



An empirical investigation of antecedent and consequences of internal brand equity: Evidence from the airline industry

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ABSTRACT

This study investigates whether and how management commitment to internal branding would stimulate prosocial service behaviors. Through its conceptual model, this study posits internal brand equity as the intervening mechanism which links management commitment to internal branding to role-prescribed customer service, extra-role customer service and cooperation. Data were gathered from a sample of flight attendants in Iran. According to the results stem from structural equation modeling, management commitment to internal branding positively affects internal brand equity. In turn, internal brand equity positively associates with role-prescribed customer service, extra-role customer service and cooperation. Results further revealed that, internal brand equity acts as full mediator in the relationship between management commitment to internal branding and extra-role customer service as well as partial mediator in the relationships between management commitment to internal branding and role-prescribed customer service and cooperation. In light of social influence theory, this study contributes to internal branding literature through its empirical evidence and managerial implications.

1. Introduction

In the past few years, Iranian airline industry have been experiencing a tremendous growth. According to Iran Civil Aviation Organization (ICAO), 16 local airlines namely Ata, Aseman, Taban, Iran air tour, Kaspian, Naft Iran, Mahan and Kish are active and responsible to carry passenger and transport cargo (Omrani and Soltanzadeh, 2016). In terms of market size, Iranian airlines have been transporting increasing numbers of passengers. According to the reports received from Iran's statistic center (2017), a total number of 5332 inbound and 5294 outbound passengers have been transported in 2015 by Iranian airlines through international flights. Comparing to the reports in 2005, with a total number of 2558 inbound and 2609 outbound passengers, there has been an upturn in number of passengers demanding Iranian flight services. To be successful in the fragmented airline market, therefore, managers of airline companies should develop and maintain processes through which delivery of high quality services as well as retention of loyal passengers are warranted (Karatepe and Vatankhah, 2014). Flight attendants are an integral part of this process (Fu, 2013; Hvass and Torfadóttir, 2014). They are frontline employees (FLE) who are responsible for assisting passengers and providing a pleasant service atmosphere on board the aircraft. Yeh (2014, p.94) referred to airline industry as “a particularly sensitive service industry” and argued that

due close interaction between flight attendants and passengers during flight, their quality performance has a strong impact on customers' overall perception of service quality. Indeed, review of extant literature suggest that frontline employees are playing an important role for services branding (Aurand et al., 2005; Burmann and Zeplin, 2005; Burmann et al, 2009a; Gapp and Merrilees, 2006; Pappasolomou and Vrontis, 2006; Punjaisri and Wilson, 2007) and aligning their attitudes and perceptions with the brand would positively contribute to organizational success (Terjav et al., 2016). With this stated, management of airline companies should invest in processes that would contribute to flight attendants' motivation for a better performance. Internal branding is considered as a managerial tool (Erkmen and Hancer, 2015) that would help employees to develop compatible brand oriented behavior throughout their daily service encounters (Özçelik and Fındıklı, 2014). Adoption of internal branding have been also the case for the victorious airlines (Appelbaum and Fewster, 2002). For example, southwest airlines is known as a successful airline whose competitive advantage is centered on its strong brand position which has been gained by its' employees exemplary service behavior (Miles and Mangold, 2005). Singapore airline is also recognized as a successful airline who owes its success to its employees brand supporting behavior (Chong, 2007). Availability of internal branding increases employees' attitudinal and cognitive alignment with the brand promise (Erkmen

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and Hancer, 2015) and consequently encourages brand supportive behavior (Henkel et al., 2007; Punjaisri and Wilson, 2007). Employees with internal branding are likely to internalize brand values in terms of internal brand equity (IBE). Such employees in turn, engage in prosocial service behaviors (PSBs) which is defined as “helpful behaviors of employees directed toward the organization or other individuals” (Bettencourt and Brown, 1997, p. 41). IBE is an emerging concept in the relative literature that “consists of motivation level of the employees to serve the brand vision along with resource support by the organization to ensure the brand vision” (Ghose, 2009, p.180). According to brand categorization scheme proposed by Burmann et al (2009b), champion brands are characterized with their high internal substance and market acceptance which are centered not only on external brand performance, but also motivate employees to display brand supportive work behavior.

Underpinned by Kelman's (1958, 1961) theory of social influence, this study develops and tests a conceptual model that investigates IBE as the mediator in the relationships between management commitment to internal branding (MCIB) and flight attendants' PSBs. Specifically, the airline industry has been chosen due to its specific characteristics in terms of being resource intensive (Low and Lee, 2014) and offering a highly intangible services (Shostack, 1977) which makes its employees a strong source of competitive advantage and a pivot of success for airline business (Erkmen and Hancer, 2015; Pearson et al., 2015). This study contributes to internal branding literature by addressing the following neglected issues.

