

# The effect of internal branding on organisational financial performance and brand loyalty: mediating role of psychological empowerment

The effect of  
internal  
branding

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## Abstract

**Purpose** – This study explores the effect of internal branding on organisational financial performance and brand loyalty with the mediating role of psychological empowerment.

**Design/methodology/approach** – The data gathered from 200 Pasargad insurance employees in Iran were analysed. Structural equation modelling and *R* were used to evaluate the model. Financial performance was measured by four concepts (ROI, ROE, Sales growth, ROA) based on available data from March 2010 to March 2020.

**Findings** – The results revealed that internal branding and psychological empowerment have no significant effect on financial performance, but both have a significant positive effect on brand loyalty. Likewise, the mediating role of psychological empowerment on the subject of the impact of internal branding on brand loyalty was confirmed. Furthermore, psychological empowerment did not play a mediating role in the impact of internal branding on financial performance.

**Research limitations/implications** – The findings of this study could be important for managers of organisations active in the insurance industry to highlight internal branding and enhance psychological empowerment and employee brand loyalty. Moreover, managers' perception of the effective role of psychological empowerment to enhance employee brand loyalty is another practical aspect of this research.

## JEL Classification — L25, M14, M16, M31

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**Originality/value** – Considering the mediating role of psychological empowerment to the effect of internal branding on financial performance and brand loyalty is an innovative aspect of the present study. Meanwhile, the use of *R* software for VB-SEM was another point to surge the value of this paper.

**Keywords** Internal branding, Psychological empowerment, Financial performance, Brand loyalty

**Paper type** Research paper

## 1. Introduction

Establishing a strong brand and boosting performance are crucial components in maintaining long-term organisational survival (Lee *et al.*, 2008). Branding can be considered a major topic for improving brand positioning and organisational performance. Accordingly, organisations should foster brand supportive behaviour to foster a positive organisational climate and improve employees' shared understanding of brand values (Matanda and Ndubisi, 2013). Branding is a multi-dimensional concept, and when used among employees of an organisation, it is referred to as internal branding (Hasni *et al.*, 2018). Internal branding can be identified as a means of establishing potent brands for the company. Internal branding aims to ensure that brand messages are conveyed to employees by the brand, for customers and other stakeholders (Punjaisri and Wilson, 2017). According to internal branding literature, employees have the role of "brand ambassadors" who need to display the brand meaning through their actions and interactions, thereby helping to foster a consistent brand image among all the stakeholders. Service organisations have found that the brand message conveyed to employees is as important as the message sent to customers. In effect, employees of an organisation are internal customers, and the lack of their support of brand message can undermine brand reputation.

In addition to internal branding, today, psychological empowerment has become very important because of its impact on the beneficial outcomes associated with individuals and organisations. For example, the positive effect of psychological empowerment on job satisfaction (Shah *et al.*, 2019), organisational citizenship behaviour (Chiang and Hsieh, 2012), organisational commitment, task and contextual performance (Seibert *et al.*, 2011) is known. Then, identifying the antecedents and consequences of psychological empowerment is vital for employees to identify effective human resource strategies.

While devoting resources to educating and training employees about mastering the brand message, many service organisations do not prioritise it unless its effects on financial performance are recognised. Those activities that do not directly contribute to the company's financial profit are often the first activities to be reduced (Tuominen *et al.*, 2016). The same is true of employee psychological empowerment. Organisations will prioritise attention to the psychological needs of employees when they realise its relationship to financial performance. On the other hand, brand loyalty, which is considered an employees' brand-supporting behaviours and an intangible and valuable asset, is an important factor for brand performance and can be the focus of managers as a source for achieving competitive advantage and success of organisations especially service organisations.

A review of previous research shows that some studies have confirmed the positive effect of internal branding on financial performance, and other studies (Lee *et al.*, 2008; Tuominen *et al.*, 2016) have reported opposite results. Given the contradictory results in previous research and researchers' emphasis on the need for similar research in countries and different industries in domestic branding to generalise the results, the present study is done. Iran has a different political, cultural, economic and social structure compared to other countries, which is expected to achieve different results, and this important note is one of the main motivations for this research.

Research related to the attitudinal implications of internal branding, including brand loyalty, has also emphasised similar research in different geographical areas. The structure of Iran's insurance industry has significant differences with this industry in other countries, and the existence of significant differences in the study context of this study with other similar studies can draw researchers' attention to other possible factors influencing the consequences of internal

branding. Therefore, this research is innovative in terms of examining the consequences of internal branding in a different context. Also, the role of psychological empowerment as a feature of employees in the consequences of internal branding has been ignored in previous research, which has been addressed in this study. Thus, this study aimed to investigate the effect of internal branding on financial performance and brand loyalty by considering the mediating role of psychological empowerment in Pasargad insurance in Iran.

## 2. The study context

As one of the most important sectors providing long-term financial resources and due to its risk-distributing role, the insurance sector plays a significant role in the development of the business environment of each country (Tajpour *et al.*, 2020; Hameed *et al.*, 2021; Pereira *et al.*, 2021). The performance of insurance companies contributes to improving the market value of individual firms and affects industrial growth, and ultimately affects the overall growth and prosperity of the countries' economy (Sharma *et al.*, 2018). Assessing the determinants of insurers' performance in the corporate finance literature is essential. These companies, as financial intermediaries, provide the mechanism of risk transfer and channelise the funds appropriately to support business activities in the economy (Mehari and Aemiro, 2013). Therefore, analysing the financial and non-financial situation of insurance companies is important because of their role in improving the country's economic situation.

