

# Determinants of brand performance: the role of internal branding

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**Abstract** The importance of internal branding is growing in both academia and practice. However, little attention has been directed toward identifying the organizational antecedents and consequences of internal branding. Thus, the current study examines the relationships of internal branding with the three brand management factors that have been discussed in the literature: brand orientation, strategic brand management, and brand performance. Internal branding is viewed as a facilitator for brand orientation and strategic brand management process, which ultimately impacts the brand performance. Survey data collected from brand/marketing managers reveal that while brand orientation, strategic brand management, and internal branding are directly associated with brand performance, internal branding partially mediates the relationship between brand orientation, strategic brand management, and brand performance. From a research standpoint, the current study addresses the call for better understanding the role of employees in improving a brand's performance. In addition, the importance of developing internal branding along with brand orientation and strategic brand management is highlighted for marketing practitioners.

**Keywords** Internal branding · Strategic brand management · Brand orientation · Brand management · Brand performance

## Introduction

Brands are intangible assets that represent value and provide firms an opportunity to extract higher rents and prices from customers (Keller and Lehmann 2006). It is not surprising that firms strive to build strong brands. Much of the literature on brands and brand management is discussed from the consumer perspective (Baumgarth and Schmidt 2010; Santos-Vijande et al. 2013). Only recently have researchers started paying attention to brand management from an organizational perspective (Baumgarth and Schmidt 2010; Merz et al. 2009; Santos-Vijande et al. 2013). The literature in brand management from an organizational perspective focuses on the brand orientation (Urde 2016; Urde et al. 2013), strategic brand management (Keller 1993; Keller and Lehmann 2006), and internal branding (Burmans and Zeplin 2005; de Chernatony 2001; King and Grace 2008; Piehler et al. 2016; Punjaisri and Wilson 2007, 2011). While these three components are seen as the cornerstones for improving brand performance, the links among them have not been established. Specifically, the role of employees, and the organization's effort to align their employees and brands with each other, i.e., internal branding in the organization's brand management strategy, has not been fully investigated (Sirrianni et al. 2013; Tavassoli et al. 2014).

The importance of understanding the role of internal branding in facilitating brand performance is anchored in the notion that employees represent resources whose skills and knowledge can be harnessed to provide a sustainable

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competitive advantage for organizations (Punjaisri and Wilson 2011). Employees are also considered as brand ambassadors and internal stakeholders, whose actions are pivotal for the execution of brand strategies. The role of internal stakeholders contributing to a brand's success is also consistent with the literature on brand identity. The development of a strong brand identity is dependent on the motivation and willingness of the internal stakeholders to execute the brand vision (Burmam and Zeplin 2005; de Chernatony and Riley 1999; Harris and de Chernatony 2001; Simões et al. 2005). There have been calls for organizations to have a brand-oriented mindset and to manage brands from a strategic perspective (Keller 1993; Urde et al. 2013). But these efforts can only succeed when the employees in the organization are working toward the strategic brand goals set by the organizations. Therein, lies the problem. Marketing employees' turnover, especially for Chief Marketing Officers (CMOs) and brand managers, is extremely high (Bennett 2011; Ellett 2016). This poses a problem for the execution of strategic brand management objectives in two ways.

First, the frequent turnover of top executives impacts the strategic brand plans. Often, the frequent turnover in CMOs indicates a change in the strategic brand management plans. Drastic changes to the strategic brand management plans can affect the effectiveness of these plans. In addition, with the rising pressure on CMO to deliver immediately, there is a focus on increasing short-term performance, at the cost of long-term brand-building activities (Gee 2016). Second, the focus on short-term performance also spills over to the individuals responsible for managing brands, i.e., brand managers. Brand managers are more concerned with increasing the short-term profits of brands, often ignoring the long-term impact (Lodish and Mela 2007). An underlying factor for brand managers focusing on the short-term performance is the manner in which their job assessment is carried out. Brand managers' performance is assessed over quarters and not on their ability to build brands for the long-term (Lodish and Mela 2007).

Thus, both these problems impede the development and execution of sustained brand plans. In addition, every time organizations lose CMOs and brand managers, they lose a critical component of intellectual capital pertaining to brand management—human capital (Cui et al. 2014). As seen in the case of organizational and brand performance, human capital, i.e., knowledge of employees, can represent an important source of competitiveness in the long run (Bontis 1998; Subramaniam and Youndt 2005). The existing literature attributes importance to internal branding, primarily on the individual level, with a focus on the psychological perspective (King and Grace 2008, King et al. 2012; Löhndorf and Diamantopoulos 2014;

Morokane et al. 2016; Punjaisri and Wilson 2007). While understanding the role of internal branding from an individual perspective is important, examining internal branding's impact on the overall brand performance becomes essential (Santos-Vijande et al. 2013). However, the extant literature examining the organizational-level antecedents and consequences of internal branding is limited (Punjaisri and Wilson 2011; Santos-Vijande et al. 2013).

Toward this end, the current study examines the role of internal branding in facilitating the brand orientation and strategic brand management values in organizations to improve brand performance in the long run. To theoretically anchor these constructs, the authors use the resource-based view (RBV) in this study (Barney 1991, 2014; Grant 1991; Wernerfelt 1984). The importance of understanding the organizational-level antecedents and consequences of brand management lies in the notion that internal branding is the only component of an organization's branding plans that focuses on the human capital—internal stakeholders. As the extant literature indicates (Gromark and Melin 2013; Punjaisri and Wilson 2007; Srivastava and Thomas 2010), aligning internal stakeholders to brands can enhance the organizational performance.

