

EMPLOYEE BRAND EQUITY AND BRAND EMPOWERMENT IN ISLAMIC BANKING: MEDIATING ROLE OF BRAND PSYCHOLOGICAL OWNERSHIP

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ABSTRACT

The intention of the research is to explore the mediating role of brand psychological ownership (BPO) in the association between brand empowerment (BEm) and employee brand equity (EBE) of the employees of Islamic banks. For the reason, the data were collected from the 274 employees working in Islamic banks through multi-stage probability sampling. Results of the study revealed that the direct connection of BEm with EBE is non-supportive. On the other hand, the indirect connection of BEm with EBE through BPO is supportive in Islamic banking.

Keywords: Employee Brand Equity, Brand Psychological Ownership, Brand Empowerment, Islamic Banks.

INTRODUCTION

The banking of Pakistan is profitable service sector consist of public banks, private banks, Islamic banks, specialized banks and foreign banks. No doubt, all the banks are operating in same environment but the conventional banks performance, market share and assets are much higher than Islamic banks. The growth in profitability and assets are increasing in Islamic banks (SBP, 2017). There is a significant difference between Islamic banks and conventional banks based on interest (Altaf, Iqbal, Mokhtar & Sial, 2017a; Zafar, Altaf, Bagram & Hussain, 2012) but the difference in human resource is also required. For the reason, employee behaviour is required to represent and communicate the brand values because the employees are responsible for brand promise delivery (Altaf, Tabassum & Mokhtar, 2018; Chelladurai, 2006). Hence, in Islamic banking, high level of employee brand equity is required that is employees' behaviour composed of brand consistent behaviour, brand endorsement and brand allegiance.

To achieve the high level of employee brand equity, brand empowerment is a tool that motivates employees to align their behaviour with brand values (Rafiq & Ahmed, 1998). Brand empowerment is effective tool to achieve desire behaviour as per social exchange theory. On the other hand, according to job characteristics theory [JCT] (Hackman & Oldham, 1975), employee critical psychological states mediate the relationship. Chang, Chiang & Han (2012), suggested brand psychological ownership as critical psychological state that effect employee personal outcomes that is employee brand equity. Hence, the present study objective is to explore the

mediating role of brand psychological ownership in the connection of brand empowerment and employee brand equity.

LITERATURE REVIEW

Employee brand equity (EBE) recently has been proposed as the one important perspective of brand equity by King & Grace (2009). The area defines how employees in an organisation are more important in order to deliver brand promises and how to maintain the consistent behaviour of an employee. King & Grace (2009), defined employee brand equity as “the differential effect that brand knowledge has on employee’s responses to their work environment” (p. 130). The objective of the employee branding is to engage employees in a way to deliver communicated brand promise (Burmah & Zeplin, 2005) because customers nowadays are not only interested in purchasing the products and services but also trying out to put their investment in getting supreme experience (Altaf et al., 2017a).

Brand-oriented empowerment refers to the situation where employees are authorized to make day-to-day decisions in order to enable adequate action in accordance with the situation (Henkel, Tomczak, Heitmann & Herrmann, 2007). Mohr-Jackson (1991) confirms that employee empowerment improves service providers’ self-esteem and loyalty by permitting on spot brand-related decisions. Also, Mendelson, Turner & Barling (2009) concluded that empowerment has a positive relationship with employee attitude and behaviour. According to JCT, job related autonomy or empowerment provide substantial freedom, independence and discretion to the employees in doing the work (Chelladurai, 2006) that make a sense of responsibility in the mind of employees. From JCT theory perspective, organisational practices associated with structural empowerment such as delegating powers and authority to the employees reinforce core job characteristics that further affect employees’ critical psychological states (Quinn & Spreitzer, 1997) that is brand psychological ownership (BPO). Hence, we can hypothesize that:

H1: Brand empowerment has a significant positive relationship with employee brand equity in Islamic banks.

H2: Brand empowerment has a significant positive relationship with brand psychological ownership in Islamic banks.

Chang et al. (2012) defined BPO as “employee psychological experience that produces positive brand attitude and cognition, such as a feeling of possession towards a corporate brand that leads towards selfless spirit towards brand-related activities”. Employee attitude towards organisational brand has been facilitated through BPO that further facilitates employees to recognize self-meaning and self-existence (Van Dyne & Pierce, 2004). Employees’ organisational psychological ownership produces altruistic spirit, that is, EBE (Chiang, 2009). Furthermore, Van Dyne & Pierce (2004) highlighted that the characteristics of the psychological ownership embody positive attitude towards the target (Brand) and willing to defend the target. The positive relationship of BPO and EBE has also been identified empirically (Chang et al., 2012; Chiang, Chang, Han & McConville, 2013; Chiang, 2009). Hence we can hypothesize that:

H3: Brand psychological ownership has a significant positive relationship with employee brand equity in Islamic banks.

