

## Internal Marketing Strategy and Employee Performance

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### Abstract

The purpose of this study is to evaluate the influence of internal marketing strategy on employee performance. More specifically, the study adopted the Greene et al (1994) domains of internal marketing such as: internal marketing promotion and reward systems as the predictor variable, while affective organizational commitment was adopted as the study moderating variable and employee performance as the criterion variable. The study adopted the quantitative research approach with the use of questionnaire instrument to elicit data from the target population; thereafter 150 employees were systematically selected from 10 service firms in the aviation sector located at the Port Harcourt International Airport of Nigeria; five insider contact men were used to distribute the questionnaire instrument. 126 units of the questionnaire were retrieved as used; the data generated were also analyzed using the Pearson Product moment Correlation Coefficient and Simple Regression with the support of SPSS version 18 to analyze the core data. Finding showed that internal marketing promotion has significant and positive impact on employee performance. Also, internal marketing reward systems showed a positive and significant impact on employee performance and a positive correlation was found between affective organizational commitment and employee performance. Therefore, this study has validated that internal marketing strategy is a strong tool for winning employee's commitment to work especially in the Nigeria Aviation sector. , it recommend for the stakeholders and managers of firms in the Nigerian aviation industry to engage the internal marketing strategy to motivate its employees to be optimally productive. Also, the managers of the firm should play the transformational leadership roles to its employees rather than the transactional leadership style which has the possibility of declining employees work performance. However, the implication of implementing this study recommendations are that employees' performance in terms of productivity will be enhanced.

**KEYWORDS:** Internal Marketing; Affective Organizational Commitment; Internal Marketing Promotion; Reward Systems; Employee Performance; Aviation &Nigeria

### 1. INTRODUCTION

Internal marketing strategy is a concept that is aimed at driving the internal firms product personified in the employees. Therefore, this concept shares similar ideology with the theory of management by objective, which is aimed at integrating the employees goals and objectives into the firms overall objective to meet a congruency as to achieve the corporate goal and objective. We therefore, argued that without the actualization of the personnel objectives a firm will not achieve its maximum goals, even when it seems the goal is been achieved, the employee will on the other hand devise its own strategy of achievement, which eventually leads to nepotism; fraud; insubordination to the ground norms of the system. An overview of internal marketing conceptual evolution is provided in other to justify the tacit and explicit support internal marketing has enjoyed in literature over the years. Rafiq and Ahmed (2000) in their observation classified internal marketing development in three separate phases, they are: the employee satisfaction phase; the customer orientation phase; and the strategy implementation or what they otherwise called the change management phase. The early definition of internal marketing through the customer orientation stance was based on a total quality management concept which focused on the firms service delivery process (Perry, 1998). In other words organizations were more interested in producing quality goods for its target markets; rather than concentrating on the personnel's who man this process. The underlying theory is that effective service delivery requires motivated and customer-conscious employees (Gronroos, 1982).

Berry and Parasuraman (1991) defined internal marketing as viewing employees as internal customers; viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the firm. This employee satisfaction phase recognizes the complex nature of services marketing and its potential impact on IM in maximizing quality services delivery during buyer-seller interactions. Rafiq and Ahmed (2000) defined internal marketing as planned effort using a marketing-like approach to overcome organizational resistance to change; align motivate and inter functional co-ordinate as well as integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer oriented employees. Despite the different definitions of the term, it is generally agreed that the firm must engage first in marketing its internal customers (employees) if marketing goals must be achieved on its external customers. In other words, by

fulfilling employee needs, the firm produces certain employee outcomes which would in turn lead to higher satisfaction and loyalty from customers. Self determination theory proposes two types of motivation, extrinsic and intrinsic. Extrinsic motivation refers to behaviors that are performed because of the externally administered rewards that would result

from the system. An extrinsically motivated person carries out actions in order to gain material or social benefits (Bateman and Crant, 2005). Intrinsic motivation refers to motivation that comes from within or from the activity itself. While the intrinsically motivated person carries out actions for its own sake and for its own rewards than in the hope of external benefits. Examples of intrinsic factors include interesting work, recognition, growth and achievement (Shadare and Hammed, 2009). Organizational commitment reflects a psychological bond that an individual identifies with an organization (Joo, 2008). Organizational commitment according to Malhotra and Mukherjee (2003) quoting Greenberg and Baron (1997) state that organizational commitment is the extent to which an individual identifies and is involved with his or her organization and/or is willing to leave it. Organizational commitment reflects the attitudes of the firm's towards its employees (Malhotra and Mukherjee, 2003). Mowday, Steers and Porter (1982) identified three characteristics of organizational commitment: (a) a strong belief in and acceptance of the organization's goals and values; (b) a willingness to exert considerable effort on behalf of the organization and; and (c) a strong desire to maintain membership in the organization. While employee performance is the measure of employees input in relation to his output aimed at meeting the firm's overall goals and objectives. Ivancevich and Matteson (1996) suggest that work performance is a function of three variables which includes: knowledge and skills; motivation and workload and tools and climate. Therefore an employee with the right knowledge and skills, who is motivated and has a work load that, is in congruence with his/her skills, and has the right tools as well as good organizational climate would perform well on the job. This view was supported by Cummings and Schwab (1973) who suggest that employee performance is a function of the influence of environmental variables via their influence on performance determinants like motivation and ability. Employee work performance can therefore be said to be a product of two basic factors: employee competence and organizational factors.

