

Studying the Effect of Internal Marketing on Employees' Self-Esteem

Case Study: Employees of Isfahan University of Medical Sciences

Dr. Foad Makvandi

Department of Management, Science and Research Branch, Islamic Azad University,
Khouzestan, Iran
E-mail: foadmakvandi@yahoo.com

Tahereh Aghababapoor

Master of Business Administration and Marketing, University of Isfahan

Iman Nemati Mondanipour

Department of Management and Accounting, Mobarakeh Branch, Islamic Azad University,
Mobarakeh, Iran
E-mail: imannemati80@yahoo.com

DOI: 10.6007/IJARBSS/v3-i12/464 URL: <http://dx.doi.org/10.6007/IJARBSS/v3-i12/464>

Abstract

The current study was conducted to investigate the effect of internal marketing on organization-based self-esteem at Isfahan University of Medical Sciences. The relationship among internal marketing components (payments, managerial styles, environment of the organization and employee participation) with organization-based self-esteem was investigated. Standard internal marketing questionnaire by Ahmed and Rafiq (1993) which has twenty three questions and Pierce and Gardner's organization-based self-esteem questionnaire with ten questions were tools of data collection. The study was conducted using descriptive-field method. The statistical population included five hundred employees of Isfahan University of Medical Sciences among whom one-hundred fifty four persons were selected through stratified random sampling method. Opinions of experts as well as confirmatory factor analysis were used to confirm content validity and face validity. The results indicated confirmation of the questionnaire. In order to ascertain the reliability, Cronbach's alpha coefficient was applied that was obtained equal to 0.95 and 0.90 respectively for internal marketing and organization-based self-esteem. A significant relationship was obtained between internal marketing (payments, managerial styles, environment of the organization and employee participation) and organization-based self-esteem using statistical tests such as Kolmogoroff-Smirnoff test, factorial analysis and structural equations modeling. The results revealed that whatever

internal marketing at Isfahan University of Medical Sciences is higher and more importance is attached to it, organization-based self-esteem of employees is enhanced.

Key words: Internal Marketing, Payments, Domestic Product, Work Environment, Employee Participation, Organization-based self-esteem

Introduction

Organizations have to focus on employees specifically as their most important property at present. It is because employees play the main role for success of the organization. Thus, internal marketing beside external marketing is one of the programs that the organization should deal with. Internal marketing is one of the strategies of the organization that is utilized to execute the plans. The related studies in this regard demonstrate that internal marketing activities improve competitiveness of the firm through influence and creating motivation in employees and enhance competency. Generally speaking, implementation of internal marketing in service organizations will equip them with competencies and capabilities that enjoying environmental opportunities will be led to enhancement of their performance. The effect of internal marketing on organization-based self-esteem at Isfahan University of Medical Sciences was studied in the current paper. This topic was selected due to several reasons including up-to-dating of the topic, previous studies and the researcher's interest and tendency towards this issue which encouraged him to perform research in this regard. This investigation was performed by collecting preliminary theoretical information about internal marketing and organization-based self-esteem as well as internal and external research background, choosing research framework and data collection and analysis by means of standard statistical methods. The results illustrate that there is a significant relationship between internal marketing and organization-based self-esteem.

Research Literature Review

Definition of internal marketing

Ballantyne (2000) believes that internal marketing is a strategy to improve relations among the employees about the determined boundaries inside the organization. According to him, the main purpose of internal marketing is to increase external marketing (Dunmor, 2002).

Also internal marketing can be defined as a process of absorption, development, motivation and permanent endurance of employees' quality through job as a product and satisfy their needs. In other words, internal marketing is the philosophy of common relationship and contract among the customers and employees (internal customers) (Cahil, 1995).

According to Gronroos (2000) internal marketing focuses on suitable internal relations among people at all organizational levels. Therefore, a service-oriented and customer-oriented approach is established among employees in dealing with customers. Internal marketing in this viewpoint acts as a comprehensive managerial process that merges and integrates multiple tasks of the firm in two paths. First, employees can experience various processes in a context at all levels of the organization, businesses and activities. Second, employees are prepared and motivated to act in a service-oriented path (Gronroos, 2000).