## 3. Literature review

### 3.1 Internal branding

Recent years have seen increased attention being given to internal branding (Zhang and Xu, 2021). Internal branding is important to operationalise a brand orientation and enables an employee to deliver the expressed brand promise indispensable to implementing brand-building activities (Kaur *et al.*, 2020). Internal branding theory stress that organisations should put their internal employees first because external customer loyalty happens only if service organisation employees adopt external customer relationship building orientation (Eid *et al.*, 2019). Previous studies have identified internal brand communication, training, and leadership as the most critical internal brand activities (Zhang and Xu, 2021). In the present study, these three activities are considered internal branding activities. A review of the literature suggests that the effect of internal branding on employee-related outcomes, including employee engagement (Ahmad *et al.*, 2014; Park *et al.*, 2014; Salamzadeh *et al.*, 2016), employee intention to stay (Matanda and Ndubisi, 2013), quality commitment, identification, commitment and loyalty (Punjaisri *et al.*, 2009; Punjaisri and Wilson, 2017), role clarity, affective and continuous commitment (Garas *et al.*, 2018); brand performance (Tuominen *et al.*, 2016), perceived person-organisation fit (Matanda and Ndubisi, 2013) and related results with the customer embracing customer-based brand equity (Hasni *et al.*, 2018), positive customer image of company and purchase intention and brand experience (Ahmad *et al.*, 2014) have been investigated. In this study, brand loyalty and financial performance are considered as the consequences of internal branding.

### 3.2 Psychological empowerment

Psychological empowerment refers to the internal motivation of employees to perform tasks. Employees experience psychological empowerment when they realise the importance of their job duties, which require skills and competencies. Also, they realise their autonomy to decide how they do their work and believe in their work to make a difference in achieving the organisation's goals (Singh and Singh, 2019). Psychological empowerment is a process in which the sense of self-efficacy of members of the organisation is boosted by identifying and removing unproductive conditions. This process can be implemented in formal business practices and informal techniques of presenting helpful information (Mostafa, 2017).

Psychological empowerment includes four dimensions of meaning (value of work for person), competency (ability to do work), self-determination (independence) and impact (ability to influence outcomes) (Shah *et al.*, 2019). Psychological empowerment has been recognised as an effective way of maintaining employees at work and a source of competitive advantage in organisations (Pigeon *et al.*, 2017). Feelings of independence and competence, relevance, and employee self-efficacy can turn into favourable organisational behaviours (Shah *et al.*, 2019).

### 3.3 Brand loyalty

Loyalty acts as a biased behaviour expressed over time by an individual with respect to one or more alternatives and is a function of psychological processes (Kim *et al.*, 2016). Brand loyalty and employee loyalty are conceptualised by both attitudinal and behavioural elements. Employee's attitudes and behaviour have a crucial role in the service brand image formation process (Kimpakorn and Tocquer, 2010). In the service sector, in particular, employees deliver the brand experience to customers through their services, which must effectively create the brand spirit and values in customers' minds and allow customers to develop an emotional connection to the brand. Therefore, employees in service firms should understand what the brand stands for, i.e. its identity, but, more importantly, employees must be committed to supporting their brand and consistently delivering its promises to customers (Kimpakorn and Tocquer, 2010).

### 3.4 Organisational financial performance

Organisational performance reflects the extent of goal achievement in the organisation's workforce, capital, marketing and fiscal matters (Yesil and Kaya, 2013). Financial performance plays an ever-increasing role in organisations. Organisations can develop a more innovative and sustainable performance with pay attention to financial dimensions. Therefore, in this study, the organisation's financial performance is considered an important consequence of internal branding and psychological empowerment.

## 4. Theoretical framework and hypothesis development

### 4.1 Internal branding and organisational performance

Internal branding helps employees develop consistent brand behaviours to incorporate a sense of brand commitment into all of their daily work activities. Organisations, through internal branding, can foster a positive external perspective for themselves and thus gain the satisfaction of external customers (Özçelik, 2015). Organisational communication and training can influence employees' supportive attitudes and behaviours towards the brand (Punjaisri *et al.*, 2009). Behavioural branding determines the brand's contribution to organisational success. The results of Chernatony and Cottam (2006) research have emphasised that within the more successful financial services brands, staff with direct influence or involvement with branding matters were highly brand literate, having a comprehensive understanding of their brand and its implications for their job. Therefore, it can be inferred that more successful financial services brands have paid more attention to internal branding and raising employee knowledge of the brand. In addition, the results of research (Wang *et al.*, 2019) showed that internal branding in the hotel is effective in talent retention, cost reduction and star rating. Therefore, internal branding can improve the organisation's performance, including its financial performance. Dunes and Pras (2017) has confirmed the positive and significant effect of brand management system on brand mental performance.

Lee *et al.* (2008) have reported that using well-rounded brand management systems in an organisation can boost brand performance, including financial performance. Similarly, previous research has confirmed the positive effect of brand management systems, including internal branding on organisational performance (Santos-Vijande *et al.*, 2013).

Internal branding by training employees helps them to support brand identity properly. In addition, as a result of establishing unbroken mutual communication between managers and employees, developing and reinforcing of brand is done well. This way, internal branding activities can improve customer service and thus positively affect the organisation's performance by aligning employee performance with brand commitments. This way, the following hypothesis can be proposed:

*H1.* Internal branding has a positive effect on the financial performance

#### *4.2 Internal branding and brand loyalty*

Internal branding, with a particular focus on employees, assures them that their organisation is a good workplace to engage to achieve organisational goals (Dechawatanapaisal, 2018). Thus, by building a passion for employees and institutionalising organisational values in their hearts, they engage in varied support for the organisation's brand. Internal branding programs can facilitate brand support behaviours by aligning employee behaviour with brand commitments communicated to customers (Sujchaphong *et al.*, 2015). Profoundly effective inner branding administration can make a solid brand community inside the organisation. When a solid brand community exists inside an organisation, workers are more likely to comply with the set of exercises used by the organisation for brand guarantee conveyance through inner branding administration. As a result, representative brand devotion is fortified. Internal branding is positively associated with perceived employee-organisation fit by employees and their intention to stay in the organisation (Matanda and Ndubisi, 2013). Previous studies have underlined the favourable effect of internal branding on employees' brand loyalty (Punjaisri and Wilson, 2011; Punjaisri *et al.*, 2009; Punjaisri and Wilson, 2017) and organisational loyalty (Hasni *et al.*, 2018). Employees in organisations that implement employee-centric or "internal service" cultures feel more respect and appreciation in their work environment (King and Grace, 2008), and this way will be more loyal to the brand. Given that, the following hypothesis can be proposed:

*H2.* Internal branding has a positive effect on brand loyalty.

