positively influenced by internal branding (Punjaisri et al. 2008, 2009a, 2009b, 2011). Moreover, theories of organizational identification and organizational commitment have professed that once employees values are aligned with organization's values and brand, their loyalty with brand enhances (Dutton et al. 1994; Van Dick 2001).

Research study conducted by Papsolomou and Vrotis (2006) in UK retail banking industry argues that internal branding is an effective way of influencing employees’ loyalty and disposition to stay with the brand (Reichheld 1996). Also, according to various researchers, brand identification is viewed as a predecessor to brand commitment (Burmam & Zeplin 2005) and brand loyalty (Brown & Peterson 1993; Pritchard et al. 1999) which means that only if employees identify themselves with the organization, they will be more committed and loyal to the organization.

There are many factors which moderate the process of internal branding while creating brand supporting behavior, such as personal (relating to individuals) and work environment. In personal factors, age (Simons & Enz 1995), number of years worked in an organization (Van Woerkom et al. 2002) have been observed; however, with regard to organizational climate (Steers & Porter 1983), support of supervisors (Susskind et al. 2007) as well as autonomy required to perform a job (Tomer 2001) have potential impact on internal branding. This further affects employees brand identification, commitment and loyalty.

Employees have a very significant role in service branding which is evident in research conducted by Chernatony and Cottam (2006). Through an assessment of a range of financial service brands, with varying levels of success (as determined by a range of indicators such as future earnings, market share and reputation), they have uncovered employees as the driving force for successful service brands. Internal brand management has been promoted to be the means to ensure

employees are attitudinally and behaviorally ready to deliver the brand promise (Punjaisri et al. 2008) provided that organizational culture and employee values can influence the values perceived by customers to be representative of a service brand. Chernatony et al. (2006) argue upon influencing employee behavior with the help of internal communicating value of brand. In turn, such communication results in brand values being comprehended by employees as well as being accepted and internalized so as to shape future behavior. Punjaisri et al. (2009a) carried out a research from the perspective of employees to understand the process of internal branding. In the study, quantitative survey was conducted with 699 employees who were dealing directly with customers in five big hotels of Thailand. Internal branding showed a positive impact on brand promise delivery of employees as it influenced their attitude and behaviors significantly. It concluded that brand identification drive the commitment and loyalty.

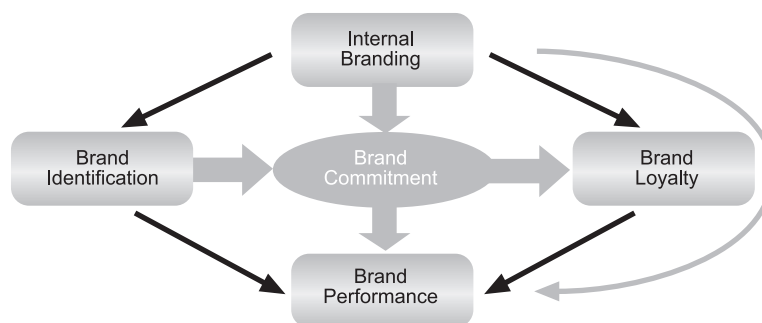
Identification of employees with the organization, particularly with regard to brand in service industry, is considered an important pillar. If employees tend to identify with the organization, it is more likely that they will uphold the identity in their actions as well (Stuart 2002). This identity in employees' actions induces brand supporting behaviors and attitudes, and becomes very instrumental in internal branding process. Another important relation of brand identification is with social identity theory (Tajfel and Turner 1985). According to this theory, employees when identified with their social group are motivated to improve their performance and perform in the strategic interest of organization by maintaining consistency between their personal and organizational goals (Cheney 1983; Dutton et al. 1994; Dick 2001). If a brand is perceived as distinctive and esteemed, it leads to the desire of being identified with it, thus enhances source of identity (Elsbach 1999).

The psychological attachment or belongingness towards the organization by the employee is called brand commitment. If an employee perceives the relationship as positive he or she exhibits high level of brand commitment. This commitment and belonging influence the ability to put in extra effort apart from routine work to achieve organizational goals (Castro et al. 2005). Such commitment is also important to determine the success of organization (Morgan & Hunt 1994). Theory of organizational commitment states that "if employees believe and accept values and goals of organizations, they will be more willing to put forth effort" (Cook & Wall 1980). The target of internal branding is to create a shared understanding of values and goals through organization which effects employees' commitment positively (Punjaisri & Wilson 2007).