Accordingly, Denis (1995) believes that internal marketing is a kind of strategic management philosophy that attracts, develops, motivates and maintains the prominent and important employees by providing a high quality work environment and satisfying their needs. Indeed internal marketing is a managerial process to solve the problems related to productivity of internal services, market orientation, successful execution of appropriate plans and customer orientation (Varey & Lewis, 1999).

Also according to Piercy (2002) internal marketing is regarded as a main tool to implement strategic change in the organization. Hogg and Carter (2000) defined internal marketing as an inseparable part of market orientation that requires using marketing techniques inside a firm in order to create values for the firm.

One of the most comprehensive definitions for internal marketing has been presented by Rafiq and Ahmed (2000). They defined it as a planned attempt using a marketing approach to overcome organizational resistance against change and motivation and coordination as well as cross-functional coherence of employees for effective execution of functional and organizational tasks and obtaining customer satisfaction through the process of creating motivated and customer-oriented employees.

Generally, regarding the difference between internal and external marketing it can be stated that in internal marketing the product can be studied at three infrastructural, strategic and functional levels. Comparison of internal marketing mix and external marketing mix is shown in Table 1.

Table 1- Comparison of internal marketing mix and external marketing mix

External marketing mix	Internal marketing mix
Product	At infrastructural level: job At strategic level: values and attitudes At functional level: new performance measures of new ways in customer management
Price	Psychological cost of learning the new work methods
Promotion	Communications
Distribution	Sessions and conference
Market segmentation	Organizational structures and departments
Market research	Studying the attitudes and satisfaction level of employees

Current viewpoints about internal marketing

Current viewpoints about internal marketing can be classified into four categories:

- 1- Dealing with employees as an internal customer

Many experts believe that the role and task of internal marketing is to consider jobs as products to satisfy different needs of employees and consider employees as customers.

2- Developing customer-oriented behavior with employees

Piercy and Morgan (1991) paid attention to applying the internal marketing skill in a company. They have argued that organizations should adopt a framework similar to its external marketing framework and develop marketing plans. Stimulation and awareness of customer-oriented services and behavior will be the purpose.

3- Tendency towards human resources management

According to Joseph (1996), internal marketing should be combined and integrated with theories, technologies and principles of human resources management. Cooper and Cronin (2000) believe that internal marketing is consisted of attempts inside the organization to teach and encourage employees in order to offer better services.

4- Internal exchange

Back et al. (1994) suggested that superior performance of the organization will be realized through improving the exchange relations among the firm and its employees and this is the first movement in achieving purposes of the organization in the external market.

Organization-based self-esteem

Organization-based self-esteem refers a special self-esteem for organizational environments and employees' perception of their organization and is composed of previous experiences of work failures and successes.

It reflects self-perception competency of the individual in the organization. Pierce et al. (2010) defined organization-based self-esteem as perception degree of employees and organizational members can satisfy their needs by sharing the roles in the organizational environment. It is a degree that employees perceive about themselves as an important, effective and valuable person in their firm. To put it differently, organization-based self-esteem is a factor that enhance the individual's trust and confidence towards the organization (Ghaedi et al., ---).

Structure of organization-based self-esteem was developed by Pierce, Gardner, Cummings and Dunham (1989). Organization-based self-esteem is regarded as perception degree of employees about themselves as an important, effective and valuable person in their firm (Pierce et al., 1989). In other words, it believes that value is associated with the organization. According to Pierce et al. (1989) organization-based self-esteem develops in social environment of the organization and is the result of messages that the individual receives about his/her competencies. It is increased when supervisors establish encouraging challenges and situations and also when the job is challenging and complicated (Phillips, 2000). High organization-based self-esteem gives rise to the need to progress, challenge and inherent job motivation and enhancement of educational level (Tang & Gilbert, 2000).

Hypotheses

Primary hypothesis

Internal marketing is effective on employees' organization-based self-esteem at Isfahan University of Medical Sciences.

The secondary hypotheses (according to the conceptual model) are as follows:

- 1- Employee participation is effective on employees' organization-based self-esteem.
- 2- Work environment is effective on employees' organization-based self-esteem.
- 3- Payments are effective on employees' organization-based self-esteem.
- 4- Managerial styles are effective on employees' organization-based self-esteem.

Research model

The conceptual model was proposed in this survey based on theoretical principles as it is shown in Figure 1.

