



Internal Branding: An Enabler of Customer Satisfaction Management in Korean Public Sector Companies

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Background and Research Objectives

Background

In light of the under-discussed issue of the “brand” of public sector companies in Korea,

- ❖ This research investigated the relationship between core components of internal branding such as **internal communication**, **brand knowledge**, **brand attitude**, and **business performance** in terms of customer satisfaction.
- ❖ In order to grasp how internal branding influences customer satisfaction management, a key index in measuring the business performance of a public sector company,

Aim: suggest internal branding as a method to increase business performance of public sector companies.

Purpose

- Research how **internal branding** initiatives based on internal brand communication and brand knowledge of public sector culture affect the **brand attitude** of public sector employees towards their own organization.
- Check how the employees' attitude towards their own organizations' brand such as **liking, preference, familiarity**, etc. affects **customer satisfaction management**.
- Ascertain how **internal branding** initiatives such as internal brand communication and brand knowledge connects to **customer satisfaction management**.

Literature Review

Researcher	Research Results	Remarks
Aarker(1996)	Internal branding strengthens brand association both internally and externally	Internal branding effectiveness
Nicholas Ind(2001)	In the brand model, not only the brand identity from the employee's point of view, but also marketing communication, and even products and services are created and delivered by employees, so internal branding for employees is important for branding.	Internal branding effectiveness
Bergstrom (2002)	Effectively communicating the brand to employees, linking every job in the organization to the process of delivering the brand core	Concept of internal branding
Hatch & Shultz(2003)	The emotional value of the brand is formed through the interaction between the employee and the consumer, so the employee is the Brand Ambassador.	Internal branding effectiveness
de Cherantony(2003)	The most important factor in internal/external branding strategy is to share the brand-related organizational culture with employees.	Internal branding effectiveness
Keller(2003)	Adapting the employees to fit with the brand and what it means	Concept of internal branding
Makiguch Shoji(2003)	The process of making brand promises possible as the mission of the organization through the reform of employees' consciousness, which is the driving force behind brand building by reliably infiltrating the brand's orientation and vision into the company. More important task in building a corporate brand	Concept of internal branding
Burmann, Zeplin (2005)	Proposing brand commitment and brand citizenship behavior of organization members as key determinants for creating a strong brand	Determinants of internal branding
Punjaisri & Wilson(2007)	Internal branding affects to brand performance of the members of the organization and their ability to deliver promise, and the commitment of members is positively related with loyalty to the organization.	Internal branding effectiveness
Burmann, Zeplin, Riley (2009)	As a determinant of internal branding, a causal relationship between internal members' brand commitment and brand citizenship behavior is presented.	Determinants of internal branding
Punjaisri et. al.,(2009)	A series of activities that make employees aware of the company's brand value and identity and support in order to deliver the brand promise that reflects the customer's expected value to the customer through employees.	Concept of internal branding

Literature Review(domestic)

Researcher	Research Results	비고
Yoojae Lee, Sunah Ra(2004)	Brand internalization activities executed in order for all employees to become a brand ambassador during all points of contact with external customers	Concept of internal branding
Mikyung Choi(2006)	Developing tools for capturing internal branding execution metrics, effect of internal branding on job satisfaction and continuation of service	Effects of internal branding
Sunhee Kwon(2012)	Internal branding initiatives affect employees' dedication to the brand, and increased dedication to the brand results in higher brand output by employees.	Effects of internal branding
Yookyung Kim et al.(2012)	How executing internal branding positively affects brand attitude, affection, and aim for customer satisfaction of one's own company	Effects of internal branding
Hogi Lee et al.(2014)	Positive influence of internal branding on brand immersion of finance sector employees, internal communication being the most impactful variable	Effects of internal branding
Heonsik Kim(2015)	How internal branding affects employee attitude in start-up companies, how positive attitude towards the company's brand results in positive brand performance	Effects of internal branding

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Research Design

Operational definition

❖ **Independent Variable:**

**Internal Communication,
Brand Knowledge**

❖ Internal Communication

Inter-communication, among organization members(employees), regarding work and efforts for the achievement of the goal in public sector companies

- ✓ Is communication being executed from the beginning of their tenure to help understand the brand?
- ✓ Does training and education for organization members help them better understand the brand?
- ✓ Is internal PR material efficiently helping in understanding the brand?
- ✓ Whether the environment can foster communication regarding the business among organization members?

