Employee Branding And Service Quality: The Moderating Effect Of Employees’ Role Behavior

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Abstract

The purpose of this study is to identify relationship between employee branding and service quality as well as the moderating effect of employees’ role behavior on the employee branding-service quality relationship. It presents the findings from a questionnaire survey of 370 shoppers in one of the shopping complex located at Southern region of Malaysia. The results of hierarchical multiple regression analysis revealed that there is a significant moderating effect of employees’ role behavior on the employee branding-service quality relationship. The findings may be useful in designing customer retention strategies that are related to the retailing business. Implications, limitations of study and suggestions for future study are also explored.

Keywords: Employee branding, service quality, employees’ role behavior, Malaysia

1.0 INTRODUCTION

Companies are faced with challenging times these days. On one hand, companies are being forced to find ways to trim operating costs. On the other, they must continually find ways to strengthen their brand offering and provide a differentiating product or experience for customers (Rick, 2003). Good customer service is a basic expectation that is considered a ‘price of entry’. However, many companies are now questioning how is it possible to continue to deliver the same level of customer service while they are being forced to cut their budget. So the question is how to differentiate the company from other competitors when it comes to crisis? The answer lies in the company’s branding and product and service as well as sales strategies. Brands are increasingly ubiquitous in today’s business world. Individuals encounter them everywhere – at work, home, shopping and socializing. Despite today’s economic situation, brand management is still very important. Employee branding is defined as the image projected by employees through their behaviors, attitudes and actions (Minchington, 2011). This image is impacted on by employee attitudes and engagement towards the employer brand image promoted through the culture of the organization.

Business researchers found the success of corporate brands is often attributed to employee alignment with the corporate brand (Barrett, 1998; Pringle and Thomson, 2001). The success of the corporate brand is possible only if the corporate brand values are consistent with employee values (de Chernatony, 2001). According to a poll by Gallup Organization, disengagement costs the U.S. economy roughly $300 billion a year in lost productivity. This research shows that many people still do not recognize that employees who are satisfied and motivated can significantly raise the bottom line (Carol, 2007). Companies are focusing more on building their brand and image via brand positioning, brand name selection and etc. today. When employees perceive their organization as one that facilitates performance, enhances career opportunities and provides positive supervision, they have more time to do the organization’s main work of serving customer (Schneider & Bowen, 1985). This finding did not test the service behaviors of employees as well as employees’ role in branding; as such employees’ branding should be empirically tested again to reflect the situation of the present business environment. In addition, a very limited number of research studies have empirically tested the impact of employees’ branding on service quality.

To the best of the authors’ knowledge, there are very few previous studies in Malaysia regarding the impact of employee branding toward customer loyalty. The researcher focuses on loyalty because it is an important theoretical as well as practical issue for most marketers and customer researchers (Aaker, 1992; Reichheld, 1996). Majority of these studies have highlighted specific issues such as tactics on improving employee branding by Harquail (2007), process of employee branding by Miles and Mangold (2005), practice and forms of employee branding by Harquail (2004) etc. However, it has been found that no study had focuses on the effect of employee branding on specific sectors, especially services sector that is responsible for most of the income in Malaysia. In addition, customer loyalty is also an important antecedent to brand equity, which in turn is significantly important in creating differentiation and competitive advantage (Aaker, 1992, de Chernatony & Mcdonald, 1998). Despite tremendous interest in loyalty, very little empirical research has explored the effects of employee branding on loyalty. Thus, this study seeks to examine the relationships between employee branding and customer loyalty among customers of retail stores in Malaysia.
2.0 LITERATURE REVIEW

2.1 Employee Branding

Employee branding is “the image projected by employees through their behaviors, attitudes and actions” to external audiences (Minchington, 2011). Employees who are in alignment with their organization’s brand identity are likely to provide a higher quality of customer service thereby increasing the opportunity for repeat business. According to Rao (2009), the employee brand is an image of the organization presented to an organization’s customers and other relevant stakeholders by its employees. And in the employee branding process, the employee starts talking the employer brand lingo and simply put, becomes a brand ambassador for the employer. Employee branding is an indirect branding process where employees internalize the desired brand image and are motivated to project the image to customers and other organizational constituents. Employee branding may also be understood to include the process of promoting the image of an employer through his or her employees. Of course, the definition of “employee” is very broad, basically referring to all those persons that are (or were) in the employ of a particular company.

