

Analyzing the Influence of Internal Marketing on Employee Happiness Case study: Nilou Tile Company, Isfahan

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Abstract

Nowadays many managers implement internal marketing simultaneous with external marketing programs. This due to the result of the research that (1) address internal marketing as a prerequisite for the success of external marketing, (2) show significant relationship between internal marketing, organizational performance, and employee satisfaction. On the other hand, satisfaction and happiness are important goals which every person seeks in his life and work. Hence, this study examines the impact of internal marketing on employee happiness. Furthermore, in this study, the effect of internal marketing aspects (internal product, pays, workplace, and internal promotion) on employee happiness as subordinate hypothesis is investigated. This survey was carried out in tile industry; Nilou Tile Company. Statistical population included 700 employees of the company. Field methods and questionnaire were used to gather essential information. In this study, 200 questionnaires were randomly distributed to employees. Eventually 180 questionnaires were returned. SPSS and Amos were used to analyze data descriptively, assess the credibility of the model and test hypotheses. Results indicated that all sub-hypotheses as the aspects of internal marketing have positive effects on happiness except for products. In addition, the main hypothesis under the heading "internal marketing affects on employee happiness" was confirmed.

Keywords: Internal Marketing, Happiness, Pays, Internal product, Workplace, Internal promotion

Introduction

Human resources are the most valuable asset of organization. Therefore, organizations undertake to cost high for employees. This is due to employee satisfaction that results in developing the quality of products and services as well as achieving customer satisfaction

Internal marketing pursues to increase the satisfaction of employees as the internal customers of organization. So the goal is to improve offering services and products to customers continuously. Extensive studies approved the positive relationship between internal marketing and many organizational components such as loyalty, job satisfaction and performance. Therefore, internal marketing can be defined as a promoter which establishes an attractive workplace for employees. An attractive workplace is defined as creation the atmosphere which brings happiness to staff. Ultimately employee happiness leads to their flourishing (Vasconcelos, 2008). Caruana and Calleya (1998) argued that the purpose of internal marketing is to establish the situation in which the awareness of employees increases. Chang and Kelly (1994) stated that the improvement and satisfaction of internal consumer must have priority to satisfying each consumer out of organization. On the other hand, Piercy and Morgan (1991) stated that the goal of internal marketing is associated with external marketing plan. Internal marketing is used for reaching to the higher level of job satisfaction. This satisfaction gives internal consumers (employees) the sense of happiness due to their working experience. As mentioned, if internal customers are the largest asset of company, organizations should establish the situation in which their needs are satisfied and the best employees are kept. Since happiness in life is a goal for human beings, the task of organization is to apply it as a strategy for keeping and provoking its best asset. Ling (1999) claimed that internal marketing must establish the situation in organization which makes the employees happy. Brum (1998) also mentioned that the main output of internal marketing's programs creates a happy environment for staff and any kind of organization has the ability to create it. Hence, the present study analyzes the effect of internal marketing and its aspects on employee happiness.

Internal marketing

Barry et al. (1981) for the first time introduced the aspects of internal marketing based on traditional 4Ps (product, price, promotion and place) of traditional marketing in America. They assumed that employees as customers and their businesses as products can be considered. Also, Flipo (1981), based on 4Ps elements in external marketing, explained internal marketing as: products as a job, prices as the cost of employment opportunities in the work, place as the location where jobs are offered near the place of residence of internal consumers, and promotion as communication and reward system. In the following table, the proportion of each elements of traditional and internal marketing is shown.

