THE LINK BETWEEN INTERNAL MARKETING AND HUMAN RESOURCE MANAGEMENT

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ABSTRACT

This paper attempts to demonstrate the important linkage between internal marketing (IM) and human resource management (HRM). As a result, first of all, the present paper reviews the relevant literature about IM. In the next step, the elements of IM are introduced. Then, the main objectives of IM are clarified. Further, the relevant literature of HRM and the link between IM and HRM are described. Thereafter, by proposing a model, this paper illustrates the linkage between IM and HRM which leads to firm’s superior performance. This paper states that Marketing and Human Resource management departments should be aligned and integrated with each other. In other words, it is necessary, to have a market-oriented HR managers in order to make an impact on the success of an organization. HR managers should apply the same strategies that marketing managers use to promote products and services outside the organization. Therefore, the tools that are widely used in the external environment (e.g., market research, segmentation and targeting) could be employed internally to motivate the employees.

KEYWORDS: Internal Marketing, Human Resource Management.

INTRODUCTION

In today’s uncertain and competitive environment, organizations should try their best to apply all their resources effectively. It has been said that the most important assets of any business walk out the door at the end of each day (Boxall et al., 2007, p. 88). Indeed, people and the management of people are increasingly seen as key elements of competitive advantage (Boxall and Purcell 2003; Pfeffer 1998; Gratton et al. 2000). Spurred on by increasing competition, fast-paced technological change, globalization, and other factors, businesses are seeking to understand how one of the last truly competitive resources, their human resources, can be managed for competitive advantage (Boxall et al., 2007, p. 88) and for achieving organizational superior performance.

Past studies have revealed a strong linkage between employees’ job satisfaction and organizational superior performance. Moreover, researchers found a significant positive relationship between employees’ job satisfaction and customer perceptions of service quality
performance (Hartline & Keith, 1996; Yoon et al., 2001). It is expected that satisfied employees deliver better services (Schmit & Allscheid, 1995) which affects customer confidence positively and contributes to achieving customer loyalty. Consequently, having a loyal base of satisfied customers within such a competitive environment, increases revenues, decreases costs and builds market share (Halil & Cem, 2010). Thus, to have satisfied customers, the satisfaction of employees is necessary.

The idea of satisfied employees for the benefit of satisfied customers is developed through the concepts of internal marketing (IM). According to Berry (1981), the concept of internal marketing was based around viewing jobs as if they were “internal products” offered to employees. Moreover, the logic of IM states that employees are the internal customers of their organizations who had needs to be satisfied; and those needs were closely connected to their jobs.

Although people play a critical role in organizations, research has paid little attention to the link between IM and HRM. Thus, by reviewing the relevant literature, this paper attempts to demonstrate the important linkage between IM and HRM; which provides further insight for managers of organizations contributes to superior performance of organizations.

INTERNAL MARKETING

The Internal Marketing was first introduced by Berry et al. (1976). The IM refers to the use of marketing perspective for managing an organization's human resources (George and Gronroos, 1991). The main concept of internal marketing is to count employees as internal customers, and work as a product, a product that should satisfy the needs and requirements of customers to achieve organizations to its definitions in this area (Preston & Steel, 2002, Berry, 1981). In other words, the main logic in internal marketing is to accept this point that it should be behaved with employee like internal customers (Gummesson, 2000).

In the previous years, the IM concept has experienced an impressive advance. Researchers have rapidly investigated the IM concept in order to produce a unified definition for it. But, as yet, IM researchers haven't been able to create a single IM definition. Reviewing the previous literature indicates that the IM definitions of most of the scholars can be classified according to their scope and dominant perspective into four groups as follows:

1. Internal marketing as a mere synonym of human resource management;
2. Internal marketing as a usage of marketing techniques in internal marketplace;
3. Internal marketing as a precondition for satisfied external customers;
4. Internal marketing as a source of competitive advantage.

The representatives of each group and their brief explanations are given in the following part of the paper.
### TABLE 1. FOUR CATEGORIES OF IM DEFINITIONS

<table>
<thead>
<tr>
<th>PERSPECTIVE</th>
<th>AUTHORS</th>
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<td>as a precondition For satisfaction of external customers</td>
<td>Ballantyne (2000); Varey (2001); Kotler (2003).</td>
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As can be seen in table 1, some scholars have defined IM as a synonym of HRM. In this perspective, IM contains the effort of an organization to recruit, train, motivate and reward their employee toward more satisfying practices. Further, managers should appreciate the important role of their employees in their organizations. Moreover, some scholars have defined IM as a usage of marketing techniques in internal marketplace. In this perspective, IM is the employment of external customers skills for internal employees (i.e. internal market research and segmentation, internal product policy, internal pricing, internal sales and distribution, and internal communication and promotion) which persuade employees that they are connected to external customers. Furthermore, some scholars have defined IM as a precondition for satisfaction of external customers. In this perspective, IM precede external marketing because for satisfaction of external customers, satisfaction of internal customers (employees) is necessary. Employees play critical role in organizations; they will meet the needs of external customers through their commitment to organizational objectives. Finally, other scholars have considered IM as a source of competitive advantages. In this perspective, IM focuses on practices related to employees which influence external marketing and organizational performance positively and contribute to achieving competitive advantages.

