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How strong is the business-to-business brand in the workforce? An empirically-tested model of 'internal brand equity' in a business-to-business setting

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ABSTRACT

In the business-to-business sector, the brand-owner's employees are increasingly playing a key role in the representation of individual and corporate brands at the interface with actual and potential customers. Consequently, 'internal branding' has recently emerged as an important issue in industrial markets. This article proposes and empirically validates a theoretically structured framework for the measurement of a new construct, internal brand equity, and identifies its determinants and consequences. The findings offer evidence for the powerful impact of a brand-oriented corporate culture on internal brand equity, and demonstrate its relationship to external brand equity. Conclusions are drawn for management practice and future research.

1. Introduction

Although the Internet has dramatically changed the communication strategy of many companies in different industries, personal selling is still the dominant sales and communication strategy in the business-to-business sector (Deeter-Schmelz & Kennedy, 2004). While in the business-to-consumer sector personal interaction between employees and customers often does not play an important role, such special characteristics of industrial products and services as high price and high complexity, for example, often demand further explanation and face to face discussion. Though the branding practiced by business-to-business marketers may seem to be less overt than that typical of their business-to-consumer counterparts, a strong brand image and identity are clearly important drivers of corporate success in the business-to-business context.

It follows that the behavior of employees should be as consistent as possible with the brand identity and expressed brand values. This is not simply a matter of appropriate self-presentation and communication, but also of personal identification with the brand, emotional attachment to it, and motivation to become involved with the branding strategy in direct interaction with customers and influencers. In our study of this process, we define the strength of workforce internalization of brand identity, in support of branding at the customer interface, as the company's *internal brand equity*.

The broader concept of brand equity is well established in the marketing literature (de Chernatony & McDonald, 1998; Keller, 2008; Riezebos, 2003), and is generally defined as the incremental value added to a product or product portfolio that is attributable to a brand name, brand logo or other branding devices (Aaker, 1991; Farquhar, 1989; Keller, 1993; Yoo & Donthu, 2001). By analogy, internal brand equity is conceptualized as the incremental effect of branding on employee behavior. It describes and measures the impetus provided by brand-esteem among the brand-owner's own staff toward brand-supportive behavior, in their organizational roles and more generally, at present and in future. Thus, internal brand equity is strong when employee behavior is aligned with brand identity and individuals are predisposed to communicate the brand consistently and enthusiastically to internal and external stakeholders. An example of a strategy to achieve this particular form of synergy, drawn from case studies by Lamons (2005) and Walton and Greyser (2004) will demonstrate the potential impact of internal brand equity in business-to-business practice.

In the early nineteen-nineties, Caterpillar Inc., the world's largest manufacturer of construction and mining machinery, diesel engines and gas turbines, set up a decentralized world-wide organizational structure of 13 profit centers. This re-structuring improved corporate flexibility and the level of customer orientation, but simultaneously led to a confused brand identity. Every decentralized unit developed its own logos and brand names, varied colors and layouts in corporate communications, and transmitted potentially conflicting brand messages. When the consequent identity problem was recognized, the response was to establish the *One Voice* program, with the aim of building and nurturing a uniform corporate brand identity. In addition to such classical initiatives as the production of a written-down brand

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vision and a 'brand book', a series of interactive workshops was set up. The objective was to ensure that employees who had direct contact with customers, distribution-chain partners or stakeholders of other kinds shared a common understanding of the brand, felt equally enthusiastic about it, and projected it in a uniform way. Between 1994 and 2003, more than 10,000 staff of the company and its advertising agencies took part. By 2009, Caterpillar had risen from not being listed at all (2001) to 66th place in Interbrand's annual ranking of the 'Best Global Brands'. Though cause and effect cannot be proved, it is hard to resist the inference that the internal *One Voice* approach to branding strategy had played a major part in strengthening Caterpillar's internal brand equity, which had in turn reinforced its external brand equity.

Other case studies of the Hilti group (construction tools and systems) by Meehan and Baschera (2002) and of the TNS transportation and logistics group by Kraus, Seifert, and Blankenfeldt (2007), likewise illustrate the emphasis placed by brand-oriented business-to-business companies on this internal 'anchorage' of their brands. Empirical evidence for the key role of internal brand equity in external brand performance has been provided, across various sectors characterized by the high intensity of interpersonal communication between employee and customer, by Burmann, Zeplin, and Riley (2009), Franzen, Kumbartzki, and Burkhardt (2005), and Henkel, Tomczak, Heitmann, and Herrmann (2007). In the business-to-business sector specifically, Binckebanck (2006) found that the personality of salespeople and the nature of personal relationships were more important drivers of brand equity than the characteristics of the product or service itself, or the content of non-personal marketing communication.