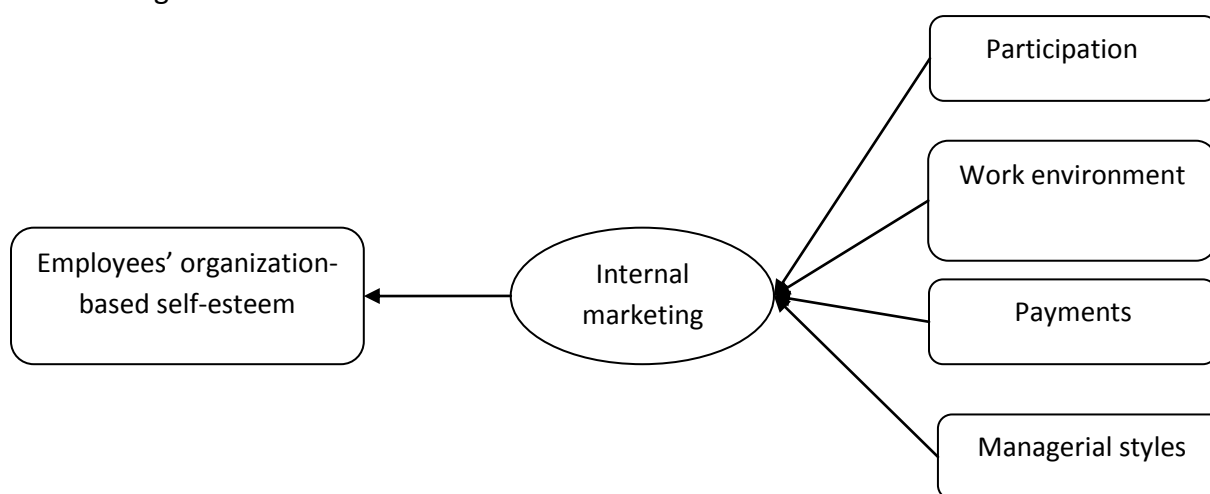


Figure 1- Research model

Characteristics of the statistical population and statistical sample

The statistical population included formal employees of Isfahan University of Medical Sciences in 2013 who were equal to five hundred. Simple random sampling method was used. The number of sample under study using the formula to determine the sample size was equal to 154 persons.