### INTERNAL MARKETING ELEMENTS

By reviewing the relevant literature, it is inferred that scholars have introduced various elements of IM. There are many proposals about the IM elements provide for the academic literature. This paper extracted these elements from various studies; table 2 illustrates the authors and the IM elements that have been introduced, as follows:
## TABLE 2. IM ELEMENTS

<table>
<thead>
<tr>
<th>AUTHOR(S)</th>
<th>ELEMENTS</th>
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<tbody>
<tr>
<td>Gronroos (1985)</td>
<td>• Motivation</td>
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<td></td>
<td>• Development</td>
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<tr>
<td>Tansuhaj et al. (1988)</td>
<td>• Recruitment</td>
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<td></td>
<td>• Training</td>
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<td></td>
<td>• Motivation</td>
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<td></td>
<td>• Communication</td>
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<tr>
<td></td>
<td>• Retention</td>
</tr>
<tr>
<td>Gummesson (1991)</td>
<td>• Internal Communication</td>
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<td></td>
<td>• Training</td>
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<td></td>
<td>• Education</td>
</tr>
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<td></td>
<td>• Information</td>
</tr>
<tr>
<td>Berry and Parasuraman (1991)</td>
<td>• Fight for talent</td>
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<td></td>
<td>• Provide a vision</td>
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<td></td>
<td>• Prepare people for results</td>
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<td>• Team work</td>
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<td>• Freedom to work</td>
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<td>• Measurement and recognition</td>
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<td></td>
<td>• Meet internal customers</td>
</tr>
<tr>
<td>Rafiq and Ahmed (1993)</td>
<td>• Employee motivation and satisfaction</td>
</tr>
<tr>
<td></td>
<td>• Customer orientation and customer satisfaction</td>
</tr>
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<td></td>
<td>• Inter-functional coordination and integration</td>
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<td></td>
<td>• Marketing-like approach</td>
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<td></td>
<td>• Implementation of specific corporate or functional strategies</td>
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<tr>
<td>Foreman and Money (1995)</td>
<td>• Attraction</td>
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<tr>
<td></td>
<td>• Recruitment</td>
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<tr>
<td></td>
<td>• Retention</td>
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<tr>
<td>Saad et al. (2002)</td>
<td>• Strategic rewards</td>
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<td></td>
<td>• Internal communications</td>
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<td></td>
<td>• Training and development</td>
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<td>• Organizational structure</td>
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<td>• Senior leadership</td>
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<td>• Physical environment</td>
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<td>• Staffing, selection and succession</td>
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<td>• Inter-functional coordination</td>
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<td></td>
<td>• Incentive systems</td>
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<td></td>
<td>• Empowerment</td>
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</table>
INTERNAL MARKETING OBJECTIVES

Although there is no a consensus on the definition of IM, there is a general agreement among the IM scholars on the existence of internal customers and the objectives pursued by the use of the IM (IM elements).

According to Tansuhaj et al. (1988) and Ahmed et al. (2003), there is a set of objectives that the IM should seek to develop. Which are as follows:

1. Increase the effort that the employee is willing to do for the organizations.
2. Increasing employee commitment with the organizations.
3. Increasing employee involvement with the organizations.
4. Increase employee motivation.
5. Increased job satisfaction.

Thus, organizations use internal marketing activities to improve employees’ effort, commitment, involvement and job satisfaction. Also, these employees' outcomes are positively correlated to individual superior performance. Additionally, employees’ superior performance contributes to organizational superior performance and will influence external customers’ perceptions of service quality. Although the IM focuses on organizations’ employees as internal customers and attempts to meet their needs, the main goal of internal marketing is to enhance services quality for external customers to have a loyal base of satisfied clients which contributes to increasing revenues, decreasing costs and building market share and etc. Taking into account the above literature, the following model briefly illustrates the main goal of IM.
HUMAN RESOURCE MANAGEMENT