From a theoretical standpoint, this study contributes to the understanding of organizational factors that can lead to the development of internal branding within organizations, and identifies internal branding's influence on brand performance. Thus, this study contributes to the recent calls in the literature to address the role of internal stakeholders in enhancing brand performance. From a managerial perspective, this study addresses the need to understand the organizational factors under which internal branding can develop and enhance the brand performance. The authors argue that for organizations to successfully execute strategic branding plans, they need to develop internal branding that can facilitate the brand goals. In summary, considering the growing importance of internal stakeholders to organizations and the paucity of research in this area, there is a need to better understand the role of internal branding in the development of brands in organizations. Next, literature review and hypotheses development are discussed.

## Theory

### Resource-based view

The RBV argues that for an organization to gain a competitive advantage there should be a match between distinctive internal capabilities and the changing environment (Barney 1991, 2014; Grant 1991; Wernerfelt 1984). According to the RBV, competitors gain heterogeneous



market positions because each firm employs a unique bundle of resources and capabilities (Barney 1991). These resources should be valuable, rare, unique, and isolated from imitation or substitution (Barney 1991). A resource is anything that can be used to create an effect (Amit and Schoemaker 1993). Hence, resources can be tangible or intangible, and access to these resources can yield competitive advantage. While Barney (1991) lays out four criteria for achieving sustainable competitive advantage, in reality, firms can only achieve a relative degree of each criterion. One such resource is a brand, which is the focus of this study.

Several scholars argue that effectively developed and well-managed brands are valuable firm resources (Kapferer 2012; Keller 1993). Strong brands can help firms gain sustainable competitive advantage since such brands are rare (e.g., Bergen et al. 1996; Fine et al. 2016; Park and Srinivasan 1994), unique (Chaharbaghi and Lynch 1999; Urde 1999), difficult to imitate (Kor and Mahoney 2005), and can improve a firm's financial performance (Kim et al. 2003; Ponsonby-McCabe and Boyle 2006). To better understand the functioning of the brand management mindset and processes in an organization, previous researchers have employed RBV (Baumgarth and Schmidt 2010; Santos-Vijande et al. 2013).

This study also uses RBV to explain the role of internal branding in determining brand success in the marketplace. The following section provides a brief review of the literature on brand management from an organizational perspective. Several scholars (see Wright et al. 2001) have amply highlighted the role of human resources, knowledge management, and intellectual capital in enhancing an organization's performance. Relying on this stream of the literature, we argue that brand orientation and strategic brand management are necessary but not enough in achieving successful brand performance. The human capital (i.e., internal branding) is also required in order to succeed.

## Brands and brand management

From a firm's perspective, brands are an organization's offerings, and a strong brand has a significant contribution to the firm performance (Ailawadi et al. 2001; Capron and Hulland 1999; Sullivan 1998). Such brands can also act as entry barriers in the market since they become a reference in their category (Schmalensee 1982). From a customer perspective, brands are tools that can be used to simplify choice, reduce risk, and make a final purchase decision easier with higher level of trust (Kapferer 2012; Keller 2014; Keller and Lehmann 2006). Brands can also provide consumers with excitement, joy, empathy, and stimulation (Kapferer 2012). Therefore, a brand is not just a name,

term, design, or symbol, rather an intangible resource for a firm to create superior consumer value leading to a competitive advantage (Iglesias et al. 2011; Lundqvist et al. 2013; Ponsonby-McCabe and Boyle 2006).

Firms have recognized brands as assets since the 1990s and have tried to reinforce their brands through innovations and value additions (Kapferer 2012; Low and Fullerton 1994). In the 1990s, brands were beginning to be viewed from a strategic perspective and were cultivated to enhance the long-term value of the firm. To successfully create and sustain brands for the long term, organizations needed to have the right mindset and the right processes. Recently, researchers have identified three concepts or constructs that are closely related to successful brand management in organizations: *brand orientation* (Urde 1994, 1999), *strategic brand management* (Aaker and Joachimsthaler 2000; Keller 1993), and *internal branding* (de Chernatony and Cottam 2006; Punjaisri and Wilson 2007; Punjaisri et al. 2009). While these three constructs are inter-related, they are distinct in their own manner. The extant literature has viewed these three constructs as exogenous variables, the links among these variables, especially the role of internal branding, has not been investigated. We argue that in addition to brand orientation and strategic brand management, internal branding is needed as it forms the core execution process for developing and sustaining strong brands (Löhndorf and Diamantopoulos 2014). Table 1 provides a brief overview of these three constructs.

There has been a debate in the literature on whether these concepts could be classified as constructs (i.e., theoretical concepts that can be defined and measured) (see Urde 2016 for a discussion on brand orientation). One of the primary reasons for this debate has been the nature of these concepts and the concerns about measurability. Not surprisingly, the definitions for these three concepts have also differed across authors. However, there have been attempts (Gromark and Melin 2013; Santos-Vijande et al. 2013) to clearly define these concepts and make them measurable. Thus, consistent with the more contemporary literature, we argue that these three concepts can be considered as constructs (see Kerlinger and Lee 2000 for a discussion on construct vs. concept). Next, we discuss each of the processes, the links among them, and ultimately, the brand performance.

## Brand orientation

Brand orientation is the degree to which an organization views brands and brand management as being critical to their success (Baumgarth et al. 2013; Santos-Vijande et al. 2013; Urde 1994, 1999). More specifically, "Brand orientation is an approach in which the process of the organization revolves around the creation, development, and