$$n = \frac{z^2 s^2}{d^2}$$

$$n = \frac{(1.96)^2 (0.1443)}{(0.06)^2} = 153.92 \cong 154$$

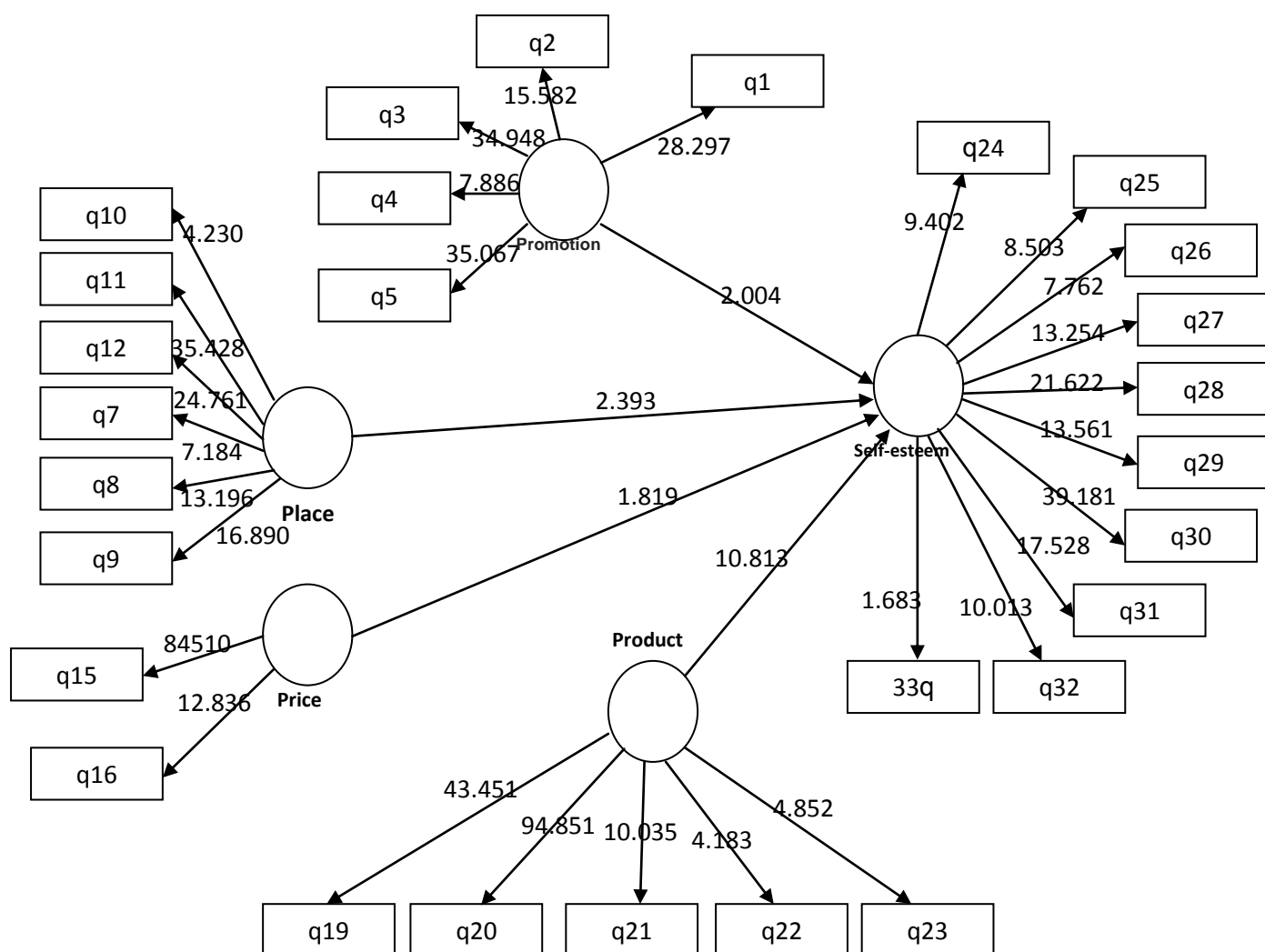


Figure 3- Structural equations model of testing the secondary hypotheses

Data analysis

Testing of hypotheses

Values of t statistic were used to test each path and existence or non-existence of a path was tested through software. These values are displayed in Table 5.

Table 5 shows the results of structural equations model and testing of hypotheses. The results of hypotheses testing are shown through significance of effective factors on organization-based self-esteem by means of t-statistic and effect degree of the above factors through standard coefficients.

Table 5- Results of testing the hypotheses

Hypotheses	STDEV	T-statistic	Result
H1 the effect of internal marketing on organization-based self-esteem	0.0330	17.584	It is confirmed
H1-1 the effect of employee participation on organization-based self-esteem	0.1409	2.004	It is confirmed
H1-2 the effect of work environment on organization-based self-esteem	0.1250	2.393	It is confirmed
H1-3 the effect of payments on organizational self-esteem	0.1184	1.819	It is not confirmed
H1-4 the effect of managerial style on organization-based self-esteem	0.0910	10.813	It is confirmed

The findings reveal that:

Primary hypothesis: Internal marketing is effective on employees' organization-based self-esteem at Isfahan University of Medical Sciences. Internal marketing increases organization-based self-esteem through affecting organizational commitment and increased job satisfaction. The obtained results of this survey are consistent with some findings by Abzari et al. (2011), Ting (2010), Liao (2009), Spiros (2006) and Sanaee (2008). The results demonstrate that internal marketing is totally effective on organization-based self-esteem and organization-based self-esteem is increased if internal marketing is increased.

Secondary hypothesis one: Employee participation is effective on organization-based self-esteem. The obtained results of this survey are consistent with some findings by Safari et al. (2011). They show that employee participation has a significant effect on organization-based self-esteem.

Secondary hypothesis two: Work environment is effective on employees' organization-based self-esteem. The obtained results of this survey are consistent with some findings by Rafiq and Ahmed (2003) and Ghorbani (2010). They show that work environment is effective on employees' organization-based self-esteem.

Secondary hypothesis three: Payments are effective on employees' organization-based self-esteem. The obtained results of this survey are consistent with some findings by Gardner, Dean and Pierce (2004) and Ahmed and Rafiq (2003). Results showed that payments are not effective on employees' organization-based self-esteem. It means that those who earn a higher wage do not have a higher organization-based self-esteem.