The attachment of a customer to the brand is called brand loyalty (Aaker 1991). When this concept is translated into internal branding, it is a positive exchange of relationship which results from high degree of trust between organization and employees. Employees who are brand loyal have stable and conscious relationship with their organization (Bloemer & Odekerken-Schroder 2006). This is considered critical, especially in banking sector, as skilled workers reduce recruitment and training cost, and are capable of responding to the customers' need and help in maximizing profitability (Reichheld 1996; Rust et al. 1995).

There are certain similarities in the concepts of identification and commitment. Scholars contended that they are distinct but related concepts (Benkhoff 1997). Organizational identification (OI) theory captures the cognition, whereas the organizational commitment (OC) theory relates to emotional predication (Edwards 2005). Brand identification influences employees' brand commitment (Burman & Zeplin 2005; Cheney & Tompkins 1987) and commitment instills brand loyalty (Brown & Peterson 1993; Prietichard et al. 1999; Reichers 1985).





Source: Punjaisri et al. (2009, 2011)

Figure 1: Conceptual model of internal branding and brand supporting behaviors

Testing the link between brand supporting behavior and brand performance was done through following hypotheses.

- H1: Employees' brand identification is positively related to employees' brand commitment
- H2: Employees' brand commitment is positively related to employees' brand loyalty.
- H3: Employees' brand identification is positively related to employees' brand performance.
- H4: Employees' brand commitment is positively related to employees' brand performance.
- H5: Employees' brand loyalty is positively related to employees' brand performance.

### 3. Research Methodology

This research is both qualitative (exploratory—to find out attribute of internal branding which motivate employees to live the brand) and quantitative (to test empirical relationship between internal branding and brand supporting behaviors) in nature. The qualitative part of research, about the organization's attribute, is taken on from Brickson's (2005) organizational identity questionnaire. Three in-depth interviews are conducted from employees of each bank. For quantitative survey, collection of primary data is done through questionnaire which was adapted from Punjaisri et al. (2009, 2011). This tool had been successfully used to assess the brand supporting behaviors. It has four main constructs: Brand identification, brand commitment, brand loyalty and brand performance. Brand identification—originally used in four different studies (Herrbach et al. 2004; Mael & Ashforth 1992; O'Reilly & Chatman 1986; Shamir et al. 1998), measures the sense of ownership, pride and belonging towards the brand and it has eight items. Brand commitment—there are four items in this scale, taken from Mohr et al. (1996) to measure the level of commitment and emotional attachment. Brand loyalty—this scale is taken from Boselie & Wiele (2002) and has three items to measure the intention to live with brand. Brand performance—scale used in two researches (O'Reilly & Chatman 1986; William & Ahdersen 1991) and originally has four items to measure the delivery of brand promise by the employees.

All items are measured on a five point likert scale from “strongly agree” (1) to “strongly disagree” (5), and neutral (3) response which is commonly used for measuring attitudes (Kinnear & Taylor

1996) and easy to comprehend (Malhotra & Birks 2000). Questionnaire is used with some modifications so it can be comprehend easily by the respondents thereby increasing the quality of response.

In first bank (multinational) 100 questionnaires were distributed, 55 in the head office and 15 each in three branches, around 68 were received back. Response rate was 68%. Of these 68, 3 were incomplete and rejected. Total questionnaires available for further analysis were 65. In second bank (local) 100 questionnaires were distributed, 50 in the head office and 10 each in five branches, 92 were received back. Response rate was 92%. Of these 92, 5 were incomplete and hence were rejected. For analysis, 87 questionnaires were available. In total, about 152 questionnaires were finally accepted for analysis.

#### **4. Data Analysis and Discussion**

This section provides the analysis of the data and highlights the key findings based on primary data (please see Appendix). The value of Cronbach's alpha for 152 cases and four constructs is .880 which means the data is highly reliable. The reliability of each construct; however, varies in different cases. For brand identification and commitment it is higher than overall reliability (.903 and .910 respectively) whereas for brand loyalty and performance it is lower (.805). Confirmatory factor analysis shows that all factors explained the measured construct well (value above 0.50 except two which are close hence retained). Also, variance extracted is acceptable. All values of Kaiser-Meyer-Olkin (KMO) are greater than .50 that shows sample size is adequate to explain the correlation between the pairs of variables.