❖ **Brand Knowledge**

- ✓ Define as the knowledge of subjects on the brand's core values, vision, and identity.
- ✓ Ascertain the knowledge system linked to performing the job in public sector companies in terms of the awareness of the brand's core value and vision, background of the brand's identity, the brand's differentiation.

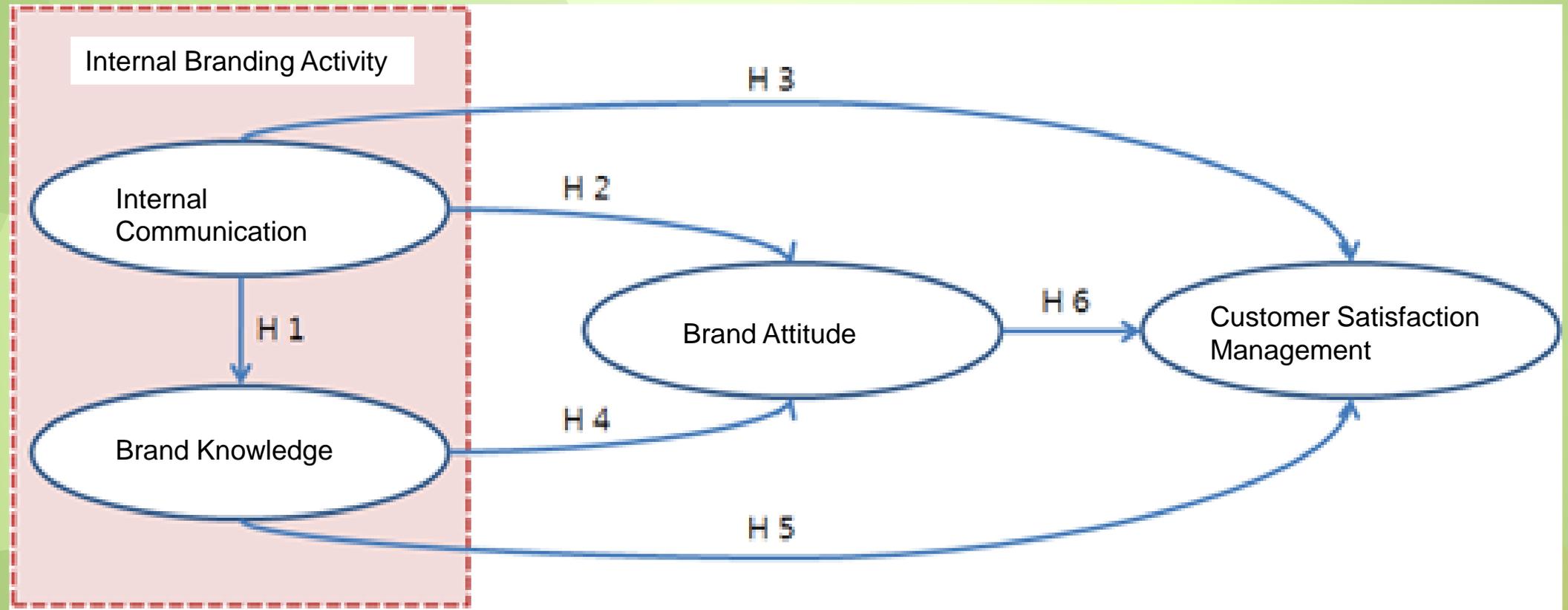
❖ **Dependent Variable: Customer Satisfaction Management**

- ✓ Defined as the voluntary actions (and the standards to define it as such) that a public sector employee takes to satisfy the customer
- ✓ Metrics that can be taken as a member's performance contribution for public sector companies
- ✓ For this particular research, defined in assessing employees' bias for customer orientation activities.
- ✓ This research will measure whether employees deliver information about the brand to customers, whether employees keep the brand's promise to customers, and whether the brand's standards are implemented in servicing customer requests.

❖ **Mediator Variable: Brand Attitude**

- ✓ The liking, preference, and familiarity the subject has to their own company's brand
- ✓ Focus on the liking/positive sentiments, how familiar the brand is to them, and the trust that public sector employees have for their own company's brand to measure the variable.