Secondary hypothesis four: Managerial style is effective on employees' organization-based self-esteem. The obtained results of this survey are consistent with some findings by Ahmed and Rafiq (2003), Safari et al. (2011) and Ghorbani (2010).

Discussion, conclusion and recommendations

The current study was conducted to investigate the effect of internal marketing on employees' organization-based self-esteem through a case study of employees at Isfahan University of Medical Sciences. The reliability and validity indexes of the model were acceptable and reliability of structural equations of the model was moderate. Since the topic of the study is totally new a few researches have already been conducted in this regard and this is one of the innovation aspects of the issue under study.

Given to research findings it can be concluded that there is a significant relationship between internal marketing (employee participation, work environment, payments and managerial style) and organization-based self-esteem. The results indicate that whatever internal marketing is higher at Isfahan University of Medical Sciences and more importance is attached to it, employees' organization-based self-esteem will be increased. Of course payments do not have a significant effect on employees' organization-based self-esteem given to the results. Nowadays organizations have found out the ever-increasing importance of internal marketing and interactions and communications among the people and intend to provide employees' satisfaction to perform their duty effectively through making positive and efficient interactions among the employees and thus enhance employees' organization-based self-esteem through this.

References

- Abzari M, GHorbani H, Madani F. 2011. The Effect of Internal Marketing on Organizational Commitment from Market-orientation viewpoint in Hotel Industry in Iran. **Internal Journal of Marketing Studies**, 1: 147-155.
- Ahmed, P.K. and Rafiq, M. (2003), "Internal marketing issues and challenges", **European Journal of Marketing**, 37 (9): 1177-86, (commentary).
- Back CA, Vogt LH, George WR, Greentree IR. (1994). Management by team: an innovative tool for running a service organization through internal marketing, **Journal of Service Marketing**, 1: 37-47.
- Ballantyne, D. (2000). Internal relationship marketing: a strategy for knowledge renewal, **International Journal of Bank Marketing**, 18 (6) 274 – 286.
- Bansal HS, Mandelsohn MB, Sharma B. (2001). The impact of internal marketing activities on external marketing outcomes, **Journal of Quality Management**, 1: 61-76.
- Berry, L.L. and Parasuraman, A. (2000), "Services marketing starts from within", in Varey, R.J. and Lewis, B.R. (Eds), **Internal Marketing: Directions for Management**, Routledge, London, (10): 173-91.
- Cahil DJ. (1995). The managerial implication of learning organization, a new tool. **Journal of Service Marketing**, 4: 43-51.
- Cooper J & Cronin J. (2000). Internal marketing: cooperative strategy for the long-term care industry, **Journal of Business Research**, 177-181.

- Dunmor m. (2002). Inside-Out marketing Hhow to creat an internal marketing strategy. **Kogan page.**
- Foreman S, Money AH(1995): Internal marketing: concepts, measurement and application. **Journal of Market Management**, 11 (8): 755-768.
- Forman SK , Money AH. (1995). "Internal marketing : concept , measurement and application. **Journal of Marketing management** , 7: 755.
- Gardner, D. G., Dyne, L. V., Pierce, J. L. (2004). The effects of pay level on organizationbased self esteem and performance: Afield studyjournal of Occupational and organizatioal Psychology, 77, 307322.
- Gilmore, A. (2000). "Managerial interactions of internal marketing", in **Internal Marketing: Directions for Management**, Varey, R.J., London, UK: Routledge
- Glassman, M. and McAfee, B. (1992), "Integrating the personnel and marketing functions: the challenge of the 1990s", Business Horizons, May-June, 2(18): 52-9.
- Gounaris, S. (2008). "The notion of internal market orientation and employee job satisfaction: some preliminary evidence", **Journal of Services Marketing**, 22(1):68-90.
- Grayson, D. and Sanchez-Hernandez, I. (2010). "Using Internal Marketing to Engage Employees in Corporate Responsibility", Journal of Cranfield University; 4(18): 401-414
- Gronroos, C., (2000), "Service management and marketing: a customer relationship approach", (2nd ed.), John Wiley & Sons, Ltd. Chichester.
- Herington C, Johnson LW, Scott D (2006). Internal Relationships – Linking practitioner literature and relationship marketing theory. **European Business Revenue**. 18(5): 364-381.
- Hogg G , Carter S.(2000). Employee Attituteds and responses to internal marketing , in varey **R.J & Lewis B.R (Eds) , Internal Marketing : Direction for Management , London.**
- Hwang IS, Chi DJ(2005). Relationships among internal marketing, employee job satisfaction and international hotel performance: An empirical study. **International Journal of Management**, 22(2):285-93.
- Joshi R., (2007), Internal marketing in service organizations: Need for reorientation. **The Journal Service Market**, 5(4):28-36.
- Lee, J. & Feccei, R. (2007). Perceived organizational support and effective commitment: the mediating role of organizational-based self-esteem in the context of job in security. Journal of Organizational Behavior, 28, 661.
- Liao JF .(2009) . The effects of internal marketing on customer orientation in the banking industry . **Submitted partial fulfillment of the requirements for the degree of doctorate of business administration** , Ageno school of business golden gate university.
- Lings LN. (1999). Managing service quality with internal marketing schematics. **Long Range Planing** , 4: 452-463.
- Mayo, A. (2003), **O valor humano da empresa**, Prentice Hall, Sa~o Paulo.
- Mishra S (2010), Internal marketing - A tool to harness employees' power in service organizations in India. **International Journal of Business Management**, 5 (1): 185-193.
- Morrison, E.W. (1996), "Organizational citizenship behavior as a critical link between HRM practices and service quality", **Human Resource Management**, 35 (4): 493-512.
- Pfeffer, J. (1998), "Seven practices of successful organizations", **California Management Review**, 40 (2): 96-124.