**Table 1** Brand orientation versus strategic brand management versus internal branding

Characteristics	Brand orientation	Strategic brand management	Internal branding
Definition	Represents the degree to which organizations view brands and brand management to be important for business (Urde 1994)	Is a process aimed at medium- to long-term maintenance of brands (Keller 1993; Santos-Vijande et al. 2013)	Is a process aimed at internalizing the importance of brands (Punjaisri et al. 2009)
Focus	Takes an inside-out approach, where the development of brand identity is given primary importance (Urde et al. 2013)	Involves developing branding strategies and long-term plans, evaluation of brand image and brand value, and allocating resources to manage a brand for the long term	Is an extension of the internal marketing approach that focuses on developing symbolic ties between employees and brands. Involves developing the human capital through training, seminars, and communication for brand management
Objective	Allows for brands to be viewed as strategic resources, which leads to prioritizing the brand with regard to customers and competitors	Focuses on developing and reinforcing the brand identity, structuring the brand portfolio, coordinating marketing, and organizing the brand management infrastructure (Aaker and Joachimsthaler 2000)	Objectives are (1) to ensure that the brand orientation and strategic brand management goals are realized and (2) to efficiently implement brand-building activities that can lead to brand identity creation
Role in strategic brand management	Importance is given to the development and execution of brand management processes	Continuity of the process depends on the leadership team	Forms the “execution” of the overall brand management function

protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands” (Urde 1999, p. 119). While the existing literature views brand orientation as a type of organizational culture (Balmer 2013; Baumgarth 2010; Santos-Vijande et al. 2013), we view brand orientation as a mindset that is a component of the organizational culture and acts as a guiding light for organizational culture, behavior, and strategy. Organizational culture is a much broader concept that encompasses all values and beliefs in an organization (Barney 1991; Deshpande and Webster 1989), and any type of orientation is not broad enough to be considered as the whole organization’s culture (Slater and Narver 1994). However, it is important for the organization’s values to be attuned with the brand orientation in order to achieve strategic competitive advantage with brands as resources and the basis of increased performance (Urde et al. 2013). In a brand-oriented organization, there are constant interactions among the values and identity of the organization, the brand, and the customer and non-customer stakeholders (Anees-ur-Rehman et al. 2016; Gromark and Melin 2013; Urde et al. 2013). Brand orientation integrates both the internal and external perspectives of the brand (Reid et al. 2005; Urde 2016). In this regard, first, organizational values are translated into core values and promises for the brand. These core values are then transformed into extended customer values (what the brand offers and how it is perceived) (Urde et al. 2013). The importance of brand orientation lies in the fact that the top management needs to make the decision to invest in brands for the long term.

Therefore, brand orientation forms the first step in determining the processes needed for successful brand management leading to an eventual improvement in the overall brand performance (Hirvonen et al. 2013).

In summary, having a brand orientation mindset allows organizations to focus on means to achieve differentiation and competitive advantage by avoiding activities that may erode a brand’s long-term value (e.g., price promotions) (Yin Wong and Merrilees 2007). Brand orientation mindset allows organizations to plan and develop the processes that will enhance the long-term brand value. Specifically, a brand-oriented mindset emphasizes the importance of creating a strong brand identity and maintaining it over a period of time. In other words, brand orientation enhances the internal aspects of brand management (Urde et al. 2013). Brand-oriented organizations will invest in developing the strategic brand management process and subsequently internal branding. For example, P&G invested in brand management processes long before other companies started viewing brands as strategic resources (Lodish and Mela 2007; Low and Fullerton 1994). Thus, we view brand orientation as the antecedent to both strategic brand management and internal branding. Since brand orientation affects the internal approach toward branding, we argue that brand orientation will positively influence the brand performance. The previous literature also indicates that having a brand orientation mindset positively influences the organizational or brand performance (Gromark and Melin 2013; O’Cass and Ngo 2007; Lee et al. 2016; Santos-Vijande et al. 2013). We hypothesize:



**H1** Brand orientation will positively influence strategic brand management.

**H2** Brand orientation will positively influence internal branding.

**H3** Brand orientation will positively influence brand performance.

### Strategic brand management

Ever since the recognition of brands as important resources (from 1990s), strategic brand management is seen as crucial internal process for developing sustainable brands (Aaker 1992; Keller 1993; Keller and Lehmann 2006; Rust et al. 2004). Strategic brand management can be defined as all the activities directed toward the medium- to long-term maintenance of a brand (Santos-Vijande et al. 2013). Strategic brand management became prominent in the 1990s (Aaker 1992; Keller 1993; Low and Fullerton 1994) and subsequently has been considered to be an important process for building brand equity. Aaker (1992) and Keller (1993) call for organizations to develop their marketing plans keeping in mind the long-term impact on brand process. Strategic brand management processes are aimed at balancing the long-term and the short-term objectives of brand marketing. For example, Volvo's brand values have remained constant for the past few decades (Urde 2016), indicating that all marketing efforts are directed toward fulfilling those values. In principle, strategic brand management (similar to brand orientation) focuses on the internal approach to brand management—developing the brand essence (de Chernatony and Cottam 2006), the brand values, and ultimately the brand identity (Burmam et al. 2009a), while balancing the external elements of the brand that may include managing customer expectations and brand image (Keller 1993, 2016). The literature on strategic brand management process has been primarily from the consumer perspective (Urde 2016). Strategic brand management is an important process in almost all of the consumer-based brand equity models (Keller 2016), where the focus is on investing on the brands for enhancing the long-term value. Apart from developing and managing the marketing and branding plans from the long-term perspective, strategic brand management is also responsible for continuous evaluation of the brand image and value (Santos-Vijande et al. 2013). However, as brands aim to be consistent over a period of time, balancing the changing customer needs becomes one of the biggest challenges for strategic brand management (Aaker 2012; Beverland et al. 2015; Kapferer 2012; Lee et al. 2016).

In summary, the basic elements of strategic brand management are: (a) developing marketing and branding strategies that are congruent with a brand's image,

(b) planning brand management strategies over medium- to long-term periods, (c) continuously evaluating a brand's image and value in the market, and (d) allocating sufficient resources to manage a brand (Keller 2012; Santos-Vijande et al. 2013). Aaker and Joachimsthaler (2000) describe four challenges for managing brands in the long term: (1) creating and reinforcing a brand identity (what a brand stands for), (2) structuring a brand portfolio (synergies across brands), (3) developing coordinated marketing actions, and (4) organizing the infrastructure and processes to support brand management. The importance of the strategic brand management process is highlighted by the fact that brands are often developed for the long term, but managed over the short term (Lodish and Mela 2007). This leads to several myopic decisions by the organization, which ultimately, affect a brand's value and image in the market (Lodish and Mela 2007). Few organizations are able to develop a true strategic brand management process.