According to JCT, critical psychological states mediate the relationship of core job characteristics and employee personal outcomes. In the preceding section, EBE is employees' personal outcome, BPO is critical psychological states of the employee and BEM is the core job characteristics. Hence, BPO mediates the relationship of BEM and EBE. Hence, we can hypothesize that:

H4: Brand psychological ownership mediates the relationship of brand empowerment and employee brand equity in Islamic banks.

METHODOLOGY

Instrumentation

To measure EBE, eleven items multi-dimensional scale was adopted from the study of King, Grace & Funk (2012). Three dimensions include brand consistent behaviour, brand allegiance and brand endorsement. In the same vein, BPO is the mediating variable of the study that is measured through three dimensions that includes brand value effectiveness, the employees' responsibility of maintaining brand image and concurrence between brand image and individual. All the dimensions are measured through nine items scale proposed by Chang et al. (2012). Finally, the independent variable BEM was measured through five items adapted from the study of Morhart, Herzog & Tomczak (2009) and King, So & Grace (2013). BEM is measured through uni-dimensional scale. All of the responses were gauged on a six point Likert-type scale ranging from 1 = Strongly Disagree to 6 = Strongly Agree.

Procedure and Data Collection Sampling

Total numbers of five Islamic banks are currently operating in Pakistan. According to state bank of Pakistan, total numbers of 17883 employees are working in five Islamic banks. Total numbers of 1045 Islamic bank branches are operating nationwide. Survey method was adopted to collect the data from respondents. For the reason 600 questionnaires were dropped to the 100 Islamic banks branches of four province capitals (Lahore, Karachi, Peshawar and Quetta) of Pakistan based on proportionate stratified sampling. Out of 600, researchers were able to achieve 274 valid responses after discarding the problematic questionnaires. Hence, the valid response rate was 45.66%.

RESULTS OF THE STUDY

Outer Model Assessment

Partial least square structural equation modelling (PLS-SEM) technique was employed using SmartPLS 3.0 because of prediction-based model of the research. All the outer loading values for each item were in between 0.68 to 0.913 as meeting the Threshold level of 0.70 as suggested by Hair, Hult, Ringle & Sarstedt (2016). Moreover, CR value for each construct were ranged from 0.789 to 0.890, all the AVE values were more than 0.50 and Cronbach's Alpha was more than 0.70. In addition, discriminant validity was assessed through the Fornell & Larcker (1981) criterion where all the correlation values were lower than the square root of AVE.

Structural Model Assessment

The results of the study revealed that the direct relationship of BEm with EBE is non-significant having value ($\beta = 0.135$, $t\text{-value} = 0.978$) but the relationship of BEm with BPO is statistically significant ($\beta = 0.454$, $t\text{-value} = 12.97$). Same as, the relationship between BPO and EBE is also statistically significant ($\beta = 0.238$, $t\text{-value} = 02.941$). Furthermore, BPO mediates the relationship between BEm and EBE having value ($\beta = 0.320$, $t\text{-value} = 09.14$, LLCI = 0.204, ULCI = 0.461). As the lower level of confidence interval (LLCI) and upper level of confidence interval (ULCI) does not exceed zero, therefore, the indirect path is significant (Table 1).

Paths	Beta	S.E	t-stat	Decision	f^2	Q^2	R^2
BEm \rightarrow EBE	0.135	0.138	0.978	Not-Supported	0.001	0.271	0.415
BEm \rightarrow BPO	0.454	0.035	12.97	Supported	0.149		
BPO \rightarrow EBE	0.238	0.081	2.941	Supported	0.048		
BEm \rightarrow BPO \rightarrow EBE	0.320	0.035	09.14	Mediation			

NOTE: BPO = Brand Psychological Ownership, BEm = Brand Empowerment and EBE = Employee Brand Equity

CONCLUSION AND DISCUSSION

The results of the study revealed that BEm do not has direct relationship with EBE in Islamic banking. The relationship was the reflection of social exchange theory where organization gives empowerment to the employees and in response demand higher level of EBE. This study contradicts the past findings as well as social exchange theory and stated that this relationship is not supported in Islamic banking. On contrary, the indirect relationship of BEm with EBE is supported in Islamic banking. The indirect relationship was established based on the job characteristics theory (Hackman & Oldham, 1975). The findings of the research were in support of job characteristics where core job character (autonomy) influence critical psychological state (BPO) that further influence employees' personal outcome (EBE). The relationship was supported because brand related empowerment or autonomy give employee a sense of ownership that lead employee towards exhibition of higher level of brand equity.

LIMITATION AND FUTURE RECOMMENDATION

The present study focused on the employee of Islamic banks. Multi-group analysis of different types of banks is recommended for future studies as Altaf, Mokhtar & Ghani (2017b). Moreover, there is need to investigate the antecedents of BPO as under job characteristics theory.

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This article was originally published in a special issue, entitled: "[Islamic Banking and Finance](#)", Edited by Dr. Muhammad Haseeb