Table 1. Comparison of internal marketing and external marketing mix(Ahmed and Rafiq; 1995)

Internal marketing mix	External marketing mix
Internal product	Product
Pays	Price
Internal promotion	Promotion
Workplace	Place

Gounaris (2008) stated that internal marketing's preface is based on two major parts: first, before satisfying customers' needs, employees' needs must be satisfied, then the rules which is executed in trade market must be used in internal marketing similarly. Hung and Lin(2008) argued that most businesses can't develop and execute internal marketing strategies due to the lack of knowledge and different understanding of the components of internal marketing. Based on other researchers' findings Hernandez and Sanchez (2008) stated that there are significant relationship between internal marketing and organizational performance. With a little reflection, it seems that internal marketing is associated with a significant number of management technologies such as human resource management, employee relations, strategic management, organizational communications and macro marketing (Varey, 2000). Hence, internal marketing is defined as the chain which connects all sectors of intra-organization. Therefore, internal marketing can eliminate or reduce the sources of discontent. The goal of internal marketing is to develop the programs of internal marketing for intra-organization consumers simultaneous with execution of external marketing programs (Kale, 2006).

The basic concept of internal marketing is special attention toward employees of all organizational levels as internal customers (Gronroos, 2001). Emphasizing on the importance of employees' roles caused service organizations pay more attention to adopt internal marketing and treat employees as domestic customers (Mishra, 2010).

Many studies have shown that internal marketing has positive effect on job satisfaction (Ahmed et al., 2003; Hwang and Chi, 2005). Some researchers believe that to carry out internal marketing successfully, employees should tend to support and follow plans (Roberts-Lombard, 2010). The preparation of external marketing is the successful application of internal marketing principles in the organization (Johnson and Scott, 2006).

Happiness

From long time ago, people have been looking for this issue how to live better and what mechanisms can provide happiness. Happiness is a feeling that people experience after achieving their goals. When used in this sense, it is synonymous with life quality (Veenhoven, 2006). Happiness is a mental feeling that every healthy human feels it throughout his life (Vasconcelos, 2008). Those who know the value of life will evaluate the positive of life. Sheldon et al. (2002) argued that the probability of outward and inward flowering of happy people is

very high. Research shows that happy employees enjoy several advantages more than their colleagues who are less happy. People who work in a happy environment have higher social skills, reach an agreement in case of inter-conflicts and eventually have more intimate relationship with others. Furthermore, there is more probability that people with higher mental health show higher efficiency and performance to supervisors and achieve better management jobs. Researchers' findings suggested that happy people show less maltreatment and fatigue (Frisch et al., 2004). In addition, happy people are retained in their jobs. Much evidence found that happy people experience greater satisfaction (Connolly & Viswesvaran, 2000). When a person acquires job happiness, Likelihood of success is very high. Happy people are evaluated higher than their colleagues by appraisers (Staw et al., 1994). Moreover, as mentioned, happy people enjoy their life, indeed they experience higher quality of life.

Positive Psychology

Positivist psychology is the novel field in psychology. It seeks to express the image of good life clearly in order to determine what is worth for living; it uses the experimental methods of psychology. The aim is to show what action result in experiencing happiness, raising positive-looking people who are flexible, and creating innovative and efficient organization. Positive psychology mainly pays attention to strengthen individual abilities and suitability. Therefore, the main subject of positive psychology is to study positive mental experiences such as pleasure, satisfaction, joy, hope, optimism, competence, perseverance, interpersonal skills, creativity, initiative, interpersonal responsibility, work conscience, and interest in working. The famous American psychologist, Martin Seligman who raised the theory of "learned optimism", in his book, i.e. "real happiness" explained how psychology in its history course, lost the way and only pay attention to unwell aspects instead of positive points of human characteristics. Seligman believed that happiness is the alienable right of every human being that they must plan and try to achieve it. According to him, real happiness is not only unachievable but also it is the fact that makes the life enhanced and causes the human relations enriched. Thus, it is recommended that managers apply positive psychology to obtain happy environment.

Hypotheses

The research consists of two categories of hypothesis:

Based on conceptual model (1), the main hypothesis is:

- 1)** Internal marketing has a positive impact on employee happiness.

Based on conceptual model (2), sub-research hypotheses are:

- 2)** Pays have a positive impact on employee happiness.
- 3)** Internal product has a positive impact on employee happiness.
- 4)** Internal promotion has a positive impact on employee happiness.
- 5)** Workplace has a positive impact on employee happiness.

