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Building bank brands: How leadership behavior influences employee commitment[☆]

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ABSTRACT

Front line employees are critical to service brand success, as their performance brings brand promises to life. Banking employees, like others, must remain committed to their employers, to live the brand, particularly during periods of economic uncertainty and customer frustration. Employees' commitment influences their brand adoption and brand-supporting behavior during service encounters. Effective leadership fosters employee commitment and brand supporting behaviors. This study examines the nature of employee commitment in banking, distinguishing between affective, continuance and normative commitment. The study explores bank leaders, examining whether initiating structure leader behavior or considerate leader behavior is most effective in encouraging employee commitment. Data from a sample of 438 employees in a leading Irish bank reveals the optimal leadership style for employee commitment.

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1. Introduction

Building a differentiated and successful service brand requires the commitment of all employees across the service organization (Balmer, 2001). As the quality of service is a key differentiating factor between competitors, committed, high quality staff are critical (Rafiq & Ahmed, 2000), because these employees embody the service brand in their service interactions (de Chernatony & Cottam, 2009). Highly committed employees are more likely to fulfill their brand promises because they are emotionally attached to the company brand (Thomson, de Chernatony, Arganbright, & Khan, 1999). Yet front line employees are “often underestimated” as a success factor in service brand building (Burmann, Zeplin, & Riley, 2009, p. 282). Malhotra and Mukherjee (2004, p. 163) caution “organisations pay insufficient attention to understanding the nature of… the organisational commitment… of employees who represent the organisation to the customer”.

Committed employees build a service brand in two ways: their service encounter behavior plays a positive role in communicating the brand experience to customers, and their interaction with colleagues facilitates a work environment, which supports brand-supporting behaviors (King & Grace, 2008). Personal contact with familiar service personnel creates a competitive advantage, and therefore the literature suggests that committed employees who remain with service firms will enhance customer brand experience, as customers have positive emotional connections with familiar service employees (Hansen, Sandvik, & Seines, 2003).

Employees are more committed when supported by appropriate styles of leadership (Mitchell, 2002). Internally, the relationship between management and employees, the level of autonomy granted by managers to employees, and the level of flexibility managers allow employees in service delivery influence branding messages (Punjaisri & Wilson, 2011). Employee buy-in, where a company's brand values are “deeply rooted in the minds of all organizational members constitutes a sustainable competitive advantage” for service firms (Wieseke, Ahearne, Lam, & van Dick, 2009, p. 123). When employees buy into a company's values and adopt a customer service orientation, they live the organization's brand in their interactions with customers at the service front line (Ind, 2004). Leaders are therefore indispensible in instilling a company's values and vision to front line employees (Wieseke et al., 2009).

This paper explores the relationship between leadership behavior and employee commitment, cognizant of the multi-faceted nature of commitment (Meyer & Allen, 1991). Specifically, this study examines the influence of structured or considerate leadership on employee

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commitment in retail banking, adopting the three-component conceptualization of commitment postulated by Meyer and Allen (1991).

The paper opens with a discussion about the relationship between commitment and brand development. The literature review distinguishes between considerate and structured leadership behaviors, and hypotheses explore the relationship between leadership behaviors and employees' affective, continuance and normative commitment. Section 3 explains the methodology. The following section presents the results of the study. Finally, the paper outlines the conclusions, implications and limitations of the research.

2. Conceptual framework

2.1. Employee commitment and successful bank brands

Morgan and Hunt (1994) explore the concept of employee commitment within their conceptualization of commitment–trust. Committed employees are less likely to leave, are more motivated and they are more likely to engage in organizational citizenship behaviors (Morgan & Hunt, 1994). Such behaviors are critical to achieving successful services brands and restoring consumer trust. Hansen et al. (2003) find that service customers attribute their experience to employees as well as to firms. They find that the relationship between the employee–customer bond and sustaining customer loyalty is greater than when managers increase switching costs. Committed employees are likely to live the brand and that sense of belonging is something employees buy into, reinforcing the brand message (Boyd & Sutherland, 2006).

Early studies about employee commitment (Porter, Steers, Mowday, & Boulian, 1974) define the concept as a uni-dimensional construct that describes employee identification with an organization. However, not all forms of employee commitment are alike (Meyer, Allen, & Smith, 1993). This study adopts Meyer and Allen's (1991) three-component model of employee commitment. Extant studies among front line services employees adopt the three-component model and argue for its use in studies of service employee attitudes (Clark, Hartline, & Jones, 2009; Malhotra & Mukherjee, 2004; Somers, 2009).

The three-component model of commitment comprises affective commitment (ACS), continuance commitment (CCS) and normative commitment (NCS) (Meyer & Allen, 1991). ACS is "an emotional attachment to, identification with and involvement in the organization" (Meyer & Allen, 1991, p. 67); CCS is "an awareness of the costs associated with leaving the organization" (Meyer & Allen, 1991, p. 67), and NCS is "a feeling of obligation to continue employment" (Meyer & Allen, 1991, p. 67).