#### *4.3 Internal branding and psychological empowerment*

According to the theory of psychological empowerment, it is necessary to foster an active motivational orientation among employees to empower their performance (Pigeon *et al.*, 2017). Stronger relationships between employee and supervisor can lead to employees' psychological empowerment (Aryee and Chen, 2006), obtained in internal branding. Because through internal branding, employees' awareness, insights and abilities align with company goals and employees are empowered to fulfil brand commitments to customers (Hasni *et al.*, 2018), it could be inferred that internal branding can boost the value of employees' tasks in their minds and have a favourable impact on their ability to do the job. When employees' perceptions of brand values embedded in brand commitments improve, they affect their clarity positively (Garas *et al.*, 2018) and allow them to act in keeping with customer expectations (Punjaisri *et al.*, 2009). This will enhance the competence of employees to fulfil their duties. Creating a brand-centric culture by delivering good quality internal customer service can establish brand supportive behaviour and ensure that employee behaviour is as consistent as possible with brand identity and values. Internal branding by establishing guiding principles for satisfactory brand behaviours motivates employees to apply these principles in their routine operations and thus affect organisational performance (Matanda and Ndubisi, 2013). The following hypothesis can therefore be proposed:

*H3.* Internal branding has a positive effect on psychological empowerment.

#### *4.4 Psychological empowerment and financial performance*

Organisations can actualise powerful psychological resources by fulfilling the psychological needs of their employees through social and environmental factors. One of these resources is psychological empowerment (Mostafa, 2017). Feelings of empowerment act as a stimulus that guides employees' behaviour and elevates their performance. Empowered employees show greater commitment to their tasks by demonstrating consistency, thus feeling internal satisfaction. Powerful employees trust their ability to perform tasks, consider their work activities meaningful, feel the positive energy in their work, and are likely to perform better in their tasks (Avery *et al.*, 2013) that can ultimately lead to improved organisational performance. The results of research by Hill and Bartol (2016) have shown that empowered leadership indirectly affects a team's performance (Hill and Bartol, 2016). In addition, the results of Iqbal *et al.* (2020) research confirm that psychological empowerment can enhance the direct effect of psychological safety and the indirect effect of sustainable leadership on sustainable performance. Psychological empowerment increases job efforts and job satisfaction (Laschinger *et al.*, 2001) and has a positive effect on organisational performance (Patterson *et al.*, 2004) and job productivity (Chang and Liu, 2008). Accordingly, the following hypothesis is presented:

H4. Psychological empowerment has a positive effect on the financial performance

#### *4.5 Psychological empowerment and brand loyalty*

Previous studies have indicated that psychological empowerment is positively associated with task performance, organisational citizenship behaviour and workspace advance (Seibert *et al.*, 2011). Moreover, structural empowerment can reduce employees' willingness to serve (Smith *et al.*, 2012). Kirrane *et al.* (2019) have emphasised the relationship between psychological empowerment and a high level of employees' commitment. Psychological empowerment could be a potential fundamental component. In other words, representatives who work in engaging working environments (i.e. having to get to data, openings, bolster and assets) are more likely to fortify their mental state of strengthening; in this manner, they may respond with elevated levels of engagement.

In the study conducted by Lee (2008), the positive effect of confidence in high performance on employee loyalty and the study conducted by Jose and Mampilly (2014), the positive relationship between psychological empowerment and employee engagement was confirmed. Previous studies have confirmed the impact of psychological empowerment on employee performance (Chiang and Hsieh, 2012; Li *et al.*, 2015). Psychological empowerment empowers employees toward work, internalises task goals, and boosts higher endurance in challenging conditions in employees and leads to service-oriented behaviours (García-Juan *et al.*, 2019). A positive relationship between empowerment and service performance (Aryee *et al.*, 2012) as well as job performance (Avery *et al.*, 2013; Liden *et al.*, 2000; Maynard *et al.*, 2014; Hill and Bartol, 2016) and job satisfaction (Lee and Nie, 2014; Chang *et al.*, 2010) have been confirmed in previous research.

Along these lines, the following hypotheses can be formulated:

H5. Psychological empowerment has a positive effect on brand loyalty.

#### *4.6 The mediating role of psychological empowerment*

In the previous research, the mediating role of organisational loyalty (Hasni *et al.*, 2018), perceived person-organisation fit (Matanda and Ndubisi, 2013), employee engagement (Park *et al.*, 2014), affective commitment, and clarity of the role (Garas *et al.*, 2018) and brand identification (Dechawatanapaisal, 2019) on the impact of internal branding on its consequences has been checked.

A part of the extant research on leadership consequences emphasises the mediating role of psychological empowerment. According to the results of [Joo and Jo \(2017\)](#), psychological empowerment partially mediated the relationship between authentic leadership and organizational citizenship behaviour. Also, the relationship between core self-evaluations and organizational citizenship behaviour is mediated. In addition, the results of [Chiu et al. \(2020\)](#), the mediating effects of two dimensions of psychological empowerment (i.e. meaning and self-determination) in the relationship between Leader-member exchange and turnover intention is approved. Moreover, [Barroso Castro et al. \(2008\)](#) indicated that psychological empowerment mediates the relationship between transformational leadership and followers' attitudes. The mediating effects of psychological empowerment in the relationship between leadership styles and task performance have been confirmed by [Ambad et al. \(2021\)](#). [Ali et al. \(2021\)](#) also showed that humble leadership indirectly raised project success through psychological empowerment. In another study, [Mansoor and Ali \(2020\)](#) confirmed that psychological empowerment mediates the relationship between transformational leadership and both employee outcomes of organizational citizenship behaviour and turnover intention. Finally, [Ahmad and Gao \(2018\)](#) revealed that psychological empowerment partially mediates the relationship between ethical leadership and employee work engagement.

