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Public sector corporate branding and customer orientation

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ABSTRACT

The objectives of branding and marketing in the public sector can differ in nature from those in the private sector, to include an improved responsiveness to public needs, rather than an increase in customer numbers. In addition, the customer orientation (a disposition that will influence brand perception) of public services is often questioned. Drawing from prior work in the private sector on the relationships expected between employee and organization customer orientation (hereafter referred to as CO), corporate brand personality, and both employee and customer satisfaction, the authors propose a number of models. These models are tested using structural equation modeling on data from a study of the employees (n = 302) and customers (n = 200) of a public hospital. Corporate brand personality mediates the positive links between employee customer orientation (hereafter referred to as ECO) and satisfaction; ECO influences brand personality, which in turn influences satisfaction. However, while both the needs and enjoyment dimensions of ECO improve customer satisfaction, the former has an unexpected, negative effect on employees. Organization customer orientation (hereafter referred to as OCO) influences customer, but not employee, satisfaction. The paper discusses the implications for managing and researching corporate branding in the public sector.

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1. Introduction

Branding and corporate branding are terms more often associated with the private rather than the public sector of an economy. Significant exceptions exist, such as the branding of countries, regions, and cities (Jaffe and Nebenzahl, 2001), but the application of marketing concepts to public sector organizations is still a relatively new topic for researchers (Kotler and Lee, 2007a,b). The marketing of many public services may inevitably be different from that in the private sector (Laing, 2003) as the defining characteristics of public services include the dominance of political rather than economic objectives, and the primacy of the citizen rather than the consumer (Lovelock and Weinberg, 1990). In particular, governments may require organizations in public ownership to become more responsive to the customer and his/her needs, in other words, to become more customer-oriented, rather than to increase the number of customers.

Yet other aspects of public sector branding can be similar to those in the private sector. A key to sustaining and expanding many public services is to build customer satisfaction and confidence (Corbin et al., 2001). Hospitals, universities, and government and regulatory agencies seek to express their identities through marketing and branding (Wæraas, 2008); and services such as a public hospital may be concerned to build both awareness and loyalty (Hood and Henderson, 2005). When a choice exists, for example between hospitals, a common approach to making the public sector more responsive is for governments to insist improved choices for patients. The more positive the associations that are made by external stakeholders, the more likely they are to select one hospital over another (Shahian et al., 2000). The more confidence patients have in a hospital and its services, the more likely is their recovery (Health Service Executive Transformation Programme, 2007–2010). Stakeholder views of a hospital's clinical ability will depend, in part, upon its brand among its community (Tokunaga et al., 2000). Kim et al. (2008) suggest that to have a successful healthcare organization, marketing efforts must focus on building a high level of trust. So, while differences exist, many aspects of branding are common to both public and private sectors, in addition to the need to consider employees as well as customers.

A number of reasons exist for considering the employee perspective in understanding corporate branding in any service context, including that of the public sector. Employees can act as brand ambassadors (de Chernatony, 2006; Wallace and de Chernatony, 2008) and their interaction with external stakeholders will in turn shape the external view of the brand (Bettencourt et al., 2001). Specifically, the view that customer-facing employees have of their organization influences the impression that customers form of the organization (de Chernatony, 1999). A number of models of corporate branding see the customer and employee perspectives as interlinked or even interdependent (Hatch and Schultz, 1997; Fombrun, 1996; Davies and Miles, 1998). Such alignment emphasizes matching external brand image to internal views and values (de Chernatony, 1999; Hatch and Schultz, 2001). If

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customer-facing employees share a positive view of the organization with customers, then a positive interaction between them is more likely to occur (Chun and Davies, 2006).

Further, the associations made with a corporate brand result from an accumulation of all the communication and experiences about and with that brand (Fombrun, 1996). Central to this is the customer's experience with employees, and the CO of front-line service employees will influence the perceptions external stakeholders have of their experiences (Brown et al., 2002). High levels of CO enhance service user views of the organization's brand through positive interactions with the brand's employees, and will result in greater overall satisfaction among both internal and external stakeholders (Rust et al., 1996 p. 391). However a low CO is often an issue in the public sector, resulting in improvement initiatives in many countries (Chen et al., 2004).

Budgets for the overt promotion of positive associations with the corporate name may be limited in the public sector and any attempt to improve perception though advertising is liable to criticism as being a waste of public money. Brand building must therefore rely on other methods, including managing the customer experience. This same experience may also damage the corporate brand when employees fail to deliver on the brand promise (de Chernatony, 2006).