Based on the above discussion, we consider strategic brand management to be a coordinated organizational process directed at maintaining the image and value of a given brand. Strategic branding plans need to be executed and assessed over a period of time. The strategic brand management process is developed at the top management level. While strategic brand management should improve an organization's brand performance, another process is required to ensure its continued impact on brand performance—internal branding (Burmam and Zeplin 2005; de Chernatony and Cottam 2006; Santos-Vijande et al. 2013). Strategic brand management enlists the plans for managing the brand from a medium- to long-term basis, while internal branding facilitates employees to work in the best interests of the brands and organizations. Most employees in organizations struggle to reconcile the long-term brand objectives and quarterly sales objectives given that their performance metrics are short-term oriented (Lodish and Mela 2007). Therefore, despite the organization vision and the strategic brand management process, brand managers may engage in marketing activities that enhance the short-term performance, but can be detrimental to the long-term brand value. Merely having strategic brand management plans may not be sufficient. Successful training and motivation of employees will ensure that employees are willing to execute brand/marketing plans, keeping in mind the long-term impact on brand image and brand value. Thus, strategic brand management process will influence the development of internal branding in organizations.

The management of brands from a strategic perspective will also influence the manner in which brands perform in the marketplace (Aaker 2012; Keller 2016). Organizations that have strong brands generally have a feedback mechanism and coordinated marketing programs, i.e., strategic brand management (Lodish and Mela 2007). Urde (2016),





using a case study approach, discusses the importance for organizations to employ the strategic brand management process for developing and maintaining a successful brand. Based on the existing literature and the nature of the two concepts, it seems inherent that strategic brand management will influence brand performance. Since strategic brand management process is more focused on the long-term aspects of the brand management, its impact on brand performance may not be immediate. Santos-Vijande et al. (2013) do not find a significant relationship between strategic brand management and organization performance in their study of service firms. However, we argue that the presence of strategic brand management process will improve the brand performance. We hypothesize:

**H4** Strategic brand management will positively influence internal branding.

**H5** Strategic brand management will positively influence brand performance.

### Internal branding

Internal branding has received a fair bit of attention in the last few years. The rise of internal process is consistent with the perspective that human capital is one of the most important resources in an organization (Bontis 1998; King and Grace 2008). The growth of service branding, where the human capital (i.e., the employees) plays an integral role in determining the success of brands by delivering the brand promise in a consistent manner, has also contributed to the rise in developing processes that can align employees with brands. Not surprisingly, most of the research has been directed toward internal branding in service (de Chernatony and Cottam 2006; King and Grace 2009; Punjaisri et al. 2009) and business-to-business (B2B) contexts (Lynch and de Chernatony 2004; Roper and Davies 2010). However, the realization toward developing the employees as brand ambassadors (de Chernatony and Cottam 2006) and brand champions (Löhndorf and Diamantopoulos 2014; Morhart et al. 2009) for enhancing brand value is gaining prominence across all segments.

With the increasing importance of aligning employees to brands, there has also been a movement toward developing employee-based brand equity measures (King and Grace 2009, 2010). These brand equity measures represent the influence of brand knowledge on employees' response to internal branding (King et al. 2012). Also, when employee behavior is aligned with a firm's positioning, it positively affects customers' responses to the brands (Siriani et al. 2013). The outcomes of internal branding include better brand identification, brand commitment, and brand citizenship behavior (King et al. 2012; Löhndorf and Diamantopoulos 2014). It is also seen to improve employee job

satisfaction and reduce turnover rates (Du Preez and Bendixen 2015). In summary, internal branding is considered to be an important process for the success of brands in organizations.

While internal branding is growing in importance, few researchers have addressed the organizational perspective, especially understanding the role of brand-supportive behavior in influencing organizational/brand outcomes. A bigger concern lies with the overall understanding of internal branding (Saleem and Iglesias 2016). Specifically, the dimensions of internal branding require further clarification. Internal branding has been used interchangeably with employer branding (Foster et al. 2010), and sometimes internal marketing. Despite the confusion in the existing literature, internal branding has been defined in several ways (Punjaisri et al. 2009; Saleem and Iglesias 2016), and most authors agree that it is the process aimed at creating symbolic associations with employees and brands through workshops, training, and communication (Santos-Vijande et al. 2013). Saleem and Iglesias (2016) include brand ideologies, brand leadership, brand-centered HRM, internal brand communication, and internal brand communities as components of internal branding. When building strong brands becomes a fundamental strategic objective in an organization, the internal collaboration among all organizational members to achieve this goal is necessary (Piehler et al. 2016; Punjaisri et al. 2009; Wong and Merrilees 2007). Internal branding has two objectives: first, to enable employees to form symbolic ties with the brand and become "brand ambassadors" (Santos-Vijande et al. 2013; Vallaster and de Chernatony 2006), and second, to enhance the top-down and bottom-up communication within the firm, resulting in more efficient brand development activities (Webster and Keller 2004). Internal branding also helps an organization in providing a consistent value output to stakeholders, bonds employees with brands (symbolic value), and finally, assists in creating higher value (de Chernatony and Riley 1999; Merz et al. 2009).

Internal branding is not limited to internal communication. Rather a much broader integrative framework including corporate marketing, corporate management, and corporate human resource management is required (King et al. 2012; Machtiger 2004; Saleem and Iglesias 2016). Internal branding contributes to the success of brands in organizations in multiple ways. First, internal branding accelerates operationalizing the brand orientation within the firm. Second, internal branding helps implement brand-building activities and ensures that employees are perfectly familiar with (a) the objectives and characteristics of the brand, (b) the actions that the firm is taking, and (c) the mechanism of sharing relevant information. Finally, internal branding assists with delivering post-purchase services



through which the brand image is enhanced (Riley and de Chernatony 2000).