A brand is more than the name given to a product, service, or organization; it embodies a whole set of physical and socio-psychological attributes and beliefs (Simoes & Dibb, 2001). Nurturing a brand requires attending to the brand’s identity, such as tangible and intangible, functional and symbolic attributes that define the brand (Rubenstein, 1996; Kotler, 1997; Aaker, 1997, 1999). Only recently have employees throughout the organization been expected to be involved in translating the abstract ideas of the brand into their everyday behaviors, decisions, attitudes and so on (Adam & Henriksson, 2006; Ind, 2001; Mitchell, 2002). For example, at Volvo, employees use brand identity to guide decisions that might even seem minor, such as creating the right “click sound” for the seatbelts (Adam & Henriksson, 2006).

2.2 Employee Role Behaviors

Because of customer-employee interaction in services settings, both academia and managers agree that there exists a “linkage” between the behavior of frontline service employees and customers’ evaluation of the service delivered (Schneider et al., 2005). Frontline employee behavior can be looked at from different angles and each of them has their own definition and related theory. Behavior of employees has been referred to as prosaic organizational behavior (Brief & Motowidlo, 1986), organizational citizenship behavior (Bateman & Organ, 1983; Organ, 1988), or boundary-spanning behavior (Aldrich & Herker, 1977; Bettencourt & Brown, 2003).

2.3 Service Quality

Service quality is a concept that has aroused considerable interest and debate in firms aspiring to serve the customers’ needs and wants and stay competitive in the current business markets (Dawkins & Reichheld, 1990; Parasuraman et al., 1985; Reichheld & Sasser, 1990; Zeithaml, 1988). Service quality is often defined as the consumer judgement of a firm’s overall excellence superiority, in a way that a consumer would generally act towards the firm. Given that the judgement or act can be very subjective, customers’ perceptions on the service quality are mostly based on many complex variables that best described their personal experience with the firms. Service quality is a customer’s judgment about a product’s overall excellence or superiority (Zeithaml, 1988) and is similar to an attitude (Zeithaml, 1988; Parasuraman et al., 1985). Parasuraman et al. (1988) developed a multiple-item scale, SERVQUAL, for measuring service quality and argued that service quality, as perceived by customers, originated from a comparison of customer expectations and their perceptions of the performance delivered by the firm. Parasuraman et al. (1986) had identified ten variables to service quality that may relate to any service, which are reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and knowing the customers and tangibles. Later, in 1990, they reduced these variables down to five which are tangibles, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1990). The biggest challenge to a firm is to accurately define the service attributes that forms the service package. SERVQUAL allows firms to set the standards to meet the quality requirement issued by the customers and to determine the existence of any gaps between the provider and the customer. Therefore, it is essential that service firms’ measure and monitor service quality and satisfaction with a view to influencing the behavioral intentions of their customers (Saha & Theingi, 2009).

2.4 Customer Loyalty

A global loyalty marketing agency, customer loyalty can be defined as the totality of feelings or attitudes that would incline a customer to consider the re-purchase of a particular product, service or brand or re-visit a particular company, shop or website. Customer loyalty has always been critical to business success and profitability. Reichheld and Sasser (1990) claimed that only 5% improvement in customer retention can lead to an increase in profitability between 25% and 85%, depending upon industry sector. Therefore increased ‘customer loyalty’ has a direct relationship with increased profitability. Consumers are generally considered to be loyal when they hold favorable attitudes toward a firm or its products or services, and when they repeatedly purchase from the firm (Amine, 1998; Wong & Sohal, 2003). On the other hand, customer loyalty refers to be “the feeling of attachment to or affection for a company’s people, products or services” (Jones & Sasser, 1995).

Why focus on customer loyalty? Customer loyalty has been well established as a key to profitability and long-term sustainability (Keating et al. 2003; Reichheld, 1996; Reichheld & Aspinall, 1993). Previous researches suggested that customer loyalty is important and a key driver for financial performance in service organizations (Ganesh, Arnold & Reynolds, 2000; Jones & Sasser 1995). Customer loyalty may be a more important determinant of profit than market share and position (Heskett et al., 1994). Service provider can establish practices that enhance the relationship that an organization has developed with their customers, potentially resulting in higher level of customer loyalty by identifying the antecedents of customer loyalty and understanding the impact of these antecedents on customer loyalty.
3.0 PROPOSED FRAMEWORK

Figure 1 shows the proposed framework for this research. The conceptual framework of this study consists of several types of variables. These are independent variables and dependent variables. The independent variable is employee branding while dependent variable refers to customer loyalty. The service quality is the mediator and the employees’ role behaviors is the moderator.

