

## THE IMPACT OF INTERNAL MARKETING ON EMPLOYEE SATISFACTION IN THE BANKING SECTOR

Marija Miložić

Faculty of Organizational Sciences, Republic of Serbia, [marijamilojic87@gmail.com](mailto:marijamilojic87@gmail.com)

**Abstract:** In order to achieve a successful business in the long run, a bank must focus its resources on employees and customers. The employees play a key role in achieving the bank's success, especially when their satisfaction affects the satisfaction of the bank's customers. The paper is an attempt to analyze the relevant literature in the field of internal marketing and human resource management in more detail to investigate the nature of the relationship between internal marketing and employee satisfaction. The key elements of internal marketing being crucial for understanding the overall quality of internal marketing by bank employees have been identified. The aim of the paper's research is to determine which of the key elements of internal marketing lead to employee satisfaction, proving their connection. The research was conducted by the method of focus group interview, with 6 respondents who agreed to participate in the research, employed in three banks operating in the Republic of Serbia. Based on the obtained results, scientific confirmation was given on the importance of internal marketing to the satisfaction of bank employees. Based on the overall analysis, it could be concluded that the better the employees assessed motivation, career development, training and the existence of internal communication, the more pronounced was that they were satisfied with the content of work, earnings, and the possibility of career advancement.

**Keywords:** internal marketing, employee satisfaction, management human resource, banking sector.

### 1. INTRODUCTION

Banks are constantly making efforts to achieve successful operations, despite the difficulties they face in the operations related to the competitive environment, frequent changes and market uncertainty. One of the key aspects for achieving a successful business is employee satisfaction by accepting the bank's goals as one's own. Certainly, employees play a key role in achieving the bank's success, especially when their satisfaction affects the satisfaction of the bank's customers. In this regard, banks should perceive employees as their first clients. In that sense, internal marketing means the process of discovering and satisfying the needs of internal clients - employees of the bank by providing them with the sale of the bank's products (mission, vision, strategy, and goals). Therefore, internal marketing should have an appropriate priority over external marketing (Ahmed & Rafiq, 1995; Broady-Preston & Steel, 2002; Flipo, 2007).

Having in mind the above, one of the key elements of the marketing mix for every service organization, and therefore the bank as well, is the human factor (Ljubojević & Ćirić, 2017), and the conclusion is that to achieve successful business in the long run the bank must focus resources on its employees and customers. Additionally, a successful human resources manager is essential to the success of an organization. Human resource management is a set of activities related to the analysis of jobs and work tasks, acquisition of human resources, education and development of human resources, evaluation, compensation, maintenance and labour relations (Orlić & Ivanović, 2019). Therefore, it can be concluded that the effective use of human resources aims to achieve employee satisfaction in the organization.

In the marketing literature, the internal marketing concept is based on the understanding that employees represent the internal market in the organization and focuses on employees and their job satisfaction. The internal marketing views employees as internal customers, jobs as internal products, and equally (as in the external marketing) seeks to design those products to better meet the needs of customers - employees (Greene *et al.*, 1994).

Based on the reviewed literature, there is little research on the orientation of internal marketing in the banking sector