Based on the above discussion, it can be summarized that internal branding is not only a key organizational process in the overall management of brands, but is also an assurance that employees are willing to execute the brand vision and the strategic brand management processes for enhancing the long-term brand value. The importance of internal branding underscores the fact that brand value is co-created by stakeholders and perceptions may be created every time stakeholders and employees interact (Ind 2014; Merz et al. 2009). Ind et al. (2013) and Ind (2014) argue that brand creation and management is an organic process and employees play a pivotal role in executing the branding plans. Thus, we first argue that internal branding will positively influence the brand performance in an organization.

In addition to internal branding's association with brand performance, the previous literature has alluded to the notion that internal branding is a consequence of brand orientation (Santos-Vijande et al. 2013). Internal branding is needed for a brand-oriented organization to effectively disseminate the brand-related goals throughout the organization. The presence of internal branding can reduce employee turnover, increase satisfaction, and reduce the pay expectations (Tavassoli et al. 2014). All these factors will lead to employees working toward the brand/organizational goals, leading to a better performance. Similarly, internal branding also acts as the link between the strategic brand management process and the brand performance, as it facilitates the employees of an organization to focus on executing the long-term plans of the brand. The biggest hurdle that organizations face today is the constant turnover of brand managers and CMOs (Ellett 2016; Gee 2016). In such a scenario, internal branding can bring some stability to the employees, which would then result in employees working toward the long-term objectives of the brand, rather than purely focusing on improving the performance in the short run (Lodish and Mela 2007). Therefore, the presence of internal branding will enhance the effectiveness of strategic brand management. In summary, internal branding not only becomes important for the successful implementation of brand orientation and strategic brand management, but also becomes the key for enhancing the brand performance in an organization. Thus, we hypothesize the following:

**H6** Internal branding will positively influence brand performance.

**H7a** Internal branding mediates the relationship between brand orientation and brand performance.

**H7b** Internal branding mediates the relationship between strategic brand management and brand performance.

## Method

### Sample

To test the hypothesized relationships, a survey-based design was used. Consistent with the previous brand management studies, this study used the key informant approach for data collection (Cui et al. 2014; Santos-Vijande et al. 2013). The sample for the study was selected using Qualtrics panels. Previous studies have used Qualtrics panels for collecting data from employees and managers (Long et al. 2011; Obal 2013). Qualtrics panels provide researchers with respondents ranging from social media users to senior members in organizations (which may include vice presidents, CEOs, CMOs, etc.). To ensure that the respondents were key informants, two screening questions were used. The questions sought respondents' (1) responsibility for managing brand(s) in an organization and (2) level of experience in brand management. Only respondents who were partially or wholly responsible for managing brand(s) and had at least 6 months of work experience in their current position, or similar position, were included in the study. The questionnaire was distributed to 534 respondents, of which 218 responses were deemed suitable for the study (after implementing the screening questions successfully and removing poor quality responses). While the respondents did not reveal their company details, Qualtrics ensured that no two respondents were from the same organization. Therefore, we had a total of 218 organizations. The primary job titles of the respondents included assistant brand manager, brand manager, marketing manager, and product/service manager. Respondents belonged to various industries including consumer-packaged goods, food and beverages, electronics, and technology. There was an even distribution of respondents who were responsible for individual brands (47.2%) and corporate brands (52.8%). The median experience for individuals was about 4 years, while the median experience for managing their current brand was around 3 years. The median range for organization sales and brand sales for the sample was between \$1 million and \$5 million. The average age of the companies was around 22 years, and the median number of employees (organization size) was 50–99.

### Measurement scales

Existing scales were used for measuring the constructs in the study. The scale items for brand orientation, strategic



brand management, and internal branding were borrowed from Santos-Vijande et al. (2013) with some minor changes. The changes were primarily to improve the understanding of the respective scale items. We also added a couple of scale items after consultation with brand managers. Despite the detailed discussion of internal branding and strategic brand management processes, the scales for these constructs were developed only recently (Santos-Vijande et al. 2013). Brand performance is viewed as a combination of financial performance measures (such as market share and profitability) and non-financial performance measures that are oriented toward the medium- to long-term maintenance of brands (brand equity elements such as brand image and brand awareness) (Cui et al. 2014; Lee et al. 2016; O’Cass and Ngo 2007). Thus, the brand performance measure takes into the account the important dimensions of brand equity by measuring both the financial and non-financial aspects of a brand’s performance. Responses to all scale items were measured using a five-point Likert type scale anchored by “1—Strongly Disagree” to “5—Strongly Agree.” Table 2 provides the items and factor loadings.

## Results

Partial least squares-based structural equation modeling (PLS-SEM) using WarpPLS 5.0 software was employed to test the psychometric properties of the scales and the hypothesized relationships. The primary reason for using PLS-SEM was that the data distribution was non-normal. PLS-SEM is considered to be more robust for testing models having non-normal data. In addition, PLS-SEM has a predictive focus (Hair et al. 2011, 2012), which meets the objectives of this study. Finally, the results of PLS-SEM are comparable to the results of covariance-based structural equation modeling (CB-SEM) (Hair et al. 2014).

All the constructs met reliability and validity requirements (AVEs ranging from 0.59 to 0.68; alphas ranging from 0.82 to 0.88). The square root of AVE for each construct was higher than the shared correlations, providing evidence of discriminant validity (Fornell and Larcker 1981). The mean and standard deviation of constructs along with their AVEs, reliabilities (Composite Reliability and Alpha), and shared correlations are presented in Table 3.