Human Resource management has grown in its range to the point where it has become an industry rather than just a simple occupation. Although there may be considerable debate concerning the actual role HR should perform and how it should be done, HR established a place at the senior management table by the early 1990s through their ability to identify and solve practical problems in fields such as recruitment, employee relations, training, etc. (Stredwick, 2005, p. 22). According to Armstrong (2010, p. 8), the practice of Human Resource Management (HRM) is concerned with all aspects of how people are employed and managed in organizations. It covers activities such as: Strategic HRM, Human Capital Management, Knowledge Management, Organization Development, Resourcing (Human Resource Planning, Recruitment and Selection, and Talent Management), Performance Management, Learning and Development, Reward Management, Employee Relations and Employee Well-Being. Further, the overall aim of HRM is to enable organizations to be successful through their personnel. According to Armstrong (1999, p. 4) the aims of HRM are as follows:

- Provide a range of services which support the achievement of corporate objectives as part of the process of running the organization.
- Enable the organization to obtain and retain the skilled, committed and well-motivated workforce it needs.
- Enhance and develop the inherent capacities of people – their contributions, potential and employability – by providing learning and continuous development opportunities.
• Create a climate in which productive and harmonious relationships can be maintained between management and employees and in which feelings of mutual trust can be developed.

• Develop an environment in which teamwork and flexibility can flourish.

• Help the organization to balance and adapt to the needs of its stakeholders (owners, government bodies or trustees, management, employees, customers, suppliers and the public at large).

• Ensure that people are valued and rewarded for what they do and achieve.

• Manage a diverse workforce, taking into account individual and group differences in employment needs, work style and aspiration.

• Ensure that equal opportunities are available to all.

• Adopt an ethical approach to managing employees which is based on concern for people, fairness and transparency.

• Maintain and improve the physical and mental wellbeing of employees.

THE RELATIONSHIP BETWEEN IM AND HRM

By reviewing the literature of IM and HRM, it can be inferred that there is the noteworthy overlap between these two concepts. According to Glassman and McAfee (1992), Dunne and Barnes (2000), and Varey (2001), considering human resources as internal customers would best be served through the contributions of both the marketing and human resources functions as it reflects the common roots of each discipline within psychological theory. The important role of internal marketing is to breed effective human resources, which imply IM and HRM are closely related to each other. According to Bansal et al. (2001), some relevant aspects of HRM practices in achieving employees commitment, job satisfaction, and trust are related to the success of IM. Further, it is important to note that, for demonstrating the important linkage between IM and HRM, the relationship between HRM functions and IM elements should be understood and considered.

(1) Job analysis, (2) recruitment, (3) performance management, (4) compensation, (5) training and development, and (6) labor-management relations can be named as the most important functions of HR managers in organizations. Thus, this paper attempts to describe the linkage between these HRM functions and IM, which will facilitate the understanding of the link between HRM and IM; as follows:

1. For organizations, to achieve competitive advantages, they must identify their human resources needs. They must evaluate past trends, their current situation, and meet the future need of their human resources. According to Pynes (2009, p. 149), before informed decisions can be made about recruitment and development needs, compensation plans, training and career
development objectives, performance management systems, and job design, data must be collected and analyzed. The technique used to acquire the data necessary to make informed decisions is called job analysis. Job analysis is a process which collects necessary data for determining the knowledge, skills and abilities required to perform a job successfully. This process identifies job’s activities, behaviors, tasks, and performance standards and necessary personal requirements to perform a job, such as personality, physical characteristics, aptitudes, and job-related knowledge and skills. It sounds like that without a systematic process of job analysis, organizations will not be able to implement IM process properly; because, job analysis as the first and most important functions of HR managers, provides necessary information about all factors related to successful implementation of IM in organizations.

2. Recruitment is the process of attracting qualified employee to apply for vacant position in organization; which requires effective planning to determine the human resources. Recruitment must be tied to the organization’s strategy. This helps organization to hire employees who possess superior knowledge, skills, abilities, and other positive characteristics that help employees to adopt themselves with organizations policy and strategy. This also makes it possible for organizations to implement a wide range of practices within a short time frame in response to employees’ needs. Thus, recruitment, as one of the HRM functions, by selecting appropriate employees according to organizational strategy contributes to better implementation of IM in organizations.

3. Because employees are essential to the delivery of quality services, performance evaluation and performance management are important components of human resource management in today’s organizations. The information gathered from an effective evaluation assists agencies in accomplishing their missions. Performance evaluations/management provides management with essential information for making decisions about employee advancement and retention. And when correct decisions are made about employees, they will be motivated. Further, Pynes (2009, p. 216) stated that “accurate evaluations provide information and feedback to employees. Employees must be informed about the goals and objectives of the agency and the role they play in the agency’s success. They must know what standards will be used to judge their effectiveness. Supervisors must communicate to employees their strengths as well as their deficiencies, thus providing the opportunity for employees to correct their weaknesses before serious problems emerge.” Thus, accurate performance management contributes to better implementation of IM in organizations.

