

# The Impact of Internal Marketing on the Employee's Retention in Sialkot Industries

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## Abstract

This research investigates the effect of internal marketing on the employee retention in manufacturing industry of District Sialkot, Pakistan. Marketing can be divided into two broad categories, internal marketing and external marketing. According to internal marketing concept, employees are considered as internal customers of organization and jobs are considered as internal products that satisfy needs and wants of internal customers while addressing the objectives of the firm. Internal marketing is very important in manufacturing industry where the manufacturing depends on the employees. This study is derived from the literature that provides the basis for the study. A questionnaire which includes 24 was designed to collect the data from 22 industries of district Sialkot. The results of this research showed that the internal marketing: motivation, empowerment and internal communication has strong impact on employee's retention. Therefore if the manufacturing industries want to retain their employees for the longer period, it is recommended that appropriate attention should be given to internal marketing.

**Keywords:** Internal marketing, Manufacturing industry, Employee retention, Motivation, Empowerment, Internal communication.

## **Introduction**

Marketing can be divided into two broad categories, internal marketing and external marketing. According to internal marketing concept, employees are considered as internal customers of organization and jobs are considered as internal products that satisfy needs and wants of internal customers while addressing the objectives of the firm (Berry, 1981). In ancient days, employees were considered as servants but now in this present industrial age this practice no longer exists. Organizations have realized that employees are not their servants. Organizations considered their employees as their human resource asset which is very critical for the success of organization, especially in manufacturing firms where products are unique. Every manufacturing organization wants to get very best from their employees and this could be possible only by internal marketing strategies (Ahmad et al, 2012) . This study will help firms to retain their employees for long time which is a desire of every organization. For this study, we selected manufacturing firms of Sialkot which are quite famous all over the world and the competition among firms forces them to retain their skilled employees to sustain competitive advantage. This topic is also appealing for us as nobody conducted research on internal marketing in Sialkot. Internal marketing is considered more important than external marketing (Kotler and Armstrong, 2004). The basic aim of this study is to find the relationship between internal marketing and employee retention.

## **Literature Review**

### **Internal Marketing**

Internal marketing is a much debated subject in international economic literature, being the topic of many books, journals and conference proceedings. Therefore it has become a strategic objective in the relationship marketing theory and practice. Internal marketing was first introduced by (Berry et al. 1976) and later by other researchers like (George, 1977) and (Thompson et al. 1978).The term received a numerous definitions in the last twenty years, internal marketing has been described as the implementation of a human resource management philosophy based on a marketing perspective (George and Gronroos, 1989).

Internal marketing is an equal handling of employees and customers with the help of policies to achieve organizational objectives (Woodruffe, 1995). Internal marketing is a complete mechanism to change employee's attitude and behaviors to achieve organizational goals and meet customer's expectations. (Gronroos, 1990), ( Zeithaml and Bitner 2002). Internal marketing concept holds that employees are the first market for every organization and it helps to get motivated and customer conscious employees at every level (George and Gronross, 1989). The concept behind internal marketing is that employees are the internal customers whereas jobs are internal products of the organization. Job products should attract, develop and motivate employees in such a way that their needs and wants must be satisfied while addressing the overall objectives of the organization (Berry, 1981; Berry and Parasuraman, 1991). Similarly, Kotler (1991) defines internal marketing as a task to hiring, training and motivating employees that can serve customer well. In this perspective it represents good elements of Human resource management (Bateson, 1991).

Rafiq and Ahmed (2000) defined internal marketing as: "A planned effort using a marketing-like approach to overcome organizational resistance to change and line up, motivate and inter-functionally direct and participate employees towards the effective implementation of company and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer focused employees."