Therefore the purpose of this paper is to empirically validate the relationship between internal marketing orientation and affective organizational commitment on employees' performance in the Nigerian aviation sector. We adopted the internal marketing dimensions by Greene et al (1994) as modified among which includes: internal promotion and employees reward systems as the study predictor variables while using affective organizational commitment as the moderating variable and employee performance as the criterion variable of the study.

## **2. REVIEW OF RELEVANT LITERATURE**

The absence of an implementation framework in the internal marketing literature, have given rise to a number of key elements of tagged the internal marketing mix or the controllable elements within the organization that can be used to influence and motivate employees, amongst them includes;

communication; training; education and information (Gummeson, 1991). While motivating; developing; educating or training employees (Gronroos, 1985; Cahill, 1995; Foreman and Money, 1995; Varey, 1995); and even attracting, hiring and retaining employees (Berry and Parasuraman, 1991, Foreman and Money, 1995) these later functions of human resources management (HRM) can be classified as the Narrow HRM function. Foreman and Money (1995) found that the three components of internal marketing which are: reward; retaining and motivating employees have significant impact on their productivity. The recent literature indicating the existing human resources management tools via the marketing perspective should be used for internal marketing strategy implementation. George and Gronroos (1989) opined that internal marketing concept is fundamentally a philosophy for managing the organization's human resources based on a marketing orientation. Tansuhaj et al. (1991) have argued that employee recruitment; training; motivation; communication and retention efforts as part of the internal marketing mix. They further observe that: internal marketing incorporates a multifaceted focus on employee development. A comprehensive internal marketing program is concerned with employee recruitment, training, motivation, communication and retention efforts. Gronroos (1985) goes further by urging that internal marketing must also consist of a work environment that will motivate employees to respond to management's demand. Ahmed and Rafiq (2003) studied internal marketing and its mediating role of organizational competencies and they found that the marketing mix components such as: top management support and inter-functional co-ordination have significant influence on employees' competencies and performance is consistent with the findings of Arthur Andersen and Schoonover Associates (2000) whose study showed that competency-based initiatives influences employees productivity and in turn affects business performance. Li (2000) studied the factors that drive competitiveness and performance of Chinese manufacturers, and his study found a positive support for the effects of human resource competence on business performance. More so, Ahmed and Rafiq

(2003) have asserted that the internal marketing mix components appeared to be strong predictors of employee satisfaction while employee satisfaction was not found to be a significant mediator of the internal marketing mix-performance relationship. Herrington and Lomax (1999) in their study of financial advisers in the UK found no positive relationship between job satisfaction and customer perceptions of service quality in the financial sector of the UK. One can further argue that employee satisfaction is a function of a set of intervening variables such as; organizational commitment and concept of management by objective MBO. Brooks et al (1999) and Quester and Kelly (1999) in a separate study investigating the place of employees in organizational performance of Australian firms' and their study revealed that the most firms surveyed use internal marketing strategy such as: marketing research to generate details on the

attitudes; needs and wants of employees which place them in a comfortable position to provide their employees with requisite perquisite a such drives them to be productivity. Aziz and Yasin (2004) studied the influence of marketing orientation on marketing competency: the effect of internet marketing integration in Malaysia and their study found that the components of internal marketing orientation with the support of IT tools impact positively on marketing competencies in the Malaysian financial sector. Snell and White (2009) in their exploratory study on the application of internal marketing in professional services firms, using the qualitative research approach and a sample of 19 professional services firm, found that internal marketing strategy is in practice but are applied at different degrees within the organizations. They further suggest that service firms should be more committed in the implementation of the IM strategy because it has the potentials of beefing up its profitability and organizational harmony. Green et al (1994) studied internal marketing: the key to external marketing success in financial organizations and their study revealed that internal promotion; internal product offering; employees reward system; internal marketing support program and integrated employee relationship all have a positive association on organizational performance. From the above reviewed literature we identified that no available research has investigated the implementation of internal marketing strategy using the Greene et al (1994) framework and its influence on employee performance in the Nigeria Aviation sector. Therefore, the under listed hypotheses will be tested in these study