**Table 2** Focal constructs and their measures

Construct and source	Statements	Std estimates
Brand orientation (Santos-Vijande et al. 2013)	Building strong brands is one of the main objectives	0.802
	An effective brand management is considered to be essential for achieving competitive advantage	0.834
	Brand decisions are considered to be important elements of the firm’s strategy	0.855
	Brand advertising is regarded as an investment	0.804
	Importance given to brands is higher than competitor firms	0.67
Strategic brand management (Santos-Vijande et al. 2013)	There are significant investments to manage brand(s)	0.83
	Investments in brand management are higher than competitor firms	0.672
	Marketing actions are finalized after considering the possible impact on brand image	0.763
	Brands are managed from a medium- to long-term perspective	0.805
	There is scope for synergies between different brands in the portfolio	0.754
Internal branding (Santos-Vijande et al. 2013)	Employees attend workshops about objectives and characteristics of brands	0.785
	Employees periodically receive information about brands and brand management	0.828
	Employees sufficiently understand brand(s) objectives	0.822
	Brand(s) image among employees is periodically assessed	0.884
	Different departments freely share information about brand(s)	0.792
Brand performance (O’Cass and Ngo 2007)	The brand I manage meets the organizational objectives for:	
	Image	0.664
	Awareness	0.758
	Market share	0.793
	Net profit margin	0.82
	Unit sales	0.797





**Table 3** Construct properties and shared correlations

Constructs	Mean	SD	AVE	Composite reliability	Cronbach's alpha	1	2	3	4
1 Brand orientation	4.071	0.679	0.633	0.895	0.853	<b>0.795</b>			
2 Strategic brand management	3.883	0.699	0.677	0.913	0.880	0.736	<b>0.767</b>		
3 Internal branding	3.850	0.831	0.588	0.877	0.823	0.783	0.75	<b>0.823</b>	
4 Brand performance	4.079	0.618	0.590	0.878	0.825	0.601	0.606	0.671	<b>0.768</b>

Square root of AVEs is provided along the diagonal

Next, we examined the path estimates for the hypothesized relationships. Following the procedure used by Baron and Kenny (1986) for testing mediation effect on multiple variables, we carried out a step-by-step analysis of the structural model to test for mediation. In the first step (Model 1), we only focused on the direct relationships between (a) brand orientation and strategic brand management ( $\gamma = 0.744$ ;  $p < 0.01$ ), (b) brand orientation and brand performance ( $\gamma = 0.354$ ;  $p < 0.01$ ), and (c) strategic brand management and brand performance ( $\beta = 0.374$ ;  $p < 0.01$ ). As expected, all direct paths were significant. We did not include internal branding at this stage. In Model 2, we ran the full model where both the direct effects of brand orientation and strategic brand management on brand performance, as well as the mediating role of internal branding on both these relationships were assessed. WarpPLS directly estimates the significance of indirect effects through bootstrapping (Kock 2014), providing a suitable basis for testing the mediating effect of internal branding (Preacher and Hayes 2008). Model 2 was used for hypotheses testing. Based on the results of Model 2, we find that brand orientation positively influences a) strategic brand management ( $\gamma = 0.744$ ;  $p < 0.01$ ), b) internal branding ( $\gamma = 0.509$ ;  $p < 0.01$ ), and c) brand performance ( $\gamma = 0.144$ ;  $p < 0.05$ ). Thus, H1, H2, and H3 are supported. Strategic brand management positively influences internal branding ( $\beta = 0.372$ ;  $p < 0.01$ ) and brand performance ( $\beta = 0.160$ ;  $p < 0.01$ ) supporting H4 and H5. Finally, the relationship between internal branding ( $\beta = 0.475$ ;  $p < 0.01$ ) and brand performance is also positive and significant, indicating support for H6. Moreover, internal branding *partially* mediates the relationship between (a) brand orientation ( $\beta = 0.361$ ;  $p < 0.01$ ), (b) strategic brand management ( $\beta = 0.177$ ;  $p < 0.01$ ), and (c) brand performance. Consistent with the requirement for mediation, we notice a significant decrease in the path coefficients for the direct association between brand orientation and brand performance ( $\Delta = 0.210$ ), and between strategic brand management and brand performance ( $\Delta = 0.214$ ), when internal branding was included in the model (Klärner et al. 2013). We find support for H7a and H7b. While both brand orientation and strategic brand

management can independently improve brand performance, the presence of internal branding enhances the impact of these processes on brand performance. Results of hypotheses testing are provided in Table 4. The graphical representation of paths for each model is provided in Figs. 1 and 2.

A deeper look into Models 1 and 2 indicates that the presence of internal branding does enhance the influence on brand performance. One interpretation of this result could be that brand orientation and strategic brand management capture the mindset and investment aspects of managing brands in organizations, while internal branding acts as the enabler of brand management ideas. The results provide support for the notion that these processes need to be developed in a sequence. Organizations first need to have the mindset to invest in brands, then develop investment plans and procedures for developing medium- to long-term brand management plans, and finally provide employees with the training and skills needed to execute the brand plans.