Huang (2003) identified that internal marketing is a tool to employ, motivate and educate internal employees so that they can acknowledge the concept of customer orientation satisfaction. Conduit and Mavondo (2001), Johnson and Seymour (1985) suggested that internal marketing means creating an internal environment with customer orientation and service realization in the organization. Bansal, Mendelson and Sharma (2001) promoted practice with the suggestion that internal marketing includes six points as follows: (1) employment assurance; (2) broad training; (3) abundant salary determined according to organizational performance; (4) information sharing; (5) employee empowerment, and (6) reducing differences in rank.

### **Empowerment**

Empowerment, according to Business Dictionary, involves giving employees skills, resources, authority, opportunity, motivation, as well as holding them responsible and accountable for their actions thus contributing to employee's competence and satisfaction. Empowerment may also be defined as "a multi-dimensional social process that helps people gain control over their own lives" (Page and Czuba, 1999). Empowerment is also defined as the process of enabling and authorizing individuals to think, behaves, take action and decision and control work autonomously. It is the feeling of self-control of one's own destiny (Heathfield, 2012). Empowerment is an essential component of internal marketing (Berry and Parasuraman 1991).

Empowerment is the process which enables or authorizes an individual to think, behave, and take action, and control work and decision making in autonomous ways (Rafiq and Ahmed, 1998).

Chamberlin defined empowerment as multidimensional concept including decision power, information and access of resources, availability of choices, ability to create a difference, think critically, positive self-image and ability to change and develop the self and others (Chamberlin, 1997). Zeithaml et al. (1988) has shown that empowerment increases job satisfaction and reduces role stress. Singh (1993) found that empowerment reduces role ambiguity among customer-contact employees. According to Rafiq and Ahmad (1998), empowered employees make faster resolution of customer problems since they can act directly regarding customer complaints without referring problems to upper level managers.

### **Employee Motivation**

Motivation is the process that account for an individual's intensity, direction, and persistence of effort towards attaining a goal. 'Motivation' is derived from the word 'motive'. The term motive is derived from the Latin word 'movere' which means 'to move'. Motive is defined as "an inner state that energizes, activates (or moves) and directs the behavior of individuals towards certain goals".

Motivation plays an important role in achieving goals and objectives of business. Organizations have to make sure that each employee's workplace goals and values are aligned with the organization's mission and vision is important for creating and maintaining a high level of motivation. Bishop (1987) suggested that pay is directly related with productivity and reward system depends upon the size of an organization. Organizations in today's competitive environment want to determine the reasonable balance between employee loyalty, commitment, and performance of the organization. Deeprose (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations.

### **Employee Development**

Foreman & Money (1995) Employee development is a strategic investment by an organization in training its members (Foreman and Money, 1995). If employees are required to perform their tasks well, they must be provided with the necessary skill and knowledge that is required of them. If an organization wants to employ internal marketing effectively within an organization, employees must be trained and properly developed to fulfill its service role. This well-developed workforce will exploit the full potential of its resource (Piercy and Morgan, 1991).

Successful employee development requires a balance between an individual's career needs and goals and the organization's need to get work done. Employee development programs make positive contributions to organizational performance.

### **Internal Communication**

Internal communication has been of great concern among communication scholars for over 50 years, dating roughly from 1956 to the present. Internal communication can be defined as dissemination of information which enables employees to create greater sense of ownership, accountability and responsibility (Ahmed et al. 2003). When employees are well-informed about the expectations of its customers as well as the condition and health of the organizations, they will perform their duties in the favor of the organization. The competitive environment is also changing and organizations need to adapt more quickly to those changes where communication has a key role to play (Dunmore, 2002). Effective communication is one of the organizational key aspects since employees play a huge role in organizational success (J. Gray and Laidlaw, 2004).

