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Conceptualising the role of internal branding in value creation and sustainable development of the firm

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Abstract

The purpose of this paper is to focus on the impact of internal branding on value co creation and its outcomes. This is a conceptual paper that explains the significant role played of employer and employee relationship through internal branding affecting value creation that result into innovativeness of the firm and competitive advantage. Future studies can empirically test the conceptual model proposed in the present study using various statistical techniques in order to establish the relationship.

Keywords: Internal branding, Innovativeness

1. Introduction

As argued by Beckman *et al.* (2006) ^[4], increased stakeholder pressures and demands have reformulated the famous statement “the social responsibility of business is to increase its profit” (Friedman, 1970) ^[7] into “the business of business is value creating”, thus claiming businesses to move beyond profit maximizations and economic precedence and instead to make equal priorities among all stakeholders. To create value not only for the firm but towards all stakeholders including the employees, thus, becomes at the centre of any sustainable business model. Internal branding as a concept ensures that employees deliver the brand promise to external customers; and employer branding as a way to recruit the right candidates in order to ensure a high-quality delivery of brand promise to external stakeholders. In building a strong internal brand, the organisation’s employees are particularly critical because when the source of customer value creation shifts from (physical) products to services, frontline staff are responsible for delivering on promises and predominantly shape customer brand perceptions (Berry 2000) ^[5]. Employer brand management extracts into the processes of initiating, managing and negotiating strategic sustainable employer-employee relationships and the co-creation of values, i.e. continuous renegotiation of values with stakeholders according to their stakes and expectations; and the establishment of sustainable employer-employee relationships oriented towards a continuous reflection on mutual needs as well as current and future expectations. Firms can capitalise on things like a good reputation because market failure means that such resources cannot be purchased in factor markets by competitors. In today highly competitiveness environment, business organisations need to act fast in order to secure their financial situations and their market positions. Firms are continuously striving for ways to attain a sustainable competitive advantage. If a firm possesses resources and capabilities which are superior to those of competitors, then as long as the firm adopts a strategy that utilizes these resources and capabilities effectively, it should be possible for it to establish a Competitive advantage.

1.1 Review of Literature and Formulation of Proposition

From an employer branding perspective, this translates into a shift from a linear, communicative transmission of employment propositions and exchange of employer brand benefits within working hours into a process of dialogical co-creating not only economic and organizational value, but also a preoccupation of what is valuable and meaningful for the employee as a human being and corporate citizen through dual citizenship in a corporation and society as a whole (Baldry *et al.*, 2007; Karnes, 2009) ^[1, 11]. The concept of co-creating values fosters a fundamental shift in conceptualising brand management and stakeholder relations. Branding and brand management are no longer a question of transmitting values but have evolved into a process of value creation, resonating a shift from a short-term sales and marketing-based discipline to a

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strategic resource in developing and negotiating corporate and individual identities and stakeholder relations (Balmer and Greyser, 2002; Hatch and Schultz, 2003) [2, 9]. This perspective paves the way for reconceptualising employer branding as a question of co-constructing and negotiating values between management and employees/potential employees.

1.2 Proposition 1: Internal branding leads to co-creation of value.

Employer branding is no longer merely a one-way instrumental tool for recruitment, retention and employment reduction programmes, but serves as and facilitate communicative, strategic processes for supporting sustainable development and organizational value creation. The interest for HRM stems from the understanding of internal firm resources as unique sources for generating a sustainable competitive advantage – by academics termed the resource-based view, thereby making people strategically important to organizations' success (Hoskisson *et al.*, 1999) [10]. Becoming a co-creative organisation is about changing the very nature of engagement and relationship between the institution of management and its employees, and between them and co-creators of value such as customers, stakeholders, partners or other employees (Ramaswamy, 2009) [17]. A firm can gain competitive advantage through managerial initiatives that facilitate innovation, efficiency (Williamson, 1991) [21], and learning (Senge, 1990) [19]; initiatives that bring out the best in people to perform in winning oriented culture (Pfeffer, 1994) [14]; initiatives that generate a host of multi-purpose knowledge and competence that are not dependent on any narrowly defined product or business (Prahalad and Hamel, 1990) [15], as well as dynamic capabilities that help the firm creatively apply these knowledge and competence to specific market opportunities (Teece *et al.*, 1997) [20]; as well as initiatives that creatively align a firm's organizational structure and system to its global strategy (Bartlett and Ghoshal, 1989; Gupta and Govindarajan, 1991) [3, 8].