- H1<sub>0</sub>:** *Internal marketing promotions will not significantly impact on employee performance*
- H2<sub>0</sub>:** *Employee reward system will not impact positively on employee performance*
- H3<sub>0</sub>:** *Internal marketing strategy; organizational commitment will not impact positively on employee performance*

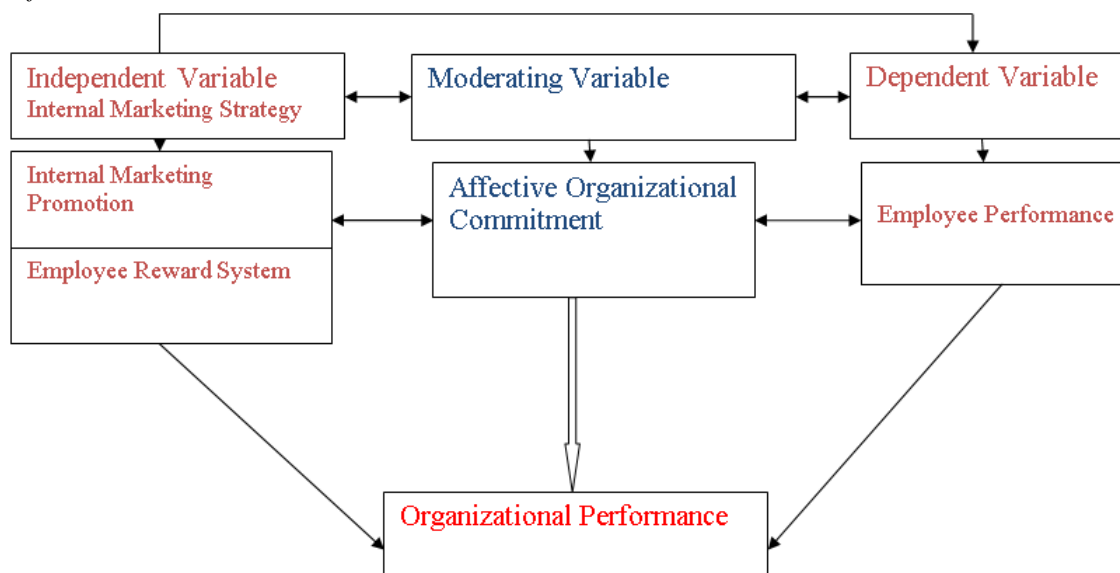


Figure 1.0: OPERATIONAL FRAMEWORK FOR IMS; AOC AND EP

Source: Researchers' Concept, 2013

### 3. METHODOLOGY

The population of this study is the entire employees of service firms in the Nigeria Aviation sector. More specifically, the research conveniently sampled 150 accessible employees located at the Port Harcourt International Airport, South-South region of Nigeria where there are over ten aviation service firm operating in

the Port Harcourt International Airport, hence our decision to concentrate on these area. A survey instrument (Questionnaire) was structured in two parts; part asked questions on respondents' demographics while part B was made up of 20 explicitly structured questions to generate data on the degree of influence of internal marketing domains and affective organizational commitment on employee performance. There after we used the insider contact to distribute the 150 instruments to staff above junior level cadre through the help our internal contact man. The core data were analyzed using the Pearson Product moment correlation coefficient and simple regression with support of the statistical

package for the social sciences (SPSS) version 18, while tables with simple percentages were applied in analyzing the study demographics.

### 3.1 DATA ANALYSIS AND FINDINGS

A total number of 126 usable questionnaires were used and retrieved which represents 84%; while 24 questionnaires were unretrieved representing 16%, these means therefore that the distribution and retrieval process was successful in view of the above retrieval percentages.

**Table 1: RESPONDENTS' DEMOGRAPHIC ANALYSIS**

DESCRIPTION		Frequency	Percentage (%)
Gender	Male	69	55
	Female	57	45
	Total	<b>126</b>	<b>100</b>
Marital status	Married	69	55
	Single	57	45
	Total	<b>126</b>	<b>100</b>
Respondent's experience	0 – 9 years	87	69
	10 years and above	39	31
	Total	<b>126</b>	<b>100</b>
Designation	General manager	3	3
	Line managers	33	25
	Others	90	72
	Total	<b>126</b>	<b>100</b>
Educational qualifications	First degree and below	66	53
	First degree with professional qualification	45	35
	Masters and Above	15	12
	Total	<b>126</b>	<b>100</b>

Source: Researchers' Survey, 2013

From table 1 above on respondent demographic 69 respondents are male representing (55%) while 57 respondents representing (45%) are female; also the analysis showed that 69 of the respondents (55%) are married while 57 respondents (45%) are singles. More so it can also be deduced that 87 respondents representing (69%) have worked and earned 1-9years working experience, while 39 respondents representing (31%) have gathered 10years experience & above.