The employee branding process ensures the organization will consistently deliver its desired brand image to customers, thereby solidifying a clear position in the minds of customers and employees alike. It will provide a competitive advantage that is achieved through employees who have internalized the desired brand image and are motivated to project that image to customers and other organization constituents when done well (Miles & Mangold, 2005). When the desired brand image is consistent with the image customers perceive, customers will keep in mind the position of the organization and its offering. It is a source of sustainable competitive advantage for the organization. It will reduce employee turnover, enhance employee satisfaction, generate a higher level of customer satisfaction and loyalty, and a favorable reputation among stakeholders if the employee branding process works successfully. Based on these discussions, this study posits that:

H1: Employee branding is positively related to customers’ perception of service quality.

In various studies the relationship between service quality and customer preference loyalty had been examined (Boulding et al., 1993; Cronin & Taylor, 1992). In their study Cronin and Taylor (1992) focused solely on repurchase intentions, whereas Boulding et al. (1993) focused on the elements of repurchasing as well as the willingness to recommend. In a study by Cronin and Taylor (1992), service quality did not appear to have significant (positive) effect on repurchase intentions (in contrast to the significant positive impact of satisfaction on repurchase intention), whereas Boulding et al. (1993) found positive relationships between service quality and repurchase intentions and willingness to recommend. It is, therefore, hypothesized as follows:

H2: Service quality is positively related to customer loyalty.

Effective and consistent transmittal of messages reflecting the organization’s mission and values will accomplish two things. First, it will enable employees to know, understand, and experience the desired brand image. Second, it will uphold the psychological contract that exists between the organization and the individual employee. The psychological contract is a perceptual agreement formed in employees’ minds about the terms and conditions of the working relationship (Rousseau, 1995). It is a central component of employee motivation and organizational life, in general. In addition, the psychological contract is also central to the employee branding process, in that the degree to which organizations uphold the psychological contract influences employees’ trust in their employers and their motivation to serve customers and co-workers. It also plays an important role on their interaction with others and day-to-day productivity too. Organizations can shape employee perceptions although the formation of the psychological contract is an individualized perceptual process. Hence, this study posits that:

H3: Employees’ role behaviors will moderate the process of employee branding which result in stronger service quality.

4.0 RESEARCH FINDINGS

A total of 370 of shoppers of Aeon Taman Universiti in Skudai, Malaysia participated in this study. The sample was determined by using multivariate research. According to Hill (1998), the sample size required in multivariate research should be 5 to 10 times of variables for 10% and 5% margin error. The total number of questions in the developed questionnaire was 35, the number of samples should range from 175 (10% margin of error) to 350 (5% margin error). Therefore, the sample size of 370 was adequate for data analysis. Questionnaire was the main instrument of this study. The questionnaire was designed to measure the respondents’ level of agreement or disagreement with a specific statement (Malhotra and Peterson, 2006). Respondents were requested to answer the statements based on 5-point Likert scale, ranging from 1 “Strongly disagree”, “Disagree”, “Neutral”, “Agree” to 5 “Strongly agree”. Based on the collected data, the demographic
characteristics of the respondents showed that majority of the respondents were female (73.0%) and students (57.6%). Most of the respondents had a degree qualification (77.6%) and aged from 21 to 30 (80.3%).

The Cronbach’s alpha reliability test was used to measure how consistent and how well the items in a set are positively correlated to one another. Cronbach’s α values for all the factors were found to be well above the acceptable value of 0.70, namely, employee branding (0.753), services quality (0.742), employees’ role behaviors (0.797) and customer loyalty (0.754). The Pearson correlation was determined to check the preliminary statistical validity of the constructs’ correlations. As shown in Table 1, all the correlations were statistically significant at the 0.05 levels.

Table 1 Correlation of employee branding with service quality, service quality with customer loyalty

<table>
<thead>
<tr>
<th></th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
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</thead>
<tbody>
<tr>
<td>1. Employee Branding</td>
<td>4.1550</td>
<td>0.36730</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Service Quality</td>
<td>4.3156</td>
<td>0.31709</td>
<td>0.832*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Customer Loyalty</td>
<td>4.3535</td>
<td>0.26910</td>
<td>0.784*</td>
<td>0.882*</td>
<td></td>
</tr>
</tbody>
</table>

Note: *p-value <0.05; **p-value<0.01

Multiple regression analysis was used to assess the direct effect of employee branding on service quality, as well as service quality on customer loyalty. The results are summarized in Table 2 and Table 3. Table 2 shows that employee branding has a positive relationship with the service quality. The R² of 0.693 illustrates that 69.3% of the variance is significantly explained by the independent variables respectively. Table 3 shows the relationship between customer loyalty and the service quality. There is a significant and positive relationship between customer loyalty and the service quality. The R² of 0.778 illustrates that 77.8% of the variance is significantly explained by the independent variables respectively. These results provided full support for hypotheses H1 and H2.