However, the mediating role of psychological empowerment in this regard has not been investigated in previous research. Past studies have confirmed the positive impact of psychological empowerment on organisational commitment ([Chang et al., 2010](#); [Lee and Nie, 2014](#); [Hill and Bartol, 2016](#)) and professional commitment ([Lee and Nie, 2014](#)).

The introduction of inside branding includes communication with and instructing representatives of almost the brand values to upgrade their mental and passionate engagement with the brand. Viable and steady communication and preparing that reflects brand messages can fulfil the taking after. To begin with, it empowers representatives to pick up brand information and to get it brand bits of knowledge. Moment lifts the mental contract between the organisation and the personal representative. Third, it drives worker internalisation of brand values. Whereas brand information empowers representatives to get the brand and wanted work behaviours, the fulfilment of the mental contract rouses workers to internalise and live the brand ([Dechawatanapaisal, 2018](#)).

Accordingly, it could be deduced that psychological empowerment can elevate internal branding efforts and lead to greater employee loyalty and optimal organisational performance.

*H6.* Psychological empowerment mediates the effect of internal branding on financial performance

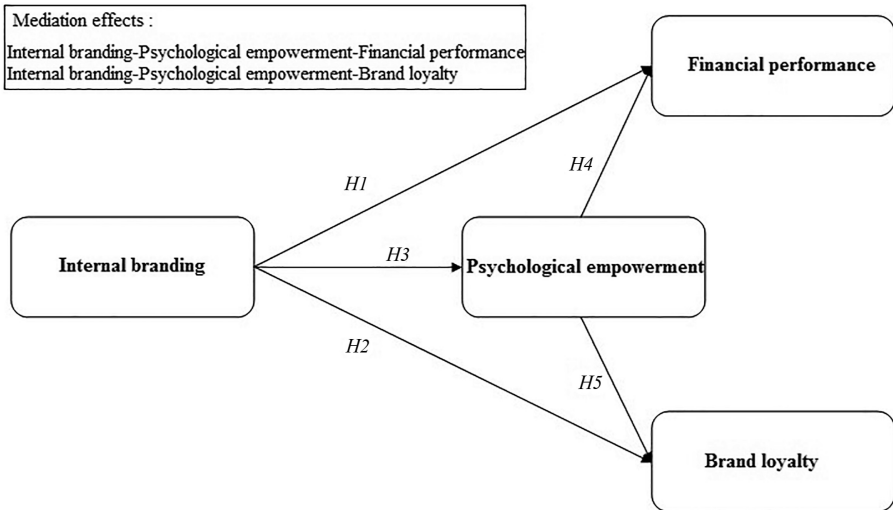
*H7.* Psychological empowerment mediates the effect of internal branding on brand loyalty

The conceptual model of research is presented in [Figure 1](#).

## 5. Research design and methodology

### 5.1 Sample and data collection

Statistical power analysis was employed to estimate sample size, using SPSS Sample Power software, based on two independent variables, 95% confidence level (probability of first type error 0.05), Power for increment 80% and a detectable effect size of 0.05, an optimal sample size of at least 187 was considered. To increase the response rate, 230 questionnaires were distributed among Pasargad's insurance staff electronically and in person. Of the 220 returned questionnaires, 200 were eligible for analysis and entered the analysis stage. Data were collected from the employees of different branches of Pasargad Insurance in Iran. Some data were collected by sending an online questionnaire through the internal intranet of



**Figure 1.**  
Proposed model

Pasargad Insurance Company, and the other part of the data was collected in person. Descriptive analysis of the data shows that 71.5% of the respondents were male, and 66.5% of them were between 30–40 years old. 57.5% had a bachelor’s degree, and 70% had 6–15 years of work experience.

### 5.2 Measures

Questions related to the research structures were extracted from the relevant literature. Internal branding was designed based on research by Garas *et al.* (2018). The financial performance of Pasargad’s insurance company was measured by four Concepts (ROI, ROE, Sales growth, ROA) based on available data from March 2010 to March 2020. ROI is calculated through deducting the initial value of the investment from the final value (which equals the net return), then dividing this new number (the net return) by the cost of the investment, and, finally, multiplying it by 100. ROE is calculated based on net income divided by shareholders’ equity. Sales growth is calculated based on Log (sales), and ROA is calculated based on business’s net income divided by total assets. Psychological empowerment was measured with seven items from the research Kundu *et al.* (2019). Brand loyalty was also measured by two items and based on research Punjasri and Wilson (2011). A five-point Likert scale was used to complete the questionnaire. The researchers make this questionnaire comprehensible for the respondents (see Table 1).

## 6. Analysis and results

The conceptual model of the research was analysed using structural equation modelling (SEM) by the partial least squares approach (Ringle *et al.*, 2015) and PLSPM (Sanchez, 2013), and MATRIXPLS (Rosseel, 2012) packages in R software. In exploratory research and theory development, it is more appropriate to use variance-based structural equation modelling than confirmatory research. Due to the research innovation in the use of psychological empowerment as a mediator variable, the variance-based approach was used to analyse the conceptual model in this research. The conceptual model analysis is performed in two stages to evaluate the validity and reliability of the measurement models as well as the structural model analysis. The explanations for these two stages are presented next.