Research Model



Hypothesis

- ❖ H1: A public sector corporation's internal communication will positively impact(+) the brand knowledge of the subject's own company.
- ❖ H2: A public sector corporation's internal communication will positively impact(+) the brand attitude towards the subject's own company.
- ❖ H3: A public sector corporation's internal communication will positively impact(+) customer satisfaction management.
- ❖ H4: The higher the brand knowledge level of public sector corporation employees, the higher the positive impact(+) on their brand attitude
- ❖ H5: Higher brand knowledge level of public sector corporation employees, the higher the positive impact(+) on customer satisfaction management
- ❖ H6: The more positive the brand attitude of public sector corporation employees towards one's own company, the more positive impact(+) it will have on customer satisfaction management.

Measurement Metrics

Internal Brading		
Internal communication		Source of reference
1	When posting recruitment notices, the company makes sure that the message delivered ensures that applicants are well aware of the brand	Mikyung Choi(2004)
2	The training and education for employees helps to understand the company's brand	
3	I believe that the internal PR material is efficient in helping to understand the brand	Nicholas Ind(2000)
4	I can freely interact with co-workers about the way our company is run.	
Brand knowledge		
1	I am well aware of the core values and vision of the brand of my company	Upshaw(1995) & Nicholas Ind
2	I am well aware how my company's brand came to be	
3	I am well aware of what my company's brand signifies	Aaker(2000)
4	I am well aware of the differentiation my company's brand has	Upshaw(1995) & Nicholas Ind
5	I can infer the direction of my work from the meaning and identity my company's brand has	Mikyung Choi(2004)
6	Our company reflects what our brand stands for in our daily tasks	
7	I am well aware of my role in the process of delivering the company's brand identity	Upshaw(1995)
8	I am well aware what I should be doing to realize the values and vision of the company's brand	
9	I work towards making sure that the company keeps the promises on its brand advertisements or PR campaigns made to customers	Nicholas Ind(2001)

Research Metrics

Customer Satisfaction Management		
Customer satisfaction		Reference
1	My work follows the brand managerial protocols of the company	King and Grace(2010), Punjaisri et al.(2009) Sunhee Kwon (2012)
2	I can effectively action for customers the promises made by the company's brand	
3	I always action a customer's request based on the brand managerial standards	

Brand attitude		Reference
1	I like my company's brand	Holbrook& & Batra(1987), Yeongjoong Jeon(2010)
2	I am favorable towards my company's brand	
3	I find my company's brand familiar	
4	I find my company's brand enjoyable	
5	I can trust my company's brand	
6	I have positive sentiments towards my company's brand	

Sampling

- 8 B2C public sector companies, out of 30 public sector companies under the government that have dual focus on being public and being an enterprise, out of 170 total public companies.
- SOC 1st class public sector companies such as **Korea Electric Power Corporation, Korea Airports Corporation, Incheon International Airport Corporation, Korea Expressway Corporation, KorRail**, and also includes other public sector companies such as **Korea Racing Authority, Jeju Free International Development Center**, and the **Korea Appraisal Board**.
- Job departments span the entirety of the organization including Operations and Planning, Sales, PR, Marketing, Customer Service, Engineering, Professional services, etc.
- Sample size: **464 individuals**

Although the research original aimed at quota sampling from each department to reduce deviation, ultimately the research selected a random sample due to the disparity of number of employees in each department as well as the difference in job departments among the different public enterprises

Research Process

In order to reduce time difference in executing the survey due to public enterprises being dispersed all over the country, **Google Forms** was used to carry the survey and proliferated via SMS.

Procedure	Term	Subject of research and sample	Notes
Survey draft and pre-test	Aug 30 – Aug 31	12 members of the Korea Racing Authority	Edit 2 ambiguous questions on survey and rearrange order
Pre-test analysis	Sep 8 – Sep 10	20 members of the Korea Racing Authority and Korea Airports Corporation	Analyze feasibility of data values, decision to execute research
Proliferation of Survey	Sep 20 - Sep 30	Survey proliferated to 560 employees across 8 different public sector companies under the government	Google forms, proliferated via mobile SMS. Support received from each company's management evaluation department on sending the SMS message to each subject's individual smart phone
Survey Analysis	Oct 1 – Oct 20	474 survey results submitted	Excluded negligent submissions and performed analysis on 464 results