Table 2 Regression result of employee branding and service quality

<table>
<thead>
<tr>
<th>Employee Branding</th>
<th>Service Quality</th>
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<tbody>
<tr>
<td></td>
<td>Beta (β) +</td>
</tr>
<tr>
<td>R²</td>
<td>0.832**</td>
</tr>
<tr>
<td>F Statistic</td>
<td>828.987</td>
</tr>
<tr>
<td>Sig. F</td>
<td>0.00</td>
</tr>
</tbody>
</table>

** p-value < 0.01
** Correlation is significant at the 0.01 level (2-tailed)

Table 3 Regression result of service quality and customer loyalty

<table>
<thead>
<tr>
<th>Service Quality</th>
<th>Customer Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta (β) +</td>
</tr>
<tr>
<td>R²</td>
<td>0.882**</td>
</tr>
<tr>
<td>F Statistic</td>
<td>1292.824</td>
</tr>
<tr>
<td>Sig. F</td>
<td>0.00</td>
</tr>
</tbody>
</table>

** p-value < 0.01
** Correlation is significant at the 0.01 level (2-tailed)

The hypothesis positing the moderating influence of employees’ role behaviors on the relationship between employee branding and service quality was tested using hierarchical regression analysis. The results are summarized in Table 4. The F change values indicated that at the 5% significance level, employees’ role behaviors interacted with the employee branding to modify the form of the relationship between the service quality and employee branding. The R² values in Table 4 indicates that the combination of employee branding and employees’ role behaviors is able to explain the variance in service quality (80.8%). The moderating effect of employees’ role behaviors on the relationships between employee branding and service quality was supported. Therefore, the H3 was substantiated.
Table 4 Hierarchical regression result of employee branding with service quality affected by employees’ role behaviors

<table>
<thead>
<tr>
<th>Dependent Variables: Service Quality</th>
<th>Moderator: Employees’ Role Behaviors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta (β) +</td>
</tr>
<tr>
<td>Employee Branding (EB)</td>
<td>3.795</td>
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<tr>
<td>Employees’ Role Behavior (RB)</td>
<td>3.155</td>
</tr>
<tr>
<td>EB × RB</td>
<td>-4.356</td>
</tr>
<tr>
<td>R²</td>
<td>0.808</td>
</tr>
<tr>
<td>R² Change #</td>
<td>0.059</td>
</tr>
<tr>
<td>Sig. F Change #</td>
<td>0.000</td>
</tr>
</tbody>
</table>

+ standardized coefficients in the third model of the hierarchical regression
# refers to the change in $R^2$ upon inclusion of the interaction terms
*p-value < .1; ** p-value < .05; *** p-value < .01

Figure 2 Moderating effect between employee branding and service quality for employees’ role behaviors

Further analysis was conducted to reveal its nature that is to examine the moderating effect in the form of the relationship between employee branding, employees’ role behaviors and service quality. The result is displayed in Figure 2. Firstly, by using percentile, employee branding was categorized into three categories (low, moderate and high level); and using the median, employees’ role behaviors was categorized into two categories (low and high level). Then a multiple line graphs was plotted to illustrate the effects of the moderator.

The result in Figure 2 illustrates that for low levels of employees’ role behaviors, the impact of employee branding on service quality is positive at the low to moderate levels of employee branding. It is negligible when employee branding is at the moderate to high levels. However, for high levels of employees’ role behaviors, moving from low to high levels of employee branding, the impact of employee branding on the service quality is also positive. When the level of employee branding increases, high level of employees’ role behaviors tend to be more effective in performing high service quality as compared to the low level of employees’ role behaviors.

5.0 DISCUSSION AND CONCLUSION

The discussion of the key findings results is drawn based on the motives and objectives of the research. The Pearson correlation coefficient indicates the strength of the relationship between employee branding and service quality is strong. However, the value does not completely characterize their relationship. It means that there might be a possibility that service quality is affecting employee branding and the research hypotheses is rejected. Therefore, a linear regression analysis is needed to further study the relationship between employee branding and service quality. On the other hand, the relationship between service quality and customer loyalty is also tested to have a strong relationship. It can be related that employee branding, service quality and customer loyalty have positive relationship between each other.