Constructs	Items and sources	Mean	SD
<i>Internal branding (Garas et al., 2018)</i>			
IB1	The company I work for communicates its brand promise well to its employees	3.81	1.02
IB2	The company I work for communicates the importance of my role in delivering the brand promise	3.61	1.15
IB3	Internal communications provide all the essential information for me to perform the service according to the brand's expectations	3.73	1.13
IB4	The brand's mission and its promise are constantly reinforced through internal communications	3.43	1.20
IB5	My manager regularly meets all employees to report issues relating to the whole company	3.30	1.31
IB6	New employees are oriented towards the company's vision, mission and values	3.30	1.21
IB7	The company teaches me why things should be done, not just how to do them	3.39	1.21
IB8	The company provides me with appropriate skills in relation to delivering the brand's promise based on the brand's standards	3.31	1.20
IB9	This company has the flexibility to accommodate the different training needs of employees	3.64	1.06
IB10	Training programs help me better understand current and future customers' needs	3.17	1.18
IB11	I receive enough information from my boss about my job performance	3.20	1.11
IB12	I periodically receive feedback from my boss on my job performance	3.31	1.06
IB13	I am informed about how the bank rewards employees	3.43	1.18
IB14	The reward system in this bank is linked to business goals	3.32	1.10
IB15	My company compensates employees for providing brand- related information	4.14	0.88
<i>Financial performance</i>			
Financial performance of Pasargad's insurance company was measured by four Concepts(ROI, ROE, Sales growth, ROA) based on available data from March 2010 to March 2020			
FP1	Return on Investment (ROI)	0.06	0.04
FP2	Return on equity (ROE)	0.25	0.14
FP3	Sales' growth	0.18	0.19
FP4	Return on Assets (ROA)	0.06	0.03
<i>Brand loyalty (Punjasri and Wilson, 2011)</i>			
BL1	I Will be happy to spend the rest of my career in this insurance company	4.08	1.17
BL2	My intention to stay is driven by the fact that I am competent in delivering the brand promise	4.05	1.05
<i>Psychological empowerment (Kundu et al., 2019)</i>			
PC1	The work I do is very important to me	4.00	0.98
PC2	My job activities are personally meaningful to me	4.21	0.96
PC3	I am confident about my ability to do my job	4.42	0.79
PC4	I have mastered the skills necessary for my job	3.43	1.16
PC5	I have significant autonomy in determining how I do my job	3.28	0.98
PC6	I have considerable opportunity for independence and freedom in how I do my job	3.62	1.11
PC7	I have a large impact on what happens in my section of this department	3.91	0.98

**Table 1.**  
Composition of the scales and descriptive statistics

### 6.1 Measurement model

The validity and reliability of the research structures were evaluated. The convergent validity of the model was examined with outer loadings. Some researchers consider the value of over 0.4 for outer loadings to be a convergence validity (Hair et al., 2019; Kelidbari et al., 2016; Roshandel-Arbatani et al., 2019). Outer loadings of all research items are above 0.4, and therefore their validity is confirmed. Convergent validity for the research constructs was assessed using AVE criteria. Since the AVE values for three structures were above 0.5

(Hair *et al.*, 2019; Ebrahimi *et al.*, 2021a, b; Fekete-Farkas *et al.*, 2021), their validity is confirmed (Table 2). However, values above 0.4 are acceptable if discriminant validity is not compromised (Ebrahimi and Mirbargkar, 2017). Hence convergent validity of psychological empowerment is confirmed too. With respect to values less than 1 in the HTMT matrix (Soleimani *et al.*, 2021), based on Table 3, discriminant validity was confirmed for construct level. Meanwhile, discriminant validity in items level was tested with cross-loading (Hair *et al.*, 2019). To test discriminant validity in the level of indicators, cross-loadings have been used, by plspm package of R (Sanchez, 2013). Figure 2 implies discriminant validity in the level of indicators. The reliability of questionnaire evaluated and confirmed by Cronbach's alpha, Dillon-Goldstein's rho and Composite reliability (CR). Some researchers suggest 0.7 and above as the favourable point for these indices (Rosseel, 2012; Moghadamzadeh *et al.*, 2020; Janavi *et al.*, 2021).

Constructs	Indicators	Outer loadings	AVE	Cronbach's $\alpha$	DG.rho	CR	Model type
Internal branding	IB1	0.66	0.52	0.93	0.94	0.94	Reflective
	IB2	0.64					
	IB3	0.57					
	IB4	0.61					
	IB5	0.77					
	IB6	0.78					
	IB7	0.81					
	IB8	0.79					
	IB9	0.78					
	IB10	0.81					
	IB11	0.78					
	IB12	0.82					
	IB13	0.76					
	IB14	0.63					
	IB15	0.50					
Psychological empowerment	PE1	0.70	0.42	0.77	0.84	0.84	Reflective
	PE2	0.76					
	PE3	0.72					
	PE4	0.58					
	PE5	0.66					
	PE6	0.60					
	PE7	0.48					
Brand loyalty	BL1	0.85	0.74	0.75	0.85	0.85	Reflective
Financial performance	FP1	0.93	0.75	0.90	0.93	0.93	Reflective
	FP2	0.85					
	FP3	0.76					
	FP4	0.91					

**Table 2.**  
Outer loadings, AVE, Cronbach's alpha, DG.rho and CR of constructs

	IB	PE	BL	FP
IB				
PE	0.58			
BL	0.57	0.62		
FP	0.38	0.74	0.52	

**Table 3.**  
HTMT matrix  
**Note(s):** IB= Internal Branding, PE= Psychological Empowerment, BL= Brand Loyalty  
FP= Financial Performance