The purpose of the study reported here was thus to build a comprehensive conceptual framework for internal branding in the business-to-business setting. We continue with a literature review and a statement of our research questions, followed by discussion of the determinants and the outcomes of internal brand equity, and a summary of its theoretical foundation. We then describe a study of 93 companies and 481 employees, report the results, summarize the findings, and discuss their managerial implications. Lastly, the limitations of the study are identified, and suggestions are made for future studies.

2. Literature review

Though there has been little published research relating explicitly to internal branding in the business-to-business context, relevant concepts and empirical findings are available for transfer from other research areas. In particular, studies of business-to-business branding, interpersonal communication, and brand identity have been the starting points for the development of our conceptual framework. A full review of the literature of these topics is well beyond the scope of this article. The following subsections therefore focus on key contributions in each area, indicating their relevance to our study.

2.1. Business-to-business branding

A growing stream of research has recently explored the brand concept in a business-to-business setting. Useful overviews are offered by Bengtsson and Servais (2005), Beverland, Napoli, and Lindgreen (2007), Mudambi (2002), and Ward, Light, and Goldstine (1999). Specific studies have investigated such aspects as brand characteristics (Webster & Keller, 2004), brand relevance and branding effects (Bendixen, Bukasa, & Abratt, 2004; Bennett, Härtel, & McColl-Kennedy, 2005; Mudambi, 2002), brand management (Bengtsson & Servais, 2005; Beverland et al., 2007; Kalafatis, Tsogas, & Blankson, 2000), and brand control (Munoz and Kumar, 2004). Many of these researchers have emphasized that interpersonal communication between employees and customers is very important for business-to-business brands. The previous research in this area has focused primarily on the identification of the high relevance of personal communication. For instance, Lynch and de Chernatony (2004) have pointed out the high importance of effective personal brand communication both within the organization as well as externally through the industrial sales force, while Webster and Keller (2004) have integrated the 'internal anchorage' of the brand into their proposed management guidelines. While this work provides insights, ultimately there is little conceptual or empirical research that explores the nature and impact of personal communication in the context of business-to-business branding.

2.2. Personal communication

Personal communication, as the second research stream, has implications for our study to the extent that it is concerned with interpersonal persuasive communication. Studies have investigated the influence of interpersonal communication on brand strength, or similar customer-oriented outcomes. Studies of branding in services marketing in particular have devoted considerable attention to the influence of the service provider's employees on customers' evaluation of the service. Examples are the work of Berry (2000) and Farrell, Souchon, and Durden (2001). Other research reported in the service marketing literature has addressed such aspects of the employee communication style, and its effects on customer evaluation, as employees' non-verbal communication (Hennig-Thurau, Groth, Paul, and Gremler, 2006); 'adaptive selling' and customer orientation (Bettencourt & Gwinner, 1996; Sparks, Bradley, & Callan, 1997); employee satisfaction (Hartline & Ferrell, 1996; Homburg & Stock, 2004); and customer perception of employee effort (Mohr & Bittner, 1995; Specht, Fichtel, & Meyer, 2007). Beyond the services marketing literature, Wentzel (2009) has analyzed the effects of different facets of employee communication on consumer's perceptions of brand image and attitudes to the brand in various product categories. All studies in this research stream underpin the relevance of interpersonal communication between employees and customers to successful branding, and hence, to the importance of internal brand equity in general. It is intuitively reasonable to transfer their findings to the business-to-business context. However, this research stream has focused primarily on the direct interface between employee and customer. A deep analysis of the creation and formation of brand supporting personal communication is missing.

2.3. Brand identity

One of the most recent and best-known brand conceptualization approaches in the marketing literature is the brand identity concept, initially developed by Aaker (2002) and Keller (1992). Its fundamental assumption is that a strong brand identity allows a sustainable differentiation of the offering and helps to enhance customers' identification with the brand. A specific element of this concept is, by analogy with personal identity, integration of the company's internal brand identity with its external brand image. The rational for this strategic alignment is that the image established in the mind of the consumer is determined by the identity emanating from the brand-owner. The particular significance to our own study lies in the explicit consideration of internal identity-building as an important driver of overall brand equity (Burmann, Benz, & Riley, 2009).

This conceptualization has brought increased attention to internal branding (e.g., Boone, 2000; Punjaisri & Wilson, 2007; Punjaisri, Wilson & Evanschitzky, 2008; Vallaster & de Chernatony, 2006). One of the first studies to explicitly integrate the brand identity concept into an internal branding framework, by Burmann and Zeplin (2005), has served as a main building block for the development of our conceptual framework.

2.4. Brand equity

Studies of brand equity have typically taken one of two perspectives. On the one hand there are customers' cognitive and affective