Analysis

Step 1

- **Verify validity and reliability of respondents**
 - Cronbach's Alpha to verify reliability
 - EFA: Exploratory Factor Analysis
 - CFA: Confirmatory Factor Analysis

Step 2

- **Research Hypothesis verification** SEM:
Structural Equation Modeling

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Research Result

Attribute of Respondents

Category	Classification	Sample size	%
Age group	20s	26	5.6
	30s	142	30.6
	40s	199	42.9
	50s	97	20.9
	Total	464	100
Tenure	Less than 5 Years	69	14.8
	5~13 Years	108	23.3
	13년~20 Years	110	23.7
	20+ Years	178	38.4
	Total	464	100
Level	Associate	46	10.0
	Senior Associate/Junior Manager	133	28.6
	Manager/Senior Manager	259	55.8
	Director Level	26	5.6
	Total	464	100
Department	Customer Service	62	13.4
	Operations/Planning	246	53.0
	PR/Marketing	40	8.6
	Engineer/Technician	96	20.7
	Other professional services	20	4.3
	Total	464	100

Reliability and Validity Analysis

- While repeating factor analysis, selected 19 applicable questions and extracted 4 factors.
- The 4 factors made up **83.212%** of explained variance
- The **eigenvalue for each factor was above 1.0, the factor loading and communality value of each factor was above 0.5**, and the explained variance was acceptable.
- Cronbach α value.
Reliability test values were **all above 0.6**. There were no calculated metrics that would undermine internal consistency

EFA and Reliability

	Brand Attitude	Brand Knowledge	Internal com.	C-Satisfaction Management
Attitude2	.827			
Attitude1	.826			
Attitude3	.816			
Attitude6	.807			
Attitude5	.795			
Attitude4	.789			
knowledge2		.799		
knowledge3		.787		
knowledge4		.767		
knowledge5		.744		
knowledge1		.736		
knowledge9		.615		
knowledge6		.578		
Internal com 2			.781	
Internal com 1			.763	
Internal com 3			.696	
C- Sat 1				0.791
C- Sat 3				0.786
C- Sat 2				0.775
Eigenvalue	5.350	4.884	2.906	2.671
Explained variance(%)	28.156	25.705	15.296	14.055
Cumulative variance(%)	28.156	53.861	69.157	83.212
Cronbach's α	0.973	0.943	0.984	0.936

Validity Test on Structural Equation Model

- Although $GFI(0.927 \geq 0.9)$ for validity meets the threshold, the $AGFI(0.899 \geq 0.9)$ is a marginal shortfall
- The relation of $GFI > AGFI$ (Gwangho Ahn et al., 2008) is true, and other Validity measures also meet the threshold $RMR(0.042 \leq 0.08)$, $RMSEA(0.058 \leq 0.08)$
- $NFI(0.969 \geq 0.9)$, $CFI(0.980 \geq 0.9)$, $TLI(0.974 \geq 0.9)$, $IFI(0.980 \geq 0.9)$ all meet the threshold

Validity test using Exploratory Factor Analysis

Index	Validity	Threshold	SEM Analysis
(Absolute Fit Indices)	GFI	Above 0.9	0.927
	.AGFI	Above 0.9	0.899
	RMR	Below 0.08	0.042
	RMSEA	Below 0.08	0.058
(Incremental Fit Indices)	NFI	Above 0.9	0.969
	CFI	Above 0.9	0.980
	TLI	Above 0.9	0.974
	IFI	Above 0.9	0.980

Verification of research hypothesis

- T value: All hypotheses meet the significance threshold of 0.05.
- Standardized path coefficient: The standardized path coefficient for correlation between each variable meets the threshold