## Discussion

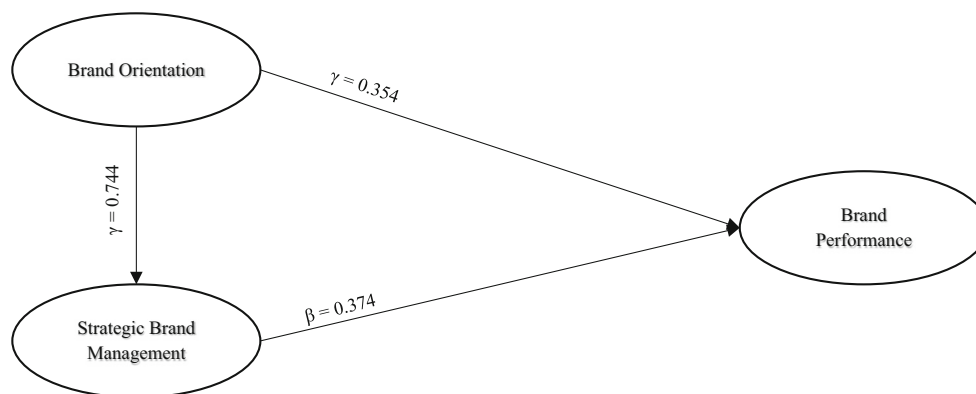
The results of the study indicate the key role of internal branding for brand management across industries. While both brand orientation and strategic brand management are positively associated with brand performance, internal branding represents the link to enhance the brand performance. The partial mediation of internal branding in the relationship between brand orientation and brand performance, and strategic brand management and brand performance, highlights the need for organizations to cultivate internal branding across product-based and service-oriented markets. The results provide support for the notion that brand management processes need to be developed in sequence. Internal branding is viewed as the mechanism that executes the brand vision and the strategic brand plans over a period of time. The results also indicate that organizational mindset, i.e., brand orientation, is essential for the development of strategic brand management and



**Table 4** Results of hypotheses testing

Hypotheses	Path	Std path coefficients		Results
		Model 1*	Model 2*	
Direct effects				
H1	Brand orientation → strategic brand management	0.744	0.744	Supported
H2	Brand orientation → internal branding		0.509	Supported
H3	Brand orientation → brand performance	0.354	0.144	Supported
H4	Strategic brand management → internal branding		0.372	Supported
H5	Strategic brand management → brand performance	0.374	0.160	Supported
H6	Internal branding → brand performance		0.475	Supported
Indirect effects				
H7a	Brand orientation → brand performance	0.278	0.361	Supported
H7b	Strategic brand management → brand performance		0.177	Supported
Total effects (for reference only)				
	Brand orientation → brand performance		0.636	
	Strategic brand management → brand performance		0.337	
R-square values				
	R-square (internal branding)		0.680	
	R-square (brand performance)	0.454	0.528	

\*All paths are significant at 95% CI (two-tailed)



<sup>a</sup>All paths are significant at 95% CI (2-tailed)

**Fig. 1** Model 1 [all paths are significant at 95% CI (2-tailed)]

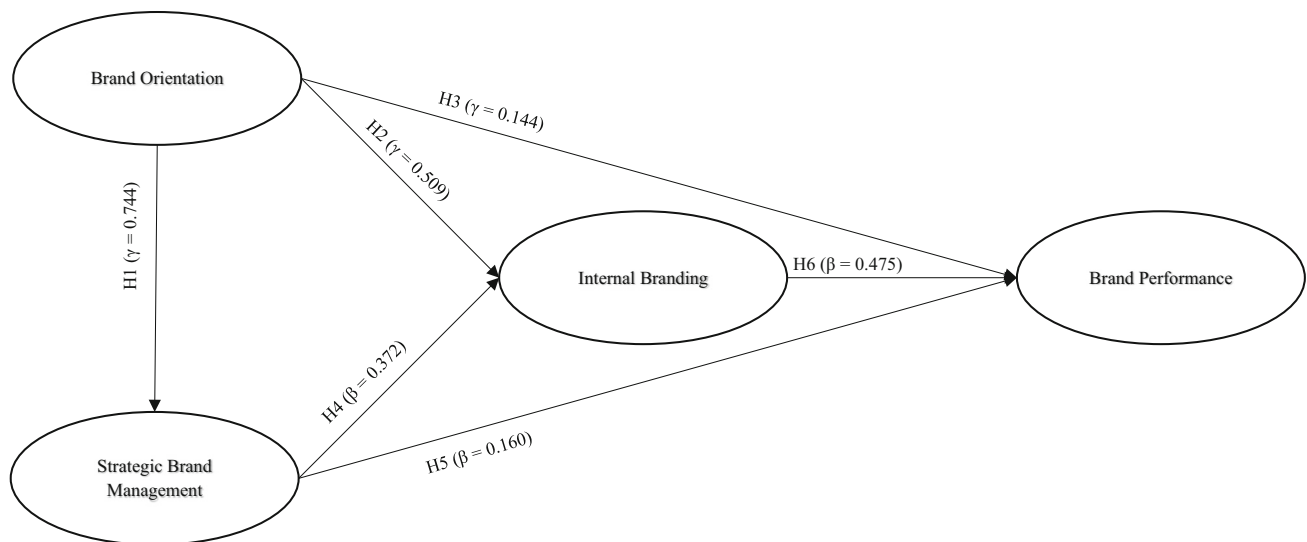
internal branding. Next, we discuss the theoretical and managerial implications.

The study provides several important theoretical implications. Previous studies have examined the individual-level antecedents of internal branding (Sirianni et al. 2013; Tavassoli et al. 2014) and have not looked at the organizational-level antecedents and the role of internal branding in the overall brand management process (few exceptions include Burmann et al. 2009b; King et al. 2012). In this study, internal branding acts as a bridge that executes an organization's brand orientation values, along with supporting the strategic brand management process in an organization. The importance of internal branding is highlighted in the fact that it can increase the employee

loyalty to an organization by creating the symbolic association between employees and brands (King and Grace 2008). This in turn may reduce employee turnover (Merriam and Frazer 2013), even in a situation where there is extremely high turnover of top marketing executives and brand managers (Gee 2016). Considering the growing importance of branding internally, this study adds to the literature on identifying the role of internal branding in enhancing an organization's performance through improving the brand performance. The current study examines the specific role of internal branding in facilitating the creation of strong brands in organizations.