Multiple regression analysis showed that there is a direct relationship between employee branding and service quality. The B coefficient of the relationship between employee branding and service quality is positive, indicating that by branding employees with the desired image, customer perception toward service quality is increasing. The result is supported by previous study of Catherine et al. (2009) which stated
that employee branding can influence customers’ perceived service quality. When the employees successfully deliver the desired brand image to the customers, it provides a clear picture for customers to justify the service quality. Business researchers found that the success of corporate brands is often attributed to employee alignment with the corporate brand (Barrett, 1998; Pringle & Thomson, 2001). Therefore, employee branding is more important than other branding at present when it comes to the question of “how to make an image impression in the minds of customers”.

On the other hand, results from multiple regression analysis showed that there is a direct relationship between service quality and customer loyalty. Consumers are generally considered to be loyal when they hold favorable attitudes toward a firm or its products or services, and when they repeatedly purchase from the firm (Amine, 1998; Wong & Sohal, 2003). Previous research supports that when a customer has preferable attitudes toward the service and product quality of a firm, they will repurchase from the firm, thus generating what is known as customer loyalty. In addition, this research found that there is a direct relationship between employee branding and customer loyalty since employee branding is directly affecting service quality and customer loyalty has a strong relationship with service quality. The result of the finding is supported by Miles and Mangold (2004). If the employee branding process works successfully, it will reduce employee turnover, enhance employee satisfaction, establish a higher level of customer satisfaction and loyalty, and a favorable reputation among stakeholders.

The result of hierarchical multiple regression analysis shows that there is a moderating influence of employee role behaviors in the relationship between employee branding and service quality. Employee role behaviors include good manners, and honesty and passion for work. However, in order to build good behaviors in employees to represent the organization, the firm needs to provide training and courses to improve employees’ soft skill. If management does not provide a positive learning climate or a stimulus to learn at the workplace, employees will behave in accordance to their own interpretation of their role. It is not unthinkable that without managerial intervention that behavior will not align with the new brand values or the renewed vision. Particularly in service marketing, this behavior can damage the brand building process because of the crucial role of the employee in this process. Delivering a service is a moment of truth, whereby the employee’s performance affects customer interpretation of the service brand. The influence of the employee on the brand building process is consequently too large to leave unmanaged.

From the results, organizations must aware that employee role behaviors will influence their work performance and also the perceived customer service quality. It will not only bring trouble to the organization but also affect its brand image. Because of customer-employee interaction in services settings, both academia and managers agree that there exists a “linkage” between the behavior of frontline service employees and customer evaluation of the service delivered (Schneider et al. 2005). Therefore, organizations should take action to overcome the problem such as providing internal training, regular observation of employee performance, human resource allocation etc.

The study has practical implications to marketing managers in designing customer retention strategies. The results show that employees are also a factor in improving the company’s desired image. In order to succeed in business, marketing managers should encourage the participation of employees in customer retention strategies. It also has implications for human resource managers in designing service training programs. To explore the relationship between service quality and human resource management, Tsaur and Lin (2004a; 2004b) in their empirical study examined the relationship among human resource management practices, service behavior and service quality in tourist hotels in Taiwan. They found a positive relationship between service behavior and service quality. If there is high positive service behavior, the customers’ perception of service quality will increase. Employee branding is a means through which an organization’s core values are communicated and embedded in its staff. As such, we can see links with corporate culture. In terms of human resource activities, it has specific implications for recruitment, selection, induction and training. Employee branding extends the concept of brand as used in marketing. Through such branding, employees become the representatives and even the embodiment of the corporate brand. In our discussion of corporate responsibility we noted how some organizations develop themselves as a brand that is attractive to prospective employees and also to prospective investors and customers.

Although this study generated some interesting findings, it is not without potential limitations. Throughout the research, several methodological decisions have to be made, such as the choice of theory, conceptual frame of reference, samples, and data collection and analysis methods. Each of these decisions either implies some limitation or raises the question of how the choice of different research strategy would have affected the final results. This study focuses on retail store sector only. Therefore, further research in other sectors may be necessary before generalization can be made on the entire service industry. Future research may also consider the moderation effects of other factors (such as organizational citizenship behaviors, employee empowerment and etc.) on the relationship between employee branding and service quality. Another direction of future study may be carrying out the validation of the findings by studying in different context such as employees, employers etc. besides the shopper.

References


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