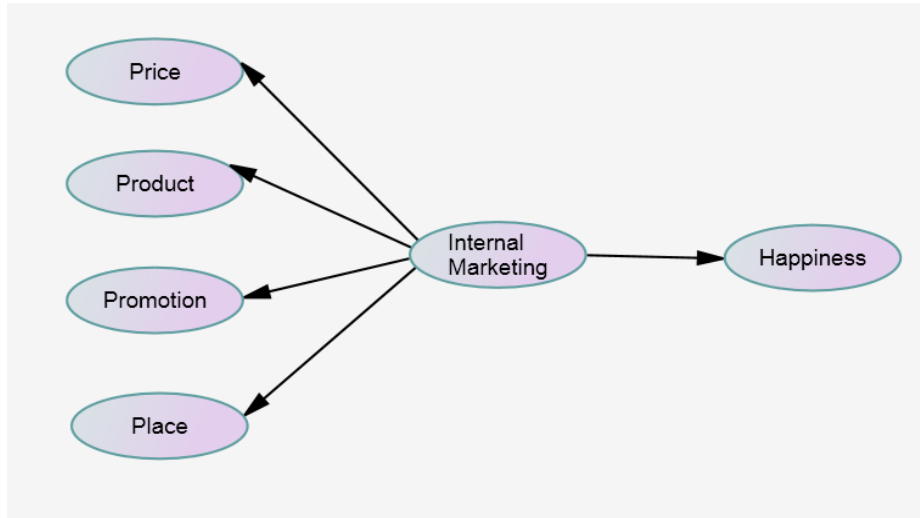


Figure 1. Conceptual model (1)

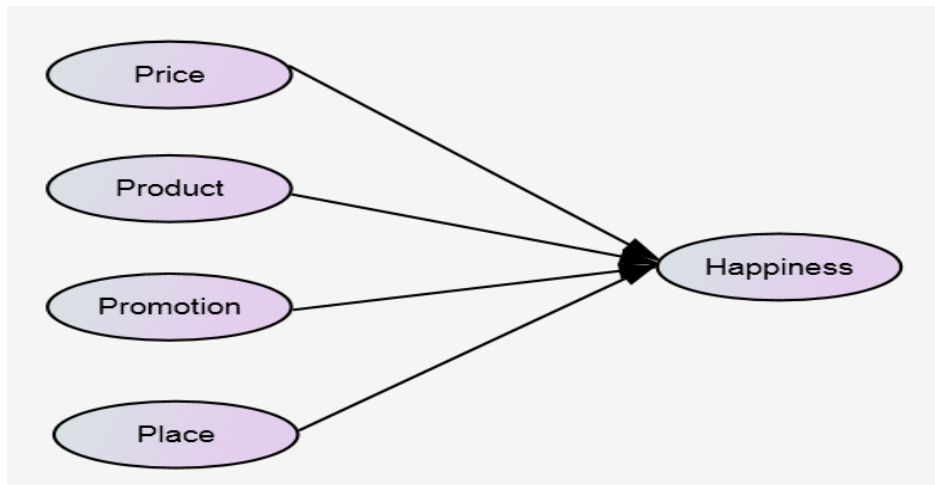


Figure 2. Conceptual model (2)

Methodology

In general, methods in behavioral sciences are divided according to two criteria: (a) the aim of research, (b) the way of data collection. Current study is descriptive-survey based on methodology and research- applied based on the goal. Since this study examines the impact of internal marketing on staff happiness, it is practical based on the goal. Descriptive statistics was used for analyzing descriptive data and structural equations model was used for testing hypotheses with the help of SPSS and Amos software.

To collect literatures, English and Persian papers, journals and available books were used. Questionnaire was used to collect data. It should be noted that a standard questionnaire of Ahmed and Rafiq (1999) was used to measure internal marketing components and a standard questionnaire of Oxford (1989) was used to measure happiness components. All questions were classified on a scale range of five-option Likert (from completely disagree = 1 to

completely agree = 5). The questionnaire had two parts of demographic questions including age, gender, education, and the organizational position. Also it included two main questions related to internal marketing and happiness. The study population consisted of 700 staff in Nilou Tile Company, Isfahan. Furthermore, in the current study, a stratified random sampling was used proportional to Sample`s size.