First, PSBs as discretionary behaviors are highly valued by organizations (Malhotra and Ackfeldt, 2016) and have been found to be positively associated with organizational performance (Bettencourt and Brown, 1997). However, antecedents of PSBs among FLEs and the role of management in improving PSBs have been relatively unexplored (Bolino and Grant, 2016; Dudley and Cortina, 2008; Malhotra and Ackfeldt, 2016; Winterich et al., 2013). This gap is also observed with respect to airlines. Therefore, there is a need for empirical research pertaining to PSBs antecedents. Three indicators of PSBs as manifested by role-prescribed customer service, extra-role customer service and cooperation have been chosen due to their relevance to in-flight service jobs (e.g. Fu, 2013; Holtbrügge et al., 2006; Karatepe and Vatankhah, 2014; Limpanitgul et al., 2013; Miles and Mangold, 2005; Ng et al., 2011; Solnet et al., 2010; Wirtz et al., 2008).

Second, Dudley and Cortina (2008) argue that PSBs are complicate, therefore, investigating the mechanism which facilitate such behaviors enhance our understanding of the variables affecting PSBs (Malhotra and Ackfeldt, 2016; Podsakoff et al., 2009). This study uses IBE as the mediator in the relationships among study variables. According to Baumgarth and Schmidt (2010, p.1250), “internal brand equity is conceptualized as the incremental effect of branding on employee behavior”. Even though the association between IBE and external brand equity have been previously addressed (e.g. Burmann et al., 2009a,b; Henkel et al., 2007), the link between IBE with employees' attitudes and behaviors has not been empirically addressed in internal branding literature (Ghose, 2009; King and Grace, 2009; King et al., 2012).

Third, there's a dearth of empirical research pertaining to distinct role of top management in internal brand building process (Terglav et al., 2016; To et al., 2015). This study uses MCIB in this process because successful management programs are followed by the commitment from top management (Burmann and Zeplin, 2005; Cascio et al., 2010; Cheung and To, 2010; Heskett and Schlesinger, 1994; Yu et al., 2012). According to Cascio et al. (2010), comparing to the commitment from immediate supervisors, FLEs' perception of management commitment would have a greater impact on their work behaviors. However, review of the extant literature reveals that the knowledge of internal branding effectiveness and its contribution to employees' work behavior is still scarce (Liu et al., 2017) and employee perception of internal branding initiatives has not been fully gauged in the literature (King and Grace, 2010). Therefore, MCIB which is defined as “perceived

amount of management recognition, accountability and willingness to adopt internal branding initiatives” needs further exploration. This paucity of research has been also echoed in Fu's (2013) study by arguing that internal marketing literature overlooked factors determining flight attendant's quality job performance. Using Kelman's (1958, 1961) social influence theory as the theoretical background, this study investigates the effect of MCIB on PSBs as manifested by role-prescribed customer service, extra-role customer service and cooperation through IBE to address abovementioned research gaps. By that, this study extends the limited research in internal branding literature (Baker et al., 2014) through its proposed conceptual model and empirical evidence.

2. Social influence theory

Kelman's (1958, 1961) theory of social influence proposes that individuals display change while facing an influence attempt. This process is referred to as “social influence”. According to Kelman (1974), impact of social influence is a function of the “influencing agent power” which “refers to the ability of the influencing agent to impact the employee's capacity to achieve goals” (Baker et al., 2014, p.644). That means, the stronger the power of the influencing agent, the more successful the impact of the influence will be. Kelman (1961) further argued that internalization is a social influencing method which occurs as the result of perceived congruency between individual's value system and organizational values (O'Reilly and Chatman, 1986) or other's values (Bagozzi and Lee, 2002). Consequently, they tend to behave consistent with the internalized values (Gagné and Deci, 2005). In response to social influence, therefore, internalization is the change in attitudes. According to Miles and Mangold (2004), internal branding is “the process by which employees internalize the desired brand image and are motivated to project the image to customers and other organizational constituents” (p. 68). Against this backdrop, this study investigates the impact of MCIB as the influencing agent on flight attendants' work behavior. We propose that, flight attendants' perception of top management commitment to conduct any form of internal branding initiatives engenders IBE via internalization of brand values. Feelings of IBE, will in turn result in PSBs in terms of role-prescribed customer service, extra-role customer service and cooperation. It appears that Kelman's (1958, 1961) theory of social influence provides insightful guidelines to assess internal branding processes. That is, this theory is centered on the perceptions of influenced individuals (i.e., flight attendants' being influenced by MCIB) and encompass not only behavioral changes, but also attitude and cognitions (i.e., MCIB impacts IBE and ultimately work behavior). Adopting the social influence theory as the underlying theory is congruent with other studies in the relative literature (e.g., Baker et al., 2014; John et al., 2017; O'Reilly and Chatman, 1986; Rupp et al., 2011).

3. Hypotheses

Important role of FLEs in service branding have been noticed by researchers and practitioners in service sector (e.g. Kim and Brymer, 2011; Terglav et al., 2016; To et al., 2015; Xiong et al., 2013). Management of airline companies should invest in internal branding processes to enhance service performance of their flight attendants. Review of extant literature revealed that application of such activities is widespread across service sectors. For example, King et al. (2013) found that implementation of brand orientation would contribute to the service quality among hotels. In a study of front line service employees in hospitality sector, Baker et al. (2014) found that internal branding would enhance brand citizenship behavior and service performance. Punjaisri and Wilson (2011) assessed application of internal branding in Thai hotels and found that FLEs' brand identification, commitment and loyalty is associated with internal branding activities. Nevertheless, flight attending occupation differs from other front line service positions due the difficulties associated with long shifts, emotional

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