- Phillips, G.M. (2000). Perceived organizational support: An extended model of the mediating and moderating effects of self-structures, Ph.D. Dissertation, University of Akron.
- Pierce, J. L., D. G., Dunham, R. B. & Cummings, L. L. (2010). Moderation by organization-based self-esteem of role condition-employee response relationship, *Academy of management journal*, 2, 271-288.
- Pierce, J.L.; Gardner, D.G.; Cummings, L.L. & Dunham, R.B. (1989). Organization-based self-esteem: construct definition, measurement and validation. *Academy of Management Journal*, 32, 622-648.
- Piercy N , Morgan G .(1991). Customer satisfaction and the internal market : marketing our customer to our employee , **Jounnal of Marketing Practice : Applied Marketing Science** , 1: 22-42.
- Pitt LF , Forman SK . (1991) . Customer satisfaction and the internal market , **Journal of Marketing Practice : Applied Marketing Science** , 1: 22-44.
- Rafiq, M. and Ahmed, P.(2000) "Advances in the internal marketing concept: definition, synthesis and extension" **Journal of Service Marketing**; 14(6): 449-462.
- Roberts-Lombard, M. (2010). "Employees as customers – An internal marketing study of the Avis car rental group in South Africa". **Journal of African Journal of Business Management**, 4 (4): 362-372.
- Rosenbluth, H.F. and Peters, D.M. (1998), **Good Company: Caring as Fiercely as you Compete**, Perseus Books, Reading, MA.
- Smircich L. (1983). Concepts of culture and organizational analysis, **Administrative Science Quarterly**, 3: 339-358.
- Tang, T.L.; Kim, J.K., & O'Donald, D.A. (2000). Perceptions of Japan's organizational culture: Employees in non-unionized Japanese-owned and unionized US-owned automobile plants. *Journal of Managerial Psychology*, 15, 535-559.
- Tansohaj PS . (1988) . Internal and external marketing : effects on customer satisfaction in banks in Thailand , **International Journal of Bank Market** , 3: 73-83.
- Ting SC . (2010) . The effect of internal marketing on organizational commitment : Job involvement and job satisfaction as mediators , **Educational Administration Quarterly** , 2 : 353-382.
- Turner B . (1986) . Sociological aspects of organizational symbolism , **Organizational Studies** , 7:101-115.
- Varey RJ Lewis BR . (1999) . A broadened conception of internal marketing , **European Journal of Marketing** , 9/10: 926-944.
- Vasconcelos, A.F. (2008), "Broadening even more the internal marketing concept", **European Journal of Marketing**, 42 (11/12): 1246-1264.
- Zampetakis LA, Moustakis V (2007). Fostering corporate entrepreneurship through internal marketing. **European Journal of Innovation Management**. 10(4): 413-433.