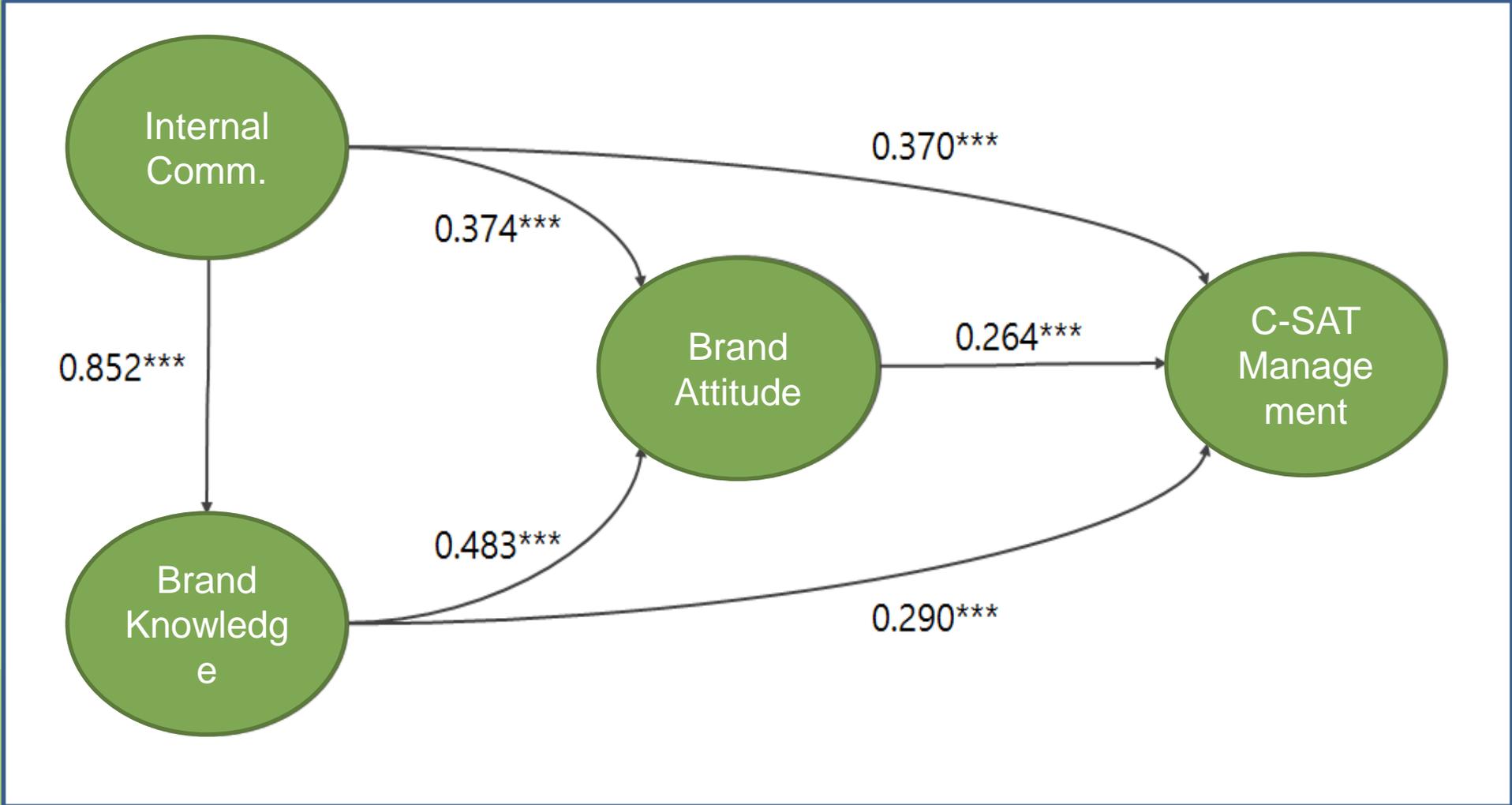
Correlation	Unstandardized path coefficient	Standardized path coefficient	T value
Internal Comm. → Brand Know.	.852	.852	17.156
Internal Comm. → Brand Att.	.405	.374	4.615
Brand Know. → Brand Att.	.523	.483	6.159
Brand Know. → Customer Sat.	.301	.290	3.826
Internal Comm. → Customer Sat.	.384	.370	4.495
Brand Att. → Customer Sat.	.254	.264	4.826

χ^2
=345.362, p=.000, df=136

GFI=.927, AGFI=.899, RMR=.042, RMSEA=.058,

NFI=.967, CFI=.980, TLI=.974, IFI=.980

Results of empirical analysis



Results of empirical analysis of the research model

Analysis of effects between factors

Independent Variable	Dependent Variable	Direct Effect	Indirect Effect	Total Effect
Internal Comm. →	Brand Knowledge	.852	-	.852
	Brand Attitude	.374	.412	.785
	Customer Satisfaction	.370	.455	.825
Brand Knowledge →	Brand Attitude	.483	-	.483
Brand Knowledge →	Customer Satisfaction	.290	.128	.418
Brand Attitude →	Customer Satisfaction	.264		.264