### **Employee Retention**

The global environment has been changing drastically. Social developments like globalization, rapid change in technology and growing global competition put pressure on organizations to maintain their competitive advantage (Burke and Ng, 2006). Corporate leaders are facing a vital issue of employee retention due to lack of skilled labor, economic growth and employee turnover. Retention can be defined as "the ability to hold those employees you want to keep, for longer than your competitors" (Johnson, 2000). The analysis of retention is considered necessary not only at single level because its impacts are at different level (Klein et al. 1994), (Klein and Kozlowski, 2000), (Raudenbush and Bryk, 2002), (Yammarino and Dansereau, 2004). In order to build up an effective retention plan for today's employment market, it is important to pick the varying needs and prospect. If the retention strategies are not accurately designed in the business processes, all effort since recruitment will eventually proves useless (Earle, 2003).

Companies should anticipate technological innovation so that they can compete with other companies worldwide. This could be only possible through continuous learning and development of their employees. Companies should have and retain skilled employees because employee's knowledge and skill is the only key to get competitive edge (Hiltrop, 1999). The responsibility of employees learning and development lies on the shoulders of employers (Arnold, 2005), (Bernsen et al. 2009), (Herman 2005). Carraher et al (2006) advocates that there should be an effective reward system to retain the high performers in the organization and reward should be related to their productivity.



Figure: Hypothetical Model of Relationship between Internal Marketing and Employee Retention

**Methodology**

To check the impact of internal marketing on employee retention following hypotheses were proposed:

- H1: Motivation has significant effect on Employee Retention.
- H2: Empowerment has significant effect on Employee Retention.
- H3: Employee Development has significant effect on Employee Retention.
- H4: Internal Communication has significant effect on Employee Retention.

The data is collected from different firms of Sialkot district, Pakistan. Our target population is Sialkot district industry and our sampled population is 22 firms. Questionnaire is used as a data collection tool and our sample size is 110 that includes managers and non-managers, 5 from each firm. Sampled population includes those firms that fully produced their products internally.

Research methodology includes following statistical tests;

1. To check the validity and reliability of data, Cronbach’s alpha is calculated.
2. Our independent variables are internal communication, employee development, motivation and empowerment while dependent variable includes employee retention. Multiple regression was run to verify the effects of many different factors.
3. ANOVA test is performed to test the fitness of model.

**Results and discussion**

With good response rate a total 120 questionnaires were returned by the respondents and the response rate of this survey is 100% which is very good. The SPSS is used for the analysis of the data, to check the reliability of the questionnaire, Cronbach’s alpha is calculated.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.818	31

The outcome of the Cronbach’s Alpha has been shown in above table.1. According to criteria, 0.818 value of Cronbach’s Alpha is considered good providing support for the reliability of the questionnaire.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813 <sup>a</sup>	.661	.648	2.27154

The above table shows that the R-square is 0.661 which means that our independent variables explain 66.10 % variation in the dependent variables. Or in simple words we can say that the model is good fit.

Table 3: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1057.700	4	264.425	51.246	.000 <sup>a</sup>
	Residual	541.791	105	5.160		
	Total	1599.491	109			

a. Predictors: (Constant), IC, ED, Emp, Mot

b. Dependent Variable: ER

The F-ratio in the ANOVA table tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable,  $F(4,105)=51.24$ ,  $p=0.000<0.05$ . (i.e., the regression model is a good fit of the data)

Table 4: Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
ER	.108	110	.043	.972	110	.059

The above table shows the results of normality test, and it is observed that the p-value for Shapiro-Wilk test is 0.059 which is less greater than level of significance as; ( $p=0.059>0.05$ ) and hypothesis of normality is accepted. Hence it is concluded that the data set is normal and the assumption of regression analysis is fulfilled, so the regression analysis can be applied on the data set.

Table 5: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-4.567	2.050		-2.228	.028
Mot	.407	.084	.320	4.854	.000
Emp	.531	.075	.462	7.053	.000
ED	.056	.091	.035	.619	.537
IC	.342	.091	.244	3.763	.000

a. Dependent Variable: ER

Unstandardized Coefficients indicate how much the dependent variable varies with an independent variable, when all other independent variables are held constant. Among four predictors, empowerment is most important because it has high beta value 0.531 which is greater than all other beta's.