In addition, because employees are important stakeholders in their own right, they need to be attracted and also retained. For example, healthcare, the empirical focus for this paper, is the fastest growing service in both developed and developing countries worldwide (Dey et al., 2006). The health sector in Ireland, the location for the study, is the largest employer in the State, and the Health Services Executive (HSE) employs more than 120,000 staff in a population of just over 4 million. Their budget of almost €15 billion is the largest of any public sector organization in the country. Hospitals compete with each other and with employers in the private sector for employees. In the public sector generally, wages tend to be lower than in the private sector, partly because employees can derive a motivational utility from working in the public sector (Delfgauw and Dur, 2008). Put another way, employee satisfaction and retention can depend upon how favorable the associations are that they make with their employer.

In summary, while branding has become more prominent in the public sector, its role with stakeholders is under explored. CO in the public sector is a particular concern. As CO shapes experience with the brand for both customers and employees, and experience in turn shapes the associations both make with the brand; one expects a relationship between CO and brand associations. To understand better both issues and how they interact, the aims of this study are (1) to explore the role of the corporate brand and customer orientation on stakeholder satisfaction in a public sector context, and (2) to investigate the impact of both organizational and employee CO on employee and customer stakeholder satisfaction in that same context.

The paper begins with a review of prior theory and research pertaining to customer orientation, stakeholder satisfaction, and corporate brand personality leading to the development of three hypotheses. Subsequently, the authors present the methods and results from field studies with employees, patients, and their visitors at a public hospital in the South of Ireland. Finally, the paper concludes with a discussion of the implications for research and practice in public sector brand management.

2. Literature review and hypotheses development

2.1. Customer orientation and satisfaction

Customer orientation can be assessed at two levels, that of the organization and that of the customer-facing employee. At an individual level, CO refers to an individual's tendency or predisposition to meet customer needs in an on-the-job context (Brown et al., 2002). The construct has two dimensions: a needs dimension, for example whether staff take a problem solving approach with their customers; and an enjoyment dimension, for example whether the staff smile easily at a customer (Saxe and Weitz, 1982; Brown et al., 2002). Research investigating individual salesperson CO finds a positive relationship between CO and customer satisfaction (Reynierse and Harker, 1992). Brown et al. (2002) show that CO mediates the relationships between more basic personality traits and service performance. Brown et al.'s (2002) three studies in two different service industries reveal that CO has a positive influence on employee satisfaction in a service context; and employees working in any service environment can be expected to be more satisfied the more customer-oriented they are themselves.

As governments attempt to promote greater accountability in the public sector through the creation of quasi-markets, organizations such as hospitals receive increased funding when they meet certain norms through an accreditation process (Health Service Executive Transformation Programme, 2007–2010). Such norms include performance with customers. As poor performance can result in reduced revenue, public sector managers can find themselves dealing with similar, albeit not identical, pressures as their commercial counterparts. Therefore, prior work in the private sector acts as a guide as to relationships between such similar variables in the public sector, and thus the following hypothesis is proposed:

H1. The higher the perceived employee customer orientation (ECO), the higher the satisfaction of a public sector organization's (a) employees, and (b) customers will be.

Based on Narver and Slater's (1990) work on the effects of marketing orientation on profitability, organization-level customer orientation (OCO) refers to the "degree to which the climate or culture of the organization is conducive to meeting customer needs" (Grizzle et al., 2008). This definition is consistent with Pervin's Goals Model (1983; Pervin and Persons, 1989), which posits that individuals are driven to accomplish various goals, and the environment is viewed as offering reinforcement opportunities to meet these goals and/or barriers to the accomplishment of these goals. Organizational-level customer orientation (OCO) moderates the relationship between ECO and employee performance of customer-oriented behaviors (Grizzle et al., 2008). In other words, OCO has a positive influence on both ECO and how the employee treats the customer, one that explains at least part of the relationship between ECO and employee behavior.

Here the chosen outcome measure is the satisfaction of employees or customers rather than the performance of employees, but the expectation is that OCO will play a similar role and influence satisfaction (Rust et al., 1996). For employees, the perceived customer orientation of the organization influences how customer-oriented they themselves become, as employees respond to the policies of their employer. This may also influence employee satisfaction, as employees in a service environment should be more satisfied when they feel supported by their employer's attitude towards customers. Customers will be more satisfied if they perceive that the organization is more oriented towards them; and their views of the policies of the organization will influence their perceptions as to the orientation of the organization's employees. Thus, the expectation is that OCO will have a positive relationship with both ECO and satisfaction, placing OCO in a potentially moderating role between ECO and satisfaction. This then implies the following hypothesis:

H2. The relationship between perceived employee customer orientation (ECO) and (a) employee, and (b) customer satisfaction is moderated by the perceived level of organizational customer orientation (OCO).

2.2. Corporate brand personality, customer orientation, and satisfaction

Prior work establishes that ECO leads to both employee satisfaction (Brown et al., 2002) and external stakeholder satisfaction (Reynierse

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