Validity and Reliability

The concept of validity answers to this question that to what extent measuring instrument gauges the desired option. Data accuracy cannot be reliable without knowledge of the validity of measuring instruments. There were several methods such as content validity method for validation. If questions represent special characteristics and skills which a researcher wants to measure, the test will have content validity. In this stage, the necessary corrections about the research made during different interviews with experts and professors; therefore, it ensured that questionnaire measure the desired option.

Reliability is one of technical features of measuring instruments. This shows that measuring instruments to what extent obtains the identical results in the same situation. To determine the validity of the test, Cronbach's alpha was used. It is used to calculate the internal coordinating of measuring instrument that measure different feature. Therefore, reliability coefficient with Cronbach's alpha was calculated using data Obtained from questionnaires and SPSS software. Cronbach's alpha coefficient of internal marketing (0.89), payments (0.85), domestic products (0.92), communications (0.77), workplace (0.76), and happiness (0.89) were obtained. These numbers indicates that the questionnaire had reliability.

Findings

First, we reviewed the first section of questionnaire including demographic questions. Demographic findings are shown in Table 2.

Table 2. Demographic profile of respondents

%	N	Characteristic		%	N	Characteristic	
0.24	45	diploma	Education	0.1	19	low of 25	Age
0.36	67	Associate Degree		0.46	86	25 thru 35	
0.34	62	Bachelor		0.35	64	36 thru 45	
0.06	11	Master or PH.D		0.09	16	high 45	
0.15	27	managerial	Organizational position	0.67	124	male	Gender
0.85	158	Non-managerial		0.33	61	female	

SPSS18 and Amos18 were used to analyze data. Course analysis was used to analyze the hypothesis and modeling of the structural equation was used to evaluate the overall fit of research. In structural equation modeling, the amount of data correspondence and conceptual model will be reviewed whether has good fit and also significant relationships will be tested in fit model. Fit indexes model included CMIN/DF, RMSEA, GFI, AGFI, NFI, CFI, RMR and PRATIO. According to these indexes, a model has appropriate fit which CMIN/DF is less than 5, RMSEA values less than 8 percent, GFI, AGFI, NFI, CFI greater than 90% and PRATIO more than 50 percent.

After reviewing and approving patterns measured in the first step, course analysis was used secondly. Overall indexes of course analysis fit are presented in Table 3.

Table3. General Indexes of Measuring Patterns(1)

CMIN/DF	1.778	NFI	0.772
RMR	0.058	CFI	0.884
GFI	0.746	PRATIO	0.936
AGFI	0.717	RMSEA	0.065

As it can be seen, all fit indexes possess appropriate desirability partly and validity of model (1) is confirmed.

Figure 3 shows structural equation model to explain the main hypothesis as the first model.