The second theoretical contribution of this study is highlighted by the examination of organizational





<sup>a</sup>Indirect effects of Brand Orientation (H7a;  $\beta = 0.361$ ) and Strategic Brand Management (H7b;  $\beta = 0.177$ ) on Brand Performance are significant at 95% CI (2-tailed)

<sup>b</sup>All paths are significant at 95% CI (2-tailed)

**Fig. 2** Model 2 (full model) [indirect effects of brand orientation (H7a;  $\beta = 0.361$ ) and strategic brand management (H7b;  $\beta = 0.177$ ) on brand performance are significant at 95% CI (2-tailed). All paths are significant at 95% CI (2-tailed)]

antecedents of internal branding. The extant literature on internal branding primarily focuses on antecedents of internal branding at the individual level (i.e., psychological factors), which highlights the importance of addressing the development of internal branding from an organizational perspective (Sirianni et al. 2013; Tavassoli et al. 2014). In addition, a majority of internal branding literature is focused toward the service and B2B contexts (King et al. 2012; Löhndorf and Diamantopoulos 2014; Lynch and de Chernatony 2004; Roper and Davies 2010; Santos-Vijande et al. 2013), which does not provide the complete picture. Finally, this study extends the use of the RBV (Barney 1991, 2014; Day 2014; Sirianni et al. 2013) in the context of brand management by providing further evidence that employees in an organization represent an important resource that allows organizations to develop and maintain sustainable competitive advantage, in this case, by creating and sustaining strong brands.

This study also has important implications for brand management in organizations. Internal branding can only be developed when organizations have a brand orientation mindset (Saleem and Iglesias 2016). Considering the current environment where CMO and brand manager tenures are shrinking (Gee 2016), and there is a decline in marketing's influence in organizations (Homburg et al. 2015; Nath and Mahajan 2017), it becomes important to have a mindset where the strategic brand management and internal branding can develop. The success of strategic brand management process is dependent on the stability at the top management and/or the ability of the employees to stay consistent with the underlying brand values (Urde 2016).

However, with a short-term focus, the underlying brand values may be compromised (Lodish and Mela 2007). As internal branding allows an organization to execute the brand orientation values and strategic brand management processes in a more efficient and effective manner by aligning the employees to the brands, it is essential that organizations develop internal branding.

With the growing importance of internal branding, organizations are still struggling to develop an *organization-wide* internal branding program (Saleem and Iglesias 2016). Although internal branding is becoming important, both from a brand identity perspective (Burmam and Zeplin 2005; de Chernatony and Riley 1999; Harris and de Chernatony 2001) and value co-creation perspective (Ind 2014; Ind et al. 2013), most organizations' focus on internal branding is limited to frontline employees (Saleem and Iglesias 2016). This approach can impede the effectiveness of internal branding and raise concerns about its impact on performance. The results of this study indicate that the effectiveness of both brand orientation and strategic brand management is enhanced when internal branding is present in an organization. Consistent with the recent call in the literature (Saleem and Iglesias 2016), we argue that an organization's internal branding efforts should include all employees, not just frontline employees. Specifically, brand-related employees such as the brand managers, assistant brand managers, and the related departments should be involved in the internal branding efforts. This also comes at a time when CMOs and brand managers increasingly focus on the short-term profitability of organizations (Gee 2016). Recent evidence from the literature

argues that internal branding enhances job satisfaction (Du Preez and Bendixen 2015) and reduces turnover (Tavassoli et al. 2014). Thus, organizations that develop an organization-wide internal branding may see an improvement in their brand performance. Brand performance depends on the presence and integration of all the three constructs discussed in this study.

Finally, based on the current focus on brand co-creation (Iglesias et al. 2013; King and Grace 2008; Merz et al. 2009), engaged employees are required for a successful transition of value from the organization to the customer (Ind et al. 2013). A recent study identifies that employees have more credibility than executives (Walter 2013), and internal branding provides the opportunity to utilize this credibility toward a brand's success. For example, Zappos has developed an internal branding program that is aligned with the brand's long-term objectives leading to superior customer service (Walter 2013). The authors argue that by developing strong internal branding programs, organizations are in a position to enhance their brand(s) performance, which also addresses the concerns of meeting the expectations of internal stakeholders.

### Limitations and future research directions

While the results of this study contribute to the paucity of the literature on brand management from an organizational perspective, there are some limitations that need to be addressed in future studies. A primary limitation of this study is that we did not take the environmental factors into consideration. The effectiveness of all these three constructs needs to be tested in various environmental conditions. The development and impact of internal branding could be influenced by environmental dynamics. There are several interesting research questions that can be posed in this area, pertaining to the manner in which organizations can develop internal branding in a rapidly changing environment. Organizations respond to fast environmental changes by adapting an adhocratic culture (Moorman 1995), which impedes the development of internal branding. We expect that understanding the environmental impact on an organizations' willingness to invest in internal branding and its impact on brand performance, will further establish its importance to researchers and practice.

Another limitation of the study is pertaining to the sample used in the study. The sample was heterogeneous, limited to one country (USA), and had a relatively small size. Also, the key respondents have medium working experience. Future researchers should seek out larger and more generalizable samples for testing the above research model. A related future research area could be to test for the relationships among these constructs in a service and

product brand setting. Considering that the internal branding literature has primarily focused on the service and B2B contexts (Du Preez and Bendixen 2015; King and Grace 2008, 2009; Lynch and de Chernatony 2004; Roper and Davies 2010), examining the role of internal branding across different contexts becomes important.

A third limitation of the study is that the data collection was cross-sectional in nature. A future longitudinal study would be helpful to accurately assess the impact of the various factors on brand performance. Also, the study collects data from key respondents. While the effectiveness of key respondent studies is established in the literature, collecting data using a variety of sources would enhance the validity of the findings.

Finally, the development of the organizational antecedents and consequences of internal branding is still at a nascent stage. Future researchers should also explore the role of internal branding in managing the continuity/change paradox of brand management (Urde 2016). Brands are expected to be consistent, but need to change with the movement in competition and customer preferences. Understanding the role of human capital (i.e., internal branding) in managing this conundrum becomes important from both academic and practitioner point of view.

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