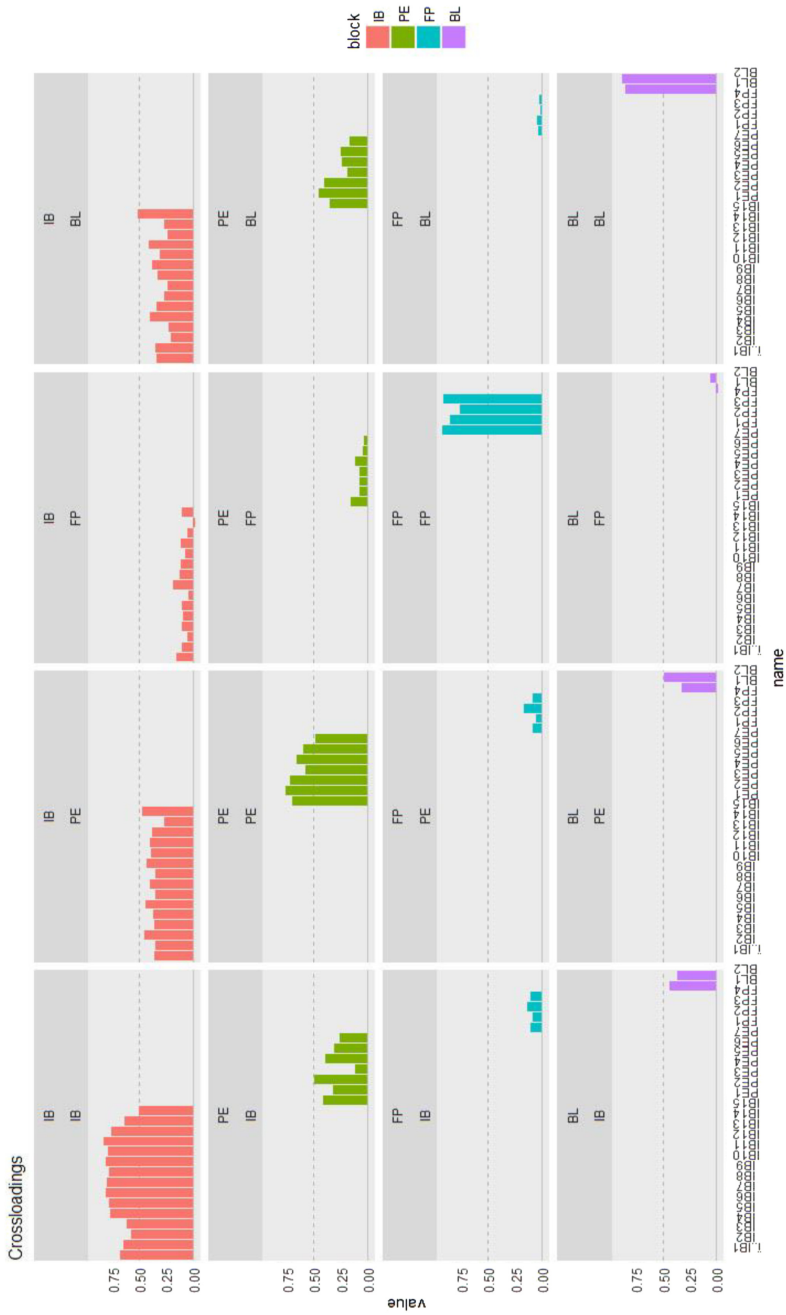


Figure 2. Cross-loadings for indicators

6.2 Structural model and hypothesis analysis

The research hypotheses were analysed by examining the standard path coefficients in the structural model. Bootstrapping technique with 5,000 repeaters was used to test the hypotheses (Figure 3). Based on the values obtained for  $R^2$ , it can be said that 29.2% of the variance of psychological empowerment, 28.6% of the variance of brand loyalty and only 2% of the variance of financial performance are explained by the model. Hence, we can claim that the financial performance of Pasargad's insurance company is not affected by internal branding and psychological empowerment. On the other hand, brand loyalty is affected by internal branding and psychological empowerment. The predictive power of the model was analysed using the Stone-Geisser test (Ebrahimi et al., 2021c; Khajeheian and Ebrahimi, 2021). The results indicate that the value of Q2 is positive for the dependent variables, and therefore, the independent variables have the ability to predict the dependent variables. Based on the results, internal branding did not significantly affect financial performance ( $\beta = 0.09$ ,  $p$ -value  $> 0.05$ ), so the H1 hypothesis is not confirmed. H2 hypothesis is confirmed by examining the impact factor of internal branding on brand loyalty ( $\beta = 0.28$ ,  $p$ -value  $< 0.05$ ). The results show that internal branding positively affects psychological empowerment ( $\beta = 0.54$ ,  $p$ -value  $< 0.05$ ); thus, the H3 hypothesis is confirmed. Based on the results, psychological empowerment did not significantly affect financial performance ( $\beta = 0.08$ ,  $p$ -value  $> 0.05$ ). Furthermore, the effect of psychological empowerment on brand loyalty ( $\beta = 0.33$ ,  $p$ -value  $< 0.05$ ) is confirmed (see Table 4).

6.3 Mediating effect of psychological empowerment

To investigate the mediating effect of psychological empowerment, the overall direct and indirect effects of internal branding on financial performance as well as brand loyalty were examined. Considering the not significant overall effect ( $\beta = 0.13$ ,  $p$ -value  $> 0.05$ ) of internal branding on financial performance, can be deduced that psychological empowerment did not play a mediating role in the relationship of internal branding to financial performance.

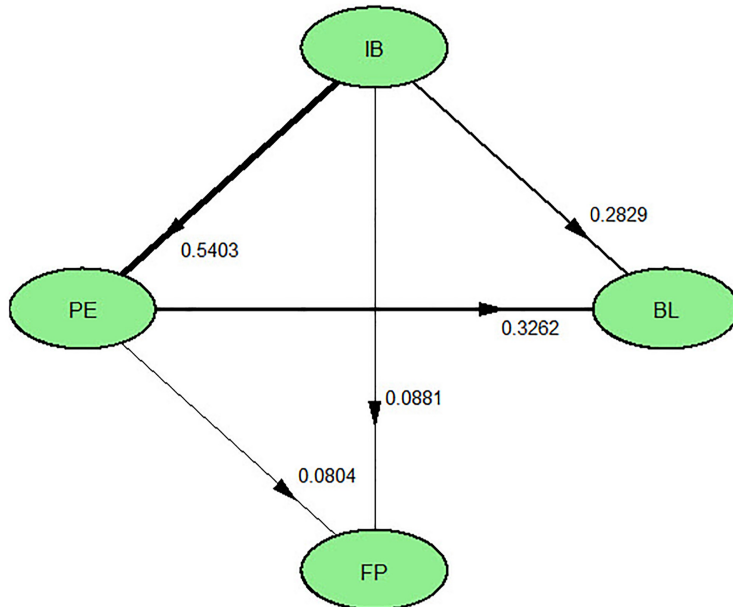


Figure 3.  
PLSPM output  
for SEM

On the other hand, since the results confirm the significant overall effect ( $\beta = 0.46, p < 0.05$ ), significant direct ( $\beta = 0.28, p < 0.05$ ) and indirect effect ( $\beta = 0.18, p < 0.05$ ) of internal branding on brand loyalty, so it can be argued that psychological empowerment has a partial mediating role in the relationship of internal branding to brand loyalty (see Table 5).