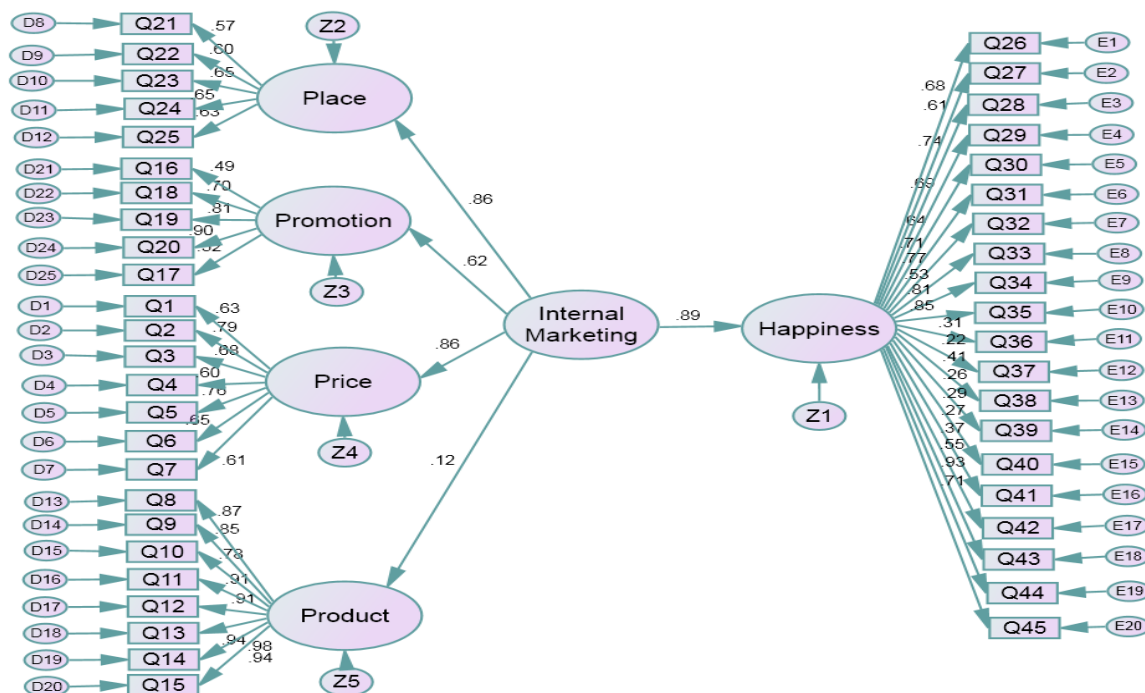


Figure3. Structural equation model (1) for main hypothesis

Table 4. Regression coefficients and hypothesis tests

Test result	P	C.R	λ	Path			hypothesis
support	0.001	5.161	0.89	Happiness	←	Internal marketing	1

In the table 4, it is interpreted that the main hypothesis, i.e. the effect of internal marketing on employee happiness with the significant level 0.001 and factorial loading 0.905 was approved. This confirms the direct, positive and strong effect of internal marketing components on staff happiness.

Table 5. General Indexes of Measuring Patterns(2)

CMIN/DF	1.914	NFI	0.754
RMR	0.082	CFI	0.864
GFI	0.725	PRATIO	0.936
AGFI	0.712	RMSEA	0.070

As it can be seen in the above table, all indexes to some extent are appropriate and overall fit of model is confirmed. Structural equation model is shown in Figure 4 to explain sub-hypothesis as the second model.