The Multiple Regression model is shown below:

$$\text{Employee Retention} = -4.567 + 0.407(\text{Motivation}) + 0.531(\text{Empowerment}) + 0.056(\text{Employee Development}) + 0.342(\text{Internal Communication})$$

According to table 5, the outcomes provide support for the hypothesis 1,2 and 4. So three predictors, Motivation, Empowerment and Internal communication have significant effect on employee retention as p-values less than level of significance (0.05) and Employee development has not significant effect on employee retention. In simple words we can say that the, Motivation, Empowerment and Internal communication play significant role to determine the employee retention. According to Rafiq and Ahmed (1998), empowerment helps in decision making in autonomous ways. Deeprose (1994) and Bishop (1987) argued that the motivation of employees strongly effect their job retention which ultimately results in improved performance of organizations. According to Gray & Laidlaw (2004), internal communication has significant impact employee retention and organizational success.

## Conclusion

This study investigated the importance of internal marketing and its influence on employee retention in Sialkot district's firms. The study predicts the strong impact of internal marketing on the employee's retention and it is concluded that the internal marketing tools: motivation, empowerment and internal communication has strong impact on employee's retention. This research has focused on the Sialkot district firms and generalization of this study findings to other city's industry in Pakistan, require further research. It is also suggested

that further researchers also investigate the other factors that might have effect on employee's retention in industries of Pakistan and overseas industries.

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**Appendix**

**Questionnaire**

Date:.....

I am the student of **MBA 3.5 years (Department of Management Sciences, UOG)**. I am conducting a research article on **“The impact of internal marketing on the employee’s retention: A case study of Sialkot Industry” as academic activity**. I want your co-operation to collect the information about this topic. All the information will be remained confidential .I shall be thankful to you...

**Section-A**

**Personal Information of Respondent**

- 1. Name: .....
- 2. Age: .....
- 3. Genders    Male     Female
- 4. Qualification: .....

**Job Information**

- 4 Your profession status:  
Managerial         Non-Managerial
- 5. Your basic salary: .....
- 6. Your native station: Sialkot     Other

**Section-B**

Here are some statements. Please express your rating about these statements.

- 1. Strongly Dis-agree    2. Dis-Agree    3. Neutral    4. Agree    5. Strongly Agree**

S No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	<b>Motivation</b>					
1	The mission or purpose of my organization makes me feel my job is important.					
2	My boss leads by example.					
3	I have all the materials and equipment I need to do my best every day.					
4	In the last seven days I have received recognition or praise for doing good work.					
5	My boss or someone at work seems to care about me as a person.					
	<b>Empowerment</b>					
6	I am given the opportunity to suggest improvements.					
7	I participate in setting the goals and objectives for my job.					
8	My supervisor values my suggestions and requests.					

9	My supervisor encourages me to suggest ways to improve productivity.					
10	I have a voice in the decision when changes are planned.					
	<b>Employee Development</b>					
11	I am satisfied with the quality of development programs available to me in my company					
12	My company has made a substantial investment on me by providing me with formal training and development opportunities					
13	The developmental opportunities I have received has helped me be better prepared to support my company's goals					
	<b>Internal Communication</b>					
14	I am satisfied with the amount and quality of information I get about company's strategy and goals.					
15	I am satisfied with the communication I have with my co-workers within company.					
16	I receive information about my job performance.					
17	I receive recognition for my job.					
18	Information I receive from co-workers is trustworthy.					
	<b>Employee Retention</b>					
19	I am planning on working for another company within a period of five years.					
20	If I wanted to do another job or function, I would look first at the possibilities within this company.					
21	I see a future for myself within this company.					
22	It doesn't matter if I'm working for this company or another, as long as I have work.					
23	If I received an attractive job offer from another company, I would take the job					
24	I have checked out a job in another company previously					