Summary of Research results

Hypothesis		T/F
H1	A public sector corporation's internal communication will positively impact(+) the brand knowledge of the subject's own company.	True
H2	A public sector corporation's internal communication will positively impact(+) the brand attitude towards the subject's own company.	True
H3	A public sector corporation's internal communication will positively impact(+) customer satisfaction management.	True
H4	The higher the brand knowledge level of public sector corporation employees, the higher the positive impact(+) on their brand attitude	True
H5	Higher brand knowledge level of public sector corporation employees, the higher the positive impact(+) on customer satisfaction management	True
H6	The more positive the brand attitude of public sector corporation employees towards one's own company, the more positive impact(+) it will have on customer satisfaction management.	True

Conclusion

Discussion

❖ **Internal communication and brand knowledge in Public sector companies**

Allowing all members of the public sector company organization to take interest in the company's brand and understand the brand's identity such as values, beliefs, regulations, knowledge and the proper internal communication to facilitate it results in higher brand knowledge by employees.

❖ **Internal communication and brand attitude towards one's own company**

All members of organization should have a positive attitude towards the company's brand

The company culture should strengthen the brand identity of the company

Upper-level management should support the initiative for members of the organization to strive for realizing the brand.

If a culture that enhances brand-related internal communication takes root, the employees will gain a more positive attitude for the company's brand.

Discussion

❖ **Internal communication in Public sector companies and customer satisfaction management**

- ❖ If Public sector company employees' interest in the company's brand can be strengthened and internal communication to implement brand into the company culture, then employees are prone to exhibit behavior that works towards delivering the company brand's promise to customers in each of their roles.

❖ **The brand knowledge in Public sector companies and brand attitude towards one's own company**

- ❖ The brand attitude such as favorability, preference, and familiarity is made more positive when the employees of public sector companies are more knowledgeable about the company's brand (Core values, vision, brand identity)

Discussion

❖ **Brand knowledge in public sector companies and customer satisfaction management**

- ❖ The higher the understanding and knowledge of employees about the brand value, brand identity, the higher the performance for public sector companies resulting from higher customer satisfaction.
- ❖ Brand knowledge and customer satisfaction has brand attitude as a mediation variable
- ❖ Taking the pathing of <Brand knowledge -> Brand attitude -> customer satisfaction> into account, the brand attitude here gives a partial mediation effect

❖ **Brand attitude in public sector companies and customer satisfaction management**

- ❖ If the employee's attitude towards the brand of one's own company is strengthened, the customer satisfaction is boosted as they are more efficiently and effectively taking action that is aligned with the company's brand in various situations and points of contact with customers – the communication/cooperation improvement with customers serves as a business performance result.

Conclusion

- ❖ Taking account the preceding research conducted for private enterprises in various different industries that stated the positive effect of internal branding on business performance in terms of improved customer satisfaction, we can conclude that internal branding has a similar positive impact regardless of whether the enterprise is private or public.
- ❖ For Korean public sector companies internal branding directly affects business performance based on customer satisfaction. Brand knowledge and attitude also acts as a partial mediator in customer satisfaction as well.

Practical implications

1. Internal branding initiatives within public sector companies can serve as an alternative in limited marketing investment situations.

- ❖ Compared with private enterprises, public enterprises have limited marketing resources to utilize, but since public enterprises have diverse points of contact with customers the employees themselves can become brand ambassadors delivering the values and identity of the brand to customers directly (to complement external branding efforts).
- ❖ Because the points of contact with the customer is more diverse, the employees of public sector companies can deliver diverse results if they were to act and deliver on behalf of the brand's vision and image.
- ❖ Internal branding can be utilized not only for marketing purposes, but also for management strategy in terms of efficiently managing public enterprise performance reviews.

Practical implications

2. Internal branding should not be just on the surface but should be qualitatively internalized.

- ❖ Brand knowledge strengthening initiatives to boost awareness of brand identity such as core values, beliefs, regulations
- ❖ These initiatives should aim to enhance brand preference and liking, ultimately enabling employees to take pride in their own company's brand.