4. Decisions about salaries and benefits are important in attracting, retaining, and motivating employees. Employees expect fair compensation for the services they perform. Employees’ expectations and perceptions about the fairness of compensation are critical factors related to the compensation system. Employees are motivated by appropriate compensation system which is called extrinsic rewards. Extrinsic rewards are part of the job situation that is provided by others. They may include the salary and benefits or status that one receives from being employed. Employees may be motivated by the fair compensation and benefits that he or she receives through being employed. Thus, fair compensation system contributes to better implementation of IM in organizations.
5. The changes in the present industrial scenario have contributed to changes in the structure and functioning of organizations. Organizations have been focusing on changes in the structure resulting in flatter organizations. The results of various studies show that organizations have changed their shapes dramatically, reducing layers of hierarchy, dispersing authority and decision making, and adopting a variety of practices associated with knowledge sharing, quality improvement and information technology. Considering this, explain the need of organizations for employees with specific skill and knowledge. Training and development of employees are key concepts which help organizations to prepare such employees. Training and development has been defined as “a planned effort by an organization to facilitate the learning of job-related behavior on the part of its employees” (Wexley & Latham, 1991, p. 3). Training and development programs enhance the skills, knowledge, or behaviors of employees. These programs have positive influence on both employees and organizations. Employees’ skill and knowledge will increase through training programs which leads to better adaption of employees with their job. Thus, employees’ job satisfaction increases through these programs which contribute to individual and organizational superior performance. As inferred, training and development of employees serve the purpose of IM in organizations.

6. The uncertainty workplaces changes have decreased the confidence of employees that their jobs are secure and their wages will remain competitive. According to Pynes (2009, p. 367) uncertain economic times, decreases in health care benefits for many workers, an increase in the temporary workforce, and reduced or lost pensions have contributed to increased insecurity in the labor market that is now affecting many organizations. These changes affect the workplace and provoke changes in labor-management relations. The present economic distress, leading to threats of downsizing and privatization, requires that unions and employers reexamine their structure and systems to see how they can provide more effective services (Pynes, 2009, p. 339). To remain competitive, managers should adopt new approaches and attitudes for resolving conflicts in organizations, and should creatively resolve problems and develop solutions advantageous. This process will improve organizational atmosphere for both employees and managers and contributes to enhancing personnel satisfaction which is the aim of implementing IM in organizations.

**RESEARCH PROPOSED MODEL**

Taking into account the above mentioned literature, figure 2 shows the research proposed model.

In the first step, HRM and HRM functions are illustrated. As can be seen they cover IM and its elements. Some researchers think that the important role of internal marketing is to foster effective human resource management (Ewing & Caruana, 1999), which implies the subordinate position of internal marketing in relation to HRM. As can be seen, the primary aim of IM and HRM is to meet employees’ needs which lead to employees’ job satisfaction, organizational commitment, organizational citizenship behavior and etc., which contribute to individual superior performance. This superior performance affects firms’ service quality positively which leads to clients satisfaction. And having loyal base of satisfied customers within such a competitive environment, increases revenues, decreases costs, builds market share and have many more positive influences on organizations.
DISCUSSION AND CONCLUSION

This main purpose of the current paper is to clarify the linkage between IM and HRM in today’s organizations. In today’s competitive environment, organizations must meet the needs of their external customer to reach their goals which are efficiency, effectiveness, productivity, and market share. It is important to note that, the managers who are concerned with monitoring and improving external customer satisfaction need to meet employee’s need as their internal customers. The key for reaching employee’s satisfaction is Internal Marketing (IM).

The notion underlying the internal marketing is that managers have to concentrate on the internal market (employees) as much as on the external market (clients), if they want their strategies to be
successfully and effectively carried out within their organization. Therefore, it is important to provide the appropriate internal environment to reinforce customer-consciousness. In doing so, Marketing and Human Resource management departments should be aligned and integrated with each other. In other words, it is necessary, to have a market-oriented HR managers in order to make an impact on the success of a company. HR managers should apply the same strategies that marketing managers use to promote products and services outside the organization. Therefore, the tools that are widely used in the external environment (e.g., market research, segmentation and targeting) could be employed internally to motivate the employees.

To sum up, the proposed model developed in this paper clearly shows the link between IM and HRM which helps organizations achieve competitive advantages. Although providing a foundation, future research is needed to build, augment, and refine this model. But, more researches are needed to identify the link between IM and HRM literature both theoretically and empirically. The model proposed here is an initial attempt to lay the groundwork for this needed alignment from a theoretical perspective.

REFERENCES