Each of the three components of commitment has different behavioral outcomes (Meyer & Allen, 1991). Positive outcomes, including citizenship and performance, arise from ACS and NCS (Meyer, Stanley, Herscovitch, & Topolnytsky, 2001; Somers, 2009; Strauss, Griffin, & Rafferty, 2009). Employees with high ACS are more likely to be spontaneous, proactive, and engage in behavior that will benefit the organization (Strauss et al., 2009). High levels of ACS also positively relate with service quality and service recovery performance (Malhotra & Mukherjee, 2004). In banking, committed employees are more likely to accept a brand-supporting change such as the introduction of CRM (Shum, Bove, & Aug, 2008).

Extant literature calls for an avoidance of research considering only the influence of ACS on service employees' brand supporting behavior (Benkhoff, 1997). For example, ACS and CCS are clearly distinguished within the marketing literature: ACS "has its base in shared values, trust, benevolence and rationalism", while CCS "is rooted in switching costs, sacrifice, lack of choice and dependence" (Fullerton, 2004, p. 1375). Of the three components of commitment, high levels of CCS are least likely to correlate with high levels of performance (Meyer & Allen, 1991). CCS associates with anti-brand behaviors or brand sabotage in retail banking (Wallace & de Chernatony, 2009). Findings from these studies suggest that high levels of CCS would result in behavior that is counter to the service brand.

The literature suggests that the relationship between NCS and employee performance is positive, but more modest than ACS (Allen & Grisaffe, 2001). Employees with high NCS will perform more grudgingly than employees with high ACS, doing what they are obliged to do in their service roles, but no more (Allen & Grisaffe, 2001). Results from other studies are inconclusive; higher NCS has increased service performance in some studies (Meyer et al., 1993), yet had no effect on service performance in others (Caruana & Calleya, 1998). Therefore this research considers CCS and NCS as separate constructs to ACS.

2.2. Leadership behavior and employee commitment

Managers set a tone that influences the way employees feel about their employer, and consequently, the way they perform for and interact with customers (Allen & Grisaffe, 2001). The service-profit chain suggests that different leader behaviors will support or detract from brand-supporting service performance (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994). Heskett et al. (1994) advocate behavior that listens rather than manages, that is energetic rather than stately and that is participatory rather than removed. Vallaster and de Chernatony (2006) assert that brand-building leaders should be integrating forces mediating between corporate identity structures and scripts, and energizing brand building through employees. To encourage brand adoption and emotional attachment with the organization, "employees need to see and 'feel' leadership's support of the brand… the human touch cannot be overemphasised" (Vallaster & de Chernatony, 2006, p. 776). Thus communicative leadership behavior harnesses commitment, and cultivates brand ambassadors.

Supporting the concept of human touch leadership, Ellinger, Ellinger, Hamlin, and Beattie (2009) specify the leadership behavior needed to foster employee–organization relationships. They extol employee care over orders and blueprints (Ellinger et al., 2009). Mitchell (2002, p. 8) explains "employees deride internal marketing campaigns… (because) they are usually developed from on-high and seem out of touch with day-to-day business realities or, even worse, patronizing".

Research by Taly, Kass, and Sahamir (2004) explores the relationship between leadership behavior and commitment. Examining the bond between leaders and followers, they distinguish between emotional commitment or ACS and cognitive commitment or CCS. They find that vision formulation supports ACS but does not relate to CCS, in the high-tech sector. Strauss et al. (2009) also find that supportive team leader behavior positively associates with employees' ACS, supporting greater employee proactivity.

This paper seeks to offer a contribution to the extant literature that highlights leaders as critical instruments in brand building by exploring the relationship between leadership behavior and the three-component model of employee commitment within the banking sector.

This study adopts the initiating structure and consideration leadership behaviors proposed by the Ohio State studies (Stogdill, 1963, 1969; Stogdill & Coons, 1957). Initiating structure (IS) is "the degree to which a leader defines and organises his role and the role of his followers, is oriented toward goal attainment and establishes well-established patterns and channels of communication" (Judge, Piccolo, & Iles, 2004, p. 36). Consideration is "the degree to which a leader shows concern and respect for followers, looks out for their welfare and expresses appreciation and support" (Judge et al., 2004, p. 36). Research has typically considered these dimensions as independent of each other (Reddin, 1970). Consideration may be a more appropriate leadership behavior to encourage ACS and NCS among front line employees within the service sector. Perceived leader support reduces employee conflict as employees perceive that they are empowered to accomplish their responsibilities (Coelho, Augusto, Coelho, & Sà, 2010). Consideration "lends congeniality to the work environment" (Dale & Fox, 2008, p. 112), enhancing social involvement and

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