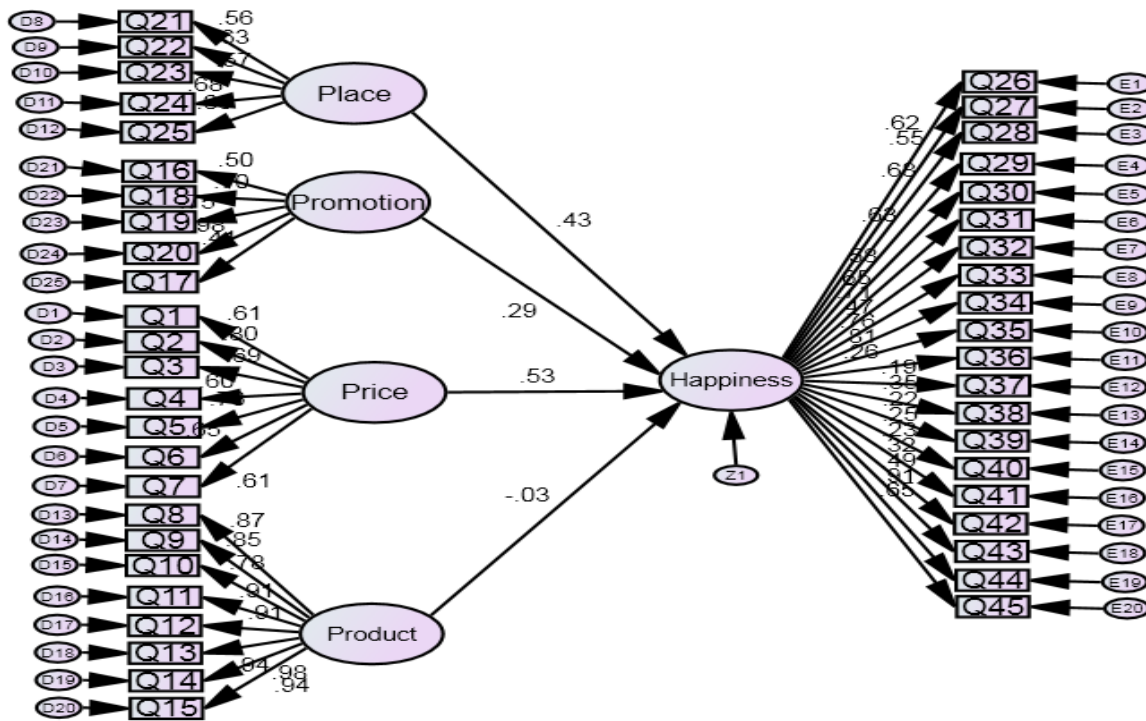


Figure4. Structural equation model (2) for sub-research hypotheses

Table 6.Regression coefficients and hypotheses tests

Test result	P	C.R	λ	Variable	PATH	variable	Number of Hypothesis
Support	0.001	5.595	0.53	Happiness	←	Pays	1
Not Support	0.558	0.586-	-0.03	Happiness	←	Internal product	2
Support	0.003	3.910	0.29	Happiness	←	Internal promotion	3
Support	0.001	4.604	0.43	Happiness	←	workplace	4

After reviewing the level of significance and factorial loading, it is determined that the second hypothesis based on the impact of payments on employee happiness with significant level 0.001 and factor 0.56, the fourth hypothesis based on the effect of communication on employees happiness with significant level 0.003 and factor 0.35, and the fifth hypothesis based on the effect of workplace on employee happiness with significant level 0.001 and factor 0.52 are accepted. The third hypothesis based on the effect of domestic products on employee happiness with significant level 0.558 was rejected. There is no significant relationship between dependent variable and these components.

Conclusion

It is assumed that one of the biggest concerns of organization is to establish happy working environment. Therefore, if both marketing and human resources management work together, they can offer happiness to internal customers of organization. The purpose of this study was also to examine the impact of internal marketing on staff happiness. The aspects of internal marketing (attractive internal products, good pays, effective internal promotion, and happy workplace) can be considered and measured. Thus, in this research the impact of internal marketing on staff happiness as the main hypothesis is analyzed. The main hypothesis was confirmed by positive and strong effect. The result confirmed the conclusion of previous researchers that internal marketing causes mental health and happiness.

In this study, there were minor hypotheses. Given that internal marketing includes four aspects, the effects of each aspect on employee happiness was studied separately. Findings showed that the second hypothesis based on the effect of pays on employee happiness was approved; therefore, payment has positive and significant impact on employee happiness. The third hypothesis suggested that there was no significant relationship between internal product and happiness, so it had no impact on employee happiness. Fourth and fifth hypothesis which analyzed the impact of internal promotion and workplace on employee happiness were approved with reliability at level 0.95.

Organizations must never forget this fact that domestic customers (employees) turn the future events of organization. Therefore, if organizations want their employees to survive in the market, they should revise their behaviors and attitudes toward them. As previously mentioned, employees are the most valuable asset of organizations, so they pay a huge amount of money for recruitment. What should be taken into consideration is the role of managers and management tools to grant the needs of employees and their loyalty toward organization.

Management tools for creating a happy environment by marketing approaches include:

- To give priority employees in the organization
- To develop a career widely as a product
- Strong communication as a major source of happiness
- To improve team working and collaborative activities.

Recommendation

Due to extensive changes in business environment, organizations need to increase the level of quality and quantity of their products. Thus, to achieve this important issue, paying attention to employees as internal customers who have a key role in the organization, are required. Therefore, motivating employees and improving services, enhancing spirits, and keeping employees happy cause them to participate in work tasks. Consequently it helps organization to

provide products with higher quality. The chain eventually leads to increase satisfaction and loyalty of external customer of organization.

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