To test  $H_{10}$ ,  $H_{20}$  and  $H_{30}$  the Pearson Product Moment Correlation Coefficient and Simple Regression was used and it is represented below on table 2.0 and table 3.0.

**Table 2: TEST OF CORRELATION BETWEEN IMP, ERS, AOC AND EP**

Predictor Variables	Predicted variable=Employee Performance
Internal Marketing Promotion (IMP)	.722**
Employee Reward Systems (ERS)	.735**
Affective Organizational Commitment (AOC)	0.776**

**Source: Researchers' Survey, 2013**

\*\* Correlation is significant at the 0.01 level (2-tailed)

\*\*Correlation is significant at the 0.05 level (2 tailed)

Results from the analysis on  $H_{10}$  in table 2.0 above showed that there is a positive correlation between internal marketing promotion (IMP) and employee performance (EP)  $r=0.722$ ,  $p<0.01$ . Also,  $H_{20}$  analysis on the table above showed that employee reward system have positive influence on employee performance at  $r=.735$ . More so,  $H_{30}$  on affective organizational commitment (AOC) showed a positive influence on employee performance at ( $r=0.776$ ,  $p<0.01$ ).

**Table 3.0:** Test on Multiple Regression on H1<sub>0</sub>; H2<sub>0</sub> and H3<sub>0</sub> of study hypotheses

Hypotheses	Predictor variable	Predicted variable	Adj.R2	B	T	Sig.
H1 <sub>0</sub>	Internal	Employee Performance	0.536	.735	12.070	0.000
H2 <sub>0</sub>	Marketing:	Employee Performance	0.600	.276	.3.193	0.000
H3 <sub>0</sub>	IMP; ERS	AOC on Employees Performance.	0.216	.471	5.952	0.000

**Source: Researchers' Survey, 2013**

The table above shows, reveals that internal marketing promotion impacts positively on employee performance (adj.r2=0.536, =.735, t=12.070) with internal marketing promotion explaining 53.6% of the variance in employee performance. IMERS also impact positively on employees performance (adj.r2=0.600, =.276, t3.193) with internal marketing employee reward system explaining 60% of the variance in employee performance. Also, affective organizational commitment is impact significantly on

employee performance (adj.r2=0.216, =.471, t=5.952) with affective organizational commitment explaining only 22% of the variance.

#### 4. Discussions; Conclusion and Theoretical implication

The study after all has achieved its purpose by identifying the existing gap in literature and providing evidence to fill this point of departure in literature. Therefore, from the above hypotheses tested on **H1<sub>0</sub>** the statistical analysis showed that there is a positive and significant impact of internal marketing promotion on employees' performance hence we reject **H1<sub>0</sub>** and accept **H1<sub>A</sub>** meaning that there is a strong correlation between internal marketing promotion and employees performance this finding is consistent with the findings of Green et al (1994) that internal marketing domains influences employees productivity and is a veritable tool in fighting competitors. Again, **H2<sub>0</sub>** statistically showed that there is a positive correlation between internal marketing reward system and employees performance, therefore we reject **H2<sub>0</sub>** and accept **H2<sub>A</sub>** meaning that internal marketing employee reward systems impact positively on employees performance. This finding is in accordance with the findings of Brooks et al (1999); and Quester and Kelly (1999) whose in separate study found that employees are the reason why organizations' succeed. They opined that the use of internal marketing strategy to drive employees determines the success of external marketing strategy at the market arena. More so, in the statistical test of **H3<sub>0</sub>** analysis proved that affective organizational commitment impact positively on employees work performance, these therefore means that **H3<sub>0</sub>** is rejected and **H3<sub>A</sub>** accepted which indicate that affective organizational commitment has positive influence on employees work performance. These study finding is in line with the findings of Li (2000) who found that human resource competence framework created by an organization influences its employees performance, he further asserted that well motivated employees in terms of rewards; skills acquisition and training will be a strong weapon against competitors at the market place which in other words will affect the firms overall performance. Also, it supports the findings of Farzad, et al (2008). Therefore, this study findings have validated the concept of internal marketing strategy as a viable strategy for use in driving employees to attain optimal productivity, especially as it relates in the Nigerian context.

#### 5. Recommendations and Managerial Implication

The study having revealed the efficacy of internal marketing strategy in attaining employee's productivity, it recommend for the stakeholders and managers of firms in the Nigerian aviation industry to engage the internal marketing strategy to motivate its employees to be optimally productive. Also, the managers of the firm should play the transformational leadership roles to its employees rather than the transactional leadership style which has the possibility of declining employees work performance.

However, the implication of implementing this study recommendations are that employees performance in terms of productivity will be enhanced; perceived corrupt practices within the organization will be drastically reduced and over time have the possibility of been eradicated; high tendency of market growth due to enhanced employees commitment and high return on investment will be attained result of its employees productivity.

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