3. Incorporating an internal branding index into public sector management performance reviews is feasible.

- ❖ Despite the 3-year office term of public sector company CEO's, measuring the sustainment and continuation of internal branding initiatives during public sector company reviews will result in satisfaction of citizens who are the customers of public enterprises, and can lead to a more positive impression of the public sector in general and the government itself.

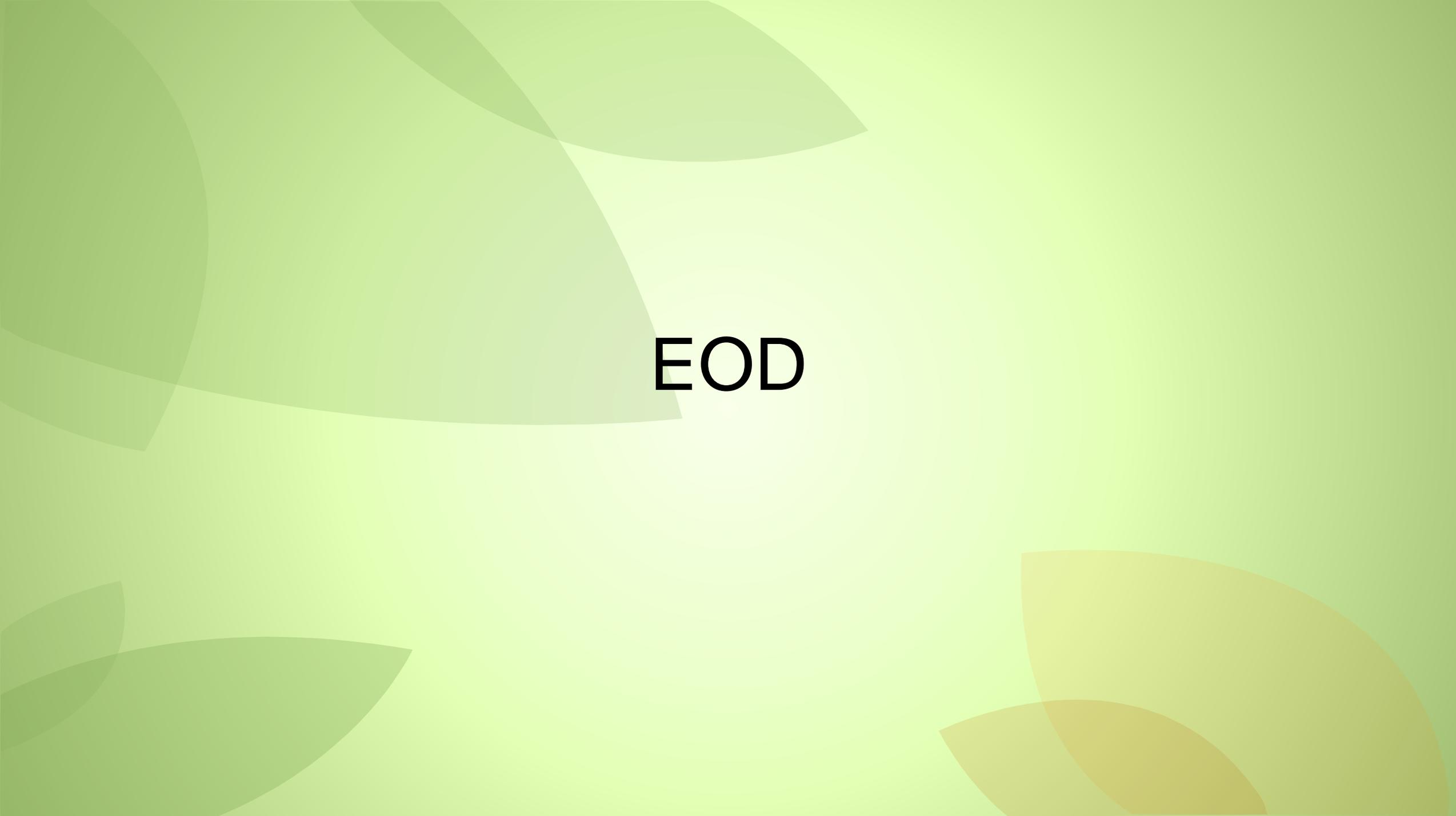
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