The effect of internal branding

## 7. Discussion

Due to researchers' emphasis on conducting research related to internal branding in geographical areas and various industries, this research is known as the first research conducted in the Iranian insurance industry in the field of internal branding implications. This study emphasises the importance of considering the specific conditions of each region and industry in interpreting the results related to the consequences of internal branding.

In particular, the present study examines whether human resource management efforts in the field of internal branding in Iran Pasargad Insurance can improve employee brand loyalty as well as the financial performance of Pasargad Insurance. In addition, this study answers the question of whether psychological empowerment can mediate the possible effects of internal branding on brand loyalty and financial performance. According to the results, internal branding and psychological empowerment do not affect financial performance. This means that the activities performed by employees in the organisation to deeply understand the meaning of the brand and strengthen the employees' sense of empowerment cannot significantly improve the financial performance of Pasargad Insurance Company.

The absence of the effect of internal branding on financial performance has been confirmed in research (Lee *et al.*, 2008; Tuominen *et al.*, 2016). It is noteworthy that the financial performance of Pasargad Insurance Company has been measured with objective data that should be taken into account. In addition, the lack of impact of domestic branding on financial performance can be accurately interpreted on the special and different conditions of the Iranian insurance industry compared to developed countries. Iran's insurance industry suffers from several structural problems, and by interviewing senior managers and experts of the company, we will address some of the most important issues mentioned by them. Among the most important problems of the Iranian insurance industry can be affected by government interference in the pricing of various insurance rates, the receipt of premium income taxes by the government, the dependence of many insurance companies, including

Hypotheses		$\beta$	Low CI	High CL	Supported
H1	Internal branding → Financial performance	0.09	-0.12	0.24	No
H2	Internal branding → brand loyalty	0.28	0.16	0.42	Yes
H3	Internal branding → psychological empowerment	0.54	0.44	0.64	Yes
H4	Psychological empowerment → Financial performance	0.08	-0.13	0.26	No
H5	Psychological empowerment → brand loyalty	0.33	0.15	0.47	Yes

**Table 4.**  
Structural model results

Independent variable	Dependent variable	Total	Effect type		Mediating effect
			Direct	Indirect	
Internal branding	financial performance	0.13	0.09	0.04	No
	Brand loyalty	0.46**	0.28**	0.18**	Partial

**Note(s):** \*\* $p \leq 0.05$

**Table 5.**  
Examination of mediating variable effects

Pasargad Insurance, on some banks and Taking them away from the risks of the banking industry, including the US embargo on the industry, the major shareholding of insurance companies by individuals and mismanagement of shareholders in the field of investment, the lack of growth of insurance culture in the country, inadequate risk management in companies Insurance, more than 90% share of non-life insurance and insignificant share of life insurance in the composition of received insurance, limited number of insurance companies and inactivity of foreign companies in the country, resulting in reduced competitiveness and lack of attention to quality Insurance services and customer satisfaction, the small share of insurance companies' assets in long-term investments and, finally, the impact of maximum sanctions on the country's economic situation and the high vulnerability of all companies, including insurance companies operating in the country, noted.

In fact, the Insurance industry in Iran has significant challenges related to financial performance, and as a result, efforts to improve the performance of the workforce of companies cannot significantly improve the financial situation of these companies. Despite the significant changes in the last two decades, the Iranian insurance industry is still facing a low insurance penetration rate and inadequate development indicators compared to global and regional statistics, resulting from the weaknesses and challenges of Iran's insurance industry compared to developed ones one's countries. Thus, it can be analysed that the financial performance of insurance companies is affected by the fundamental structural problems of the insurance industry and severe economic problems in Iran, as a result, the possible efforts of these companies to strengthen internal branding and employee psychological empowerment is also ineffective. The effect of psychological empowerment on financial performance has not been considered in previous research, but the positive relationship between empowerment and service performance (Aryee *et al.*, 2012) as well as job performance (Liden *et al.*, 2000; Avery *et al.*, 2013; Maynard *et al.*, 2014) have been confirmed in previous research.

Another result showed that internal branding had a positive effect on brand loyalty. Therefore, investigating internal branding activities, including internal communication, orientation and training, and feedback, can make employees more loyal to the brand. An in-depth understanding of brand values through internal branding activities can reinforce employees' sense of belonging to the organisation's brand and lead them to gain brand support. This result is consistent with the research of Punjaisri and Wilson (2011), Punjaisri *et al.* (2009) and Punjaisri and Wilson (2017). Nevertheless, in research (Dechawatanapaisal, 2019), the effect of internal branding on brand loyalty has not been directly confirmed, and it is only confirmed by the full mediation role of the brand identification variable. Dechawatanapaisal's (2019) study has emphasised the effect of internal branding on strengthening employees' sense of belonging to the organisation's brand, which affects their brand recognition and ultimately leads to employee loyalty. In other words, the results of this study and previous research show that the efforts of organisations to strengthen internal branding, can directly or indirectly strengthen employee loyalty.

According to the results, internal branding has a positive effect on employees' psychological empowerment. In fact, internal branding can improve employees' sense of self-efficacy at work by building a shared understanding of brand values in their minds. Employees can better understand their brand values through internal branding activities, have more control over their work, and feel more qualified to perform their job duties. According to Aryee and Chen (2006), the quality of communication between supervisors and staff can enhance the psychological empowerment of employees. In addition, the impact of internal marketing on psychological empowerment in Yao *et al.* (2013) research has been confirmed.

According to the results, psychological empowerment has a positive effect on brand loyalty. Therefore, it can be said that if employees feel confident and have a strong intrinsic motivation for their business activities, their sense of belonging to the brand will be

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strengthened. The positive impact of psychological empowerment on organisational commitment has been confirmed in past researches (Avolio *et al.*, 2004; Liden *et al.*, 2000).