1.3 Proposition 2: Co-creation of value leads to competitive advantage

The participatory platform nature of value co-creation practices enables a broader and more systematic positioning of customers and end users across the entire innovation lifecycle leading to a significant enhancement of the user-driven innovation potential. As a result, the development of value co-creation platforms is increasingly recognized a promising innovation strategy associated with an ongoing change of the nature of innovation itself (Prahalad and Ramaswami, 2003) [16]. The co-creation paradigm positions the source of value within the co-creation experience which is actualized through the company-customer interaction events. By co-creating with the network, the customer becomes an active stakeholder in defining both the interaction and the context of the event including their specific personal meaning (Franke and Schreier, 2008) [6]. The value co-creation paradigm represents a specific market-driven approach to the adoption of an open innovation business philosophy. It provides a dynamic understanding of firms' innovation boundaries which opens the possibility for a better competitive positioning through a better articulation of their innovativeness. Firms tend to measure the performance of co-creation practices from an innovation perspective alone neglecting the remarkable side effects, such as brand perception or customer-firm relationship quality, which may even exceed in value the actual innovation performance (Nambisan and Baron, 2007) [12]. There is little quantitative research focusing on the relationship between the degree and the scope of firms'

involvement in value co-creation activities and their innovation related outcomes.

1.4 Proposition 3: Co-creation of value leads to firm's innovativeness

Conclusion

From the perspective of internal branding defined as the enactment of sustainable employer-employee relationships with the purpose of co-creating sustainable values for the individual, the organisation and society as a whole helps in understanding the specific challenges relating to employees. Value co-creation is an emerging business, marketing and innovation paradigm describing how customers and end users could be involved as active participants in the design and development of personalized products, services and experiences (Payne, Storbacka, Frow, 2008) [13]. It is based on the design and development of customer participation platforms providing firms with the technological and human resources, tools and mechanisms to benefit from the engagement experiences of individuals and communities as a new basis of value creation. The active participation of customers and end users is enabled through multiple interaction channels, very often by means of specifically designed technological platforms through the Internet (Sawhney, Gianmario, Prandelli, 2005) [18]. The new dominant marketing logic enables firms to address broader heterogeneous markets aiming at a better fit between what a customer needs and what the firm does and offers. The adoption of value creation practices leads to the need of "changing the very nature of engagement and relationship between the institution of management and its employees, and between them and co-creators of value – customers, stakeholders, partners or other employees" (Ramaswamy, 2009) [17]. A competitive advantage is meaningful if it is related to an attribute valued by the market. Customers need to perceive a consistent difference in important attributes between the producer's products or services and those of its competitors. A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player.

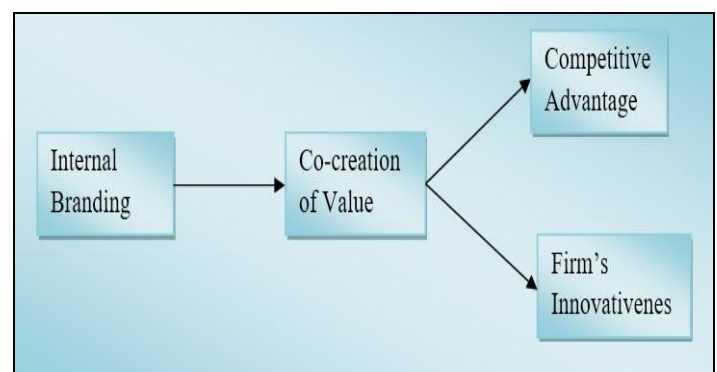


Fig 1: Conceptual Model

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