Structural equation modeling (SEM) was conducted by using AMOS (analysis of moment structure). This technique is used to conduct path analysis (causal effect) and provide overall test of model fit. Goodness of fit statistics suggests that data fits the model well (see Appendix). The most absolute predictor of fit is Chi-square  $\chi^2/df$  value of 2.7 indicate ( $\leq 2$  or 3) good ratio for nested models (Schreiber et al. 2006). All other statistics follow the same path and reinforce the results of Chi-square. GFI 0.853, TLI 0.932, CFI 0.945 (almost 0.95), RMSEA 0.0637 are also suggesting good model fit (Schreiber et al. 2006). Even for second bank, Chi-square  $\chi^2/df$  value of 2.8 indicate ( $\leq 2$  or 3) good ratio for nested models (Schreiber et al. 2006). All other statistics follows the same path and reinforce the results of Chi-square: GFI 0.867, TLI 0.925, CFI 0.937 (very close to acceptable level of 0.95), RMSEA 0.075 suggesting good model fit (Schreiber et al. 2006).

According to hypotheses testing results of multinational bank, brand identification has very significant and positive impact on employees brand performance (0.197,  $p > 0.05$ ); however, brand commitment does not influence brand performance (-0.083) so null hypothesis is rejected and it may be concluded that brand commitment is not significantly correlated with brand performance. The remaining three null hypotheses are also accepted (0.379, 0.436 and 0.306,  $p > 0.01$ ) hence it is concluded that brand identification positively influences brand commitment which impact brand loyalty and eventually shapes brand performance. Same hypotheses were used for local bank and result shows brand identification and brand commitment have very significant and positive impact on employees brand performance (0.187, 0.158  $p > 0.05$ ) hence null hypotheses can be accepted. However, brand loyalty does not influence brand performance (-0.053) so null hypothesis is rejected and it is concluded that brand loyalty does not impact brand performance of employees. The last two null hypotheses are also accepted (0.420, 0.318  $p > 0.01$ ) and it is concluded that identification has positive impact on commitment and commitment influences brand loyalty.

Structural equation analysis modeling supports goodness of fit for brand supporting behaviors and brand performance model (all indices show good fit), meaning brand identification impacts upon brand commitment which drives brand loyalty and all these three factors contribute in brand performance by employees in delivery of brand promise. These results also concur with past study (Punjaisri et al. 2011). In the comparative analysis, employees in multinational bank are found to be less influenced by brand commitment on performance, as compared to employees of local bank, where brand loyalty is not significant for brand performance.

In qualitative part of research through thematic analysis of interviews, it is revealed that the attributes considered attractive are different among the employees of both the banks. This can partly be due to the factor that every organization has its own brand image that each employee perceives differently. Broadly speaking, attributes obtained from this study can be divided into three main categories:

The most common attribute which every respondents mentioned is “work environment” (examples: “It is nice place to work”, “work environment is really good and I feel like working here”, “I like the type of work”, “I am updated with the current financial scenario” etc.). In the work and related areas, characteristic of work, style of management, challenging work and recognition (image of the bank) are mentioned by employees. These entire characteristics are highlighted more by employees of multinational bank as compared to local bank. Hence it can be concluded that work environment and its related aspects are considered most important in delivering brand promise. It can further enhance the attitudinal outcome of internal branding and brand supporting behaviors.

Second category which emerged is related to “employment” and it includes tangible and non-tangible benefits such as compensation, non-monetary benefits, training and development, opportunities for career growth (examples: “pay is good and benefits are great”, “remuneration is excellent”, “competitive salary as compared to others”). There is no difference of opinion in this category among the employees of both the banks. It can be said that employment and related benefits have their role to play but apparently it seems that responses from both banks is almost same.

Last attribute extracted from interview responses is “perceived image and success” of the organization. Examples are: “one of the top national bank”, “it is a well-known and respectable bank” and “this bank has reputation of excellence worldwide and brand name is very familiar”. Therefore, lasting success of an organization is found to be an attractive feature and it also impacts upon employee’s identification, commitment and loyalty hence drives internal branding outcome. Even in this attribute no significant difference is observed due to the fact that both banks are among top five banks of the country.

The study also reveals some negative aspects regarding attractive attributes for instance, late sitting and negative religious perception but they are dominated by many positive characteristics mentioned above.

## **5. Conclusion and Recommendations**

The study concludes that there is a link between brand supporting behaviors which are brand identification, brand commitment and brand loyalty and each of them sets the foundation for the other. Furthermore, these factors significantly shape attitude towards employees brand performance and support them in delivery of brand promise. The behavior which stands out in determining employees’ brand performance is brand identification, and it is concluded that as

employees identify themselves with their company, more they will be instrumental in delivering emotional and functional component of brand promise.