### *7.1 Managerial implications*

This study emphasises the importance of internal branding to enhance employees' psychological empowerment and loyalty to the organisation's brand. Strengthening internal communications, especially facilitating the mutual relationship between managers and employees, is crucial. Managers must continually improve the organisation's internal communications by providing daily briefings, group meetings, notice boards and corporate magazines. The other responsibility of managers to enhance internal branding is to pay attention to the skill needs associated with the brand of employees, which needs to be properly assessed and appropriate training courses are organised. Brand-related training courses can include general skills and special skills that the use of expert specialists can enhance employees' ability to perform brand-related tasks and improve their behavioural performance. Providing continuous performance feedback to employees can inform them of the quality of their performance and boost their motivation to perform their tasks better. Linking the reward systems to company goals and employee-related brand performance, including human resource management strategies, reinforces brand-related behaviour. Therefore, enhancing internal branding by improving internal communication, conducting training courses, providing continuous feedback to employees, and designing a reward system appropriate to brand-related behaviour can improve employees' understanding of the brand promise and make them emotionally empowered and lead to greater loyalty to the brand.

The study also suggests that employee loyalty to the brand will be enhanced by improving employees' psychological empowerment. Therefore, it is necessary for managers to examine the status of the dimensions of employee psychological empowerment and, considering existing weaknesses, to enhance employees' sense of meaningfulness, autonomy, influence, and competence. Managers can improve their employees' positive attitude toward their ability to perform their duties by helping to improve employees' psychological empowerment and thereby help them improve their organisational performance. It also reinforces the feeling of empowerment in employees, enhancing their loyalty to the brand. Organisations can enhance employees' sense of empowerment through various human resource management strategies. For example, applying methods for confidence-building practice, clear task specification, goal clarification and design of meaningful jobs can improve employee psychological empowerment (Mostafa, 2017) and strengthen employee brand loyalty.

### *7.2 Limitations and future research*

The present study has some limitations. One of the limitations is researching one of the insurance companies in Iran. The research model needs to be tested in other service organisations and commodities for a more detailed analysis. On the other hand, the generalisation of the results of this research is limited. The reason for this is the unique economic structure of Iran, which may not be comparable to any of the developing or developed countries. Traditional thinking in many pillars of insurance in Iran and the restrictions imposed due to economic and structural problems have created unique conditions for insurance companies. Therefore, caution should be exercised in generalising the results of this research. To better understand the issue, future researchers should evaluate the conceptual model of the present research in the insurance industry of other countries, developed and developing.

## **8. Conclusion**

The present study is intended for managers of service organisations, especially insurance organisations, with practical implications. According to the results, managers of insurance

companies in Iran cannot improve the financial performance of their collection through the use of human resource management strategies. Surveys show that Insurance companies, like banks, face the problem of unproductive assets; in such a way that receivables occupy a major part of their assets. A look at the financial situation of private insurance companies in Iran, including Pasargad Insurance Company in 2018, shows that the growth of profitability of many of these companies is not due to improving their insurance operations, but mainly from profits from currency exchange. In fact, Pasargad Insurance is the third largest private insurance company in Iran in terms of assets; but more noteworthy in this regard is that unlike other companies in the group, about 60% of the company's assets are allocated to investments (50% short-term and 10% long-term), the main part of which is related to short-term and long-term bank deposits. However, studies show the results of company insurance performance in the field of insurance in 2019–2020 has been loss-making. However, due to the significant return on investment, this loss was fully offset. This has been an important alarm for the company's financial performance, which should be addressed by adopting appropriate fiscal policies in line with Iran's inflationary economy.

In fact, it should be noted that the insurance industry in Iran is facing high risk. The focus of managers of insurance companies in Iran is not only on internal processes and branding. Problems of sanctions and problems in some insurance policies have posed many challenges to managers of insurance companies. One of the important components in understanding the insurance industry is the loss ratio. In Iran, the loss ratio should be below 80% so that companies can operate more easily, indicating the high risk factor of insurance companies in Iran.

Iran's insurance industry is far from the insurance industry in developed countries. The insurance diffusion coefficient of 2.3% in Iran reflects this fact, while in the countries of the region, the diffusion coefficient is over 10%, and we are far from them. The main problem is the low diffusion coefficient, according to many experts, is people distrust in this industry. It seems that one of the issues that the Iranian insurance industry and insurance managers have been unaware of it is the non-entry of the insurance industry into the financial markets and the issuance of securities because the insurance risk can be distributed to the rest of the economic sectors of the country, and a solution can be found for sanctions by doing it.

In line with interviews with some managers in the insurance industry, it can be stated that the first challenge of the insurance industry is the implementation of IFRS financial reporting standards in insurance companies. Also, insurance managers and policymakers in Iran should pay special attention to managing the risks in the insurance industry, correct and accurate pricing of premiums, preventing non-compliance of assets and liabilities.

It seems that another important factor in improving the financial performance of Pasargad Insurance and insurance companies is the specialisation of companies in providing insurance services given the separation of life and non-life insurances. Centralisation and specialisation of different sectors in providing insurance services are missing links in the Iranian insurance industry. Iran's insurance industry faces many challenges such as lack of capital, lack of specialised personnel, a significant volume of overdue receivables and lack of professional programs to supply the products needed by the people. Proper interaction between government and insurance companies by consulting with insurance companies' experts is also a significant gap in the Iranian insurance industry. Insurance companies expect the government to be involved in insurance policies to improve their financial performance and to examine their real problems expertly.

It is noteworthy that apart from some incorrect policies that affect the financial performance of insurance companies, some internal problems in insurance companies should be considered by senior managers. Clarifying the financial statements of insurance companies, identifying potential fictitious profits accumulated from the past, and compensating the deficit of insurance reserves from this source are other important measures that distort the image of internal branding.

Also, the weakness of technology in insurance companies has always been mentioned by some critics. Iran's insurance industry is in the early stages of using information technology and appropriate software in the production and collection, and registration of data for analysis, policymaking, and decision making. Recent advances in new technologies, including mobile phones, have provided an opportunity for insurance companies to integrate technology into their businesses to offer new products and services and revitalise their old and unattractive technical and financial fields and investments. The managers of insurance companies should consider this important point to improve financial performance.

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