However, when the findings of both banks were compared keeping in mind the focal of model, it is observed that brand commitment is not significantly influencing brand performance in multinational bank hence it may have a partial or no impact in aligning employees brand value behaviors. In the case of local bank brand commitment has significant impact on brand performance; however, brand loyalty does not show any significance impact.

If qualitative finding are analyzed and are equated with quantitative, it can be concluded that each organization has its unique set of attributes which are attractive for employees. These attributes contribute in building the internal branding process, enhance employees' feelings that they are part of organization's success (brand identification), feel attached to it (brand commitment) and their chances to stay with the brand increases (brand loyalty) thus increasing overall performance and brand promise delivery. The findings of the internal branding key components "work environment" are in line with that of Punjaisri et al. (2011), and "employment" with Maxwell & Knox (2009). This research further supports that even in the local context, various factors of internal branding can positively influence brand supporting behaviors.

It is indispensable for organizations to not only build external brand image but also evaluate and invest in the attributes which engender internal branding into employees so that actual and promised brand experience can match with consumer's brand perception created by external communication. However, internal branding is a complex process and more efforts are required to understand how an organization can influence its employees through various activities such as: trainings and employment-related aspects. Therefore, each organization should focus on these areas to improve overall performance. Hence a balance of marketing and human resource strategies should work together to ensure consistent performance by employees.

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## Appendix

Table 1: Reliability Analysis, Confirmatory Factory Analysis, Average Variance Extracted and KMO (measure for sampling adequacy)

Scale items	$\alpha$	CFI	Var	KMO
<b>(Brand Identity)</b>	<b>0.90</b>		<b>0.60</b>	<b>0.86</b>
I am proud to tell others that I am a part of this bank.		<b>0.66</b>		
I feel a sense of ownership for this bank.		<b>0.74</b>		
The brand related messages of the bank increase my sense of pride towards its brand.		<b>0.51</b>		
I view the success of the brand as my own success.		<b>0.56</b>		
This bank is like a family to me.		<b>0.65</b>		
I have a sense of belonging to this organization.		<b>0.61</b>		
When I talk about this bank I usually say "we" rather than "they".		<b>0.59</b>		
When someone praises my organization's brand, it feels like a personal compliment		<b>0.45</b>		
<b>(Brand Commitment)</b>	<b>0.91</b>		<b>0.50</b>	<b>0.57</b>
My commitment to deliver the brand increases if I know more about my brand.		<b>0.79</b>		
I am very committed to delivering the services promise to our customers.		<b>0.70</b>		
I have a minimal commitment to this bank.		<b>0.81</b>		
I don't feel emotionally attached to this company.		<b>0.78</b>		
<b>(Brand Loyalty)</b>	<b>0.85</b>		<b>0.72</b>	<b>0.64</b>
I will be happy to spend the rest of my career in this bank.		<b>0.82</b>		
I do not intend to move to another bank at the moment.		<b>0.77</b>		
My intention to stay is driven by the fact that I am competent in delivering the services promised.		<b>0.56</b>		
<b>(Brand Performance)</b>	<b>0.85</b>		<b>0.73</b>	<b>0.74</b>
The quality level of my work meets the brand standards of my bank.		<b>0.74</b>		
I can successfully fulfill responsibilities specified in my job descriptions.		<b>0.72</b>		
I am capable of providing the services expected by the customers.		<b>0.48</b>		
I always handle customers' specific requests within a standard set for our brand.		<b>0.57</b>		

Table 2: Fit Statistics of Multinational and Local Banks

Bank	X <sup>2</sup>	df	P	GFI	TLI	CFI	RMSEA	AIC	BIC
Multinational	36.472	13	0.000	0.867	0.925	0.937	0.075	97.95	120.144
Local	27.0003	10	0.000	0.853	0.932	0.945	0.0637	45.003	64.572

Table 3: Path Coefficients of Conceptual Model for Hypothesis Testing

Path		Conceptual Model	
		Bank A	Bank B
<b>Brand Identification</b>	→	<b>Brand Performance</b>	0.197** 0.187**
<b>Brand Commitment</b>	→	<b>Brand Performance</b>	-0.083 0.158**
<b>Brand Loyalty</b>	→	<b>Brand Performance</b>	0.379* -0.053
<b>Brand Identification</b>	→	<b>Brand Commitment</b>	0.436* 0.420*
<b>Brand Commitment</b>	→	<b>Brand Loyalty</b>	0.306* 0.318*

Note: \*Statistically significant at 0.01 level; \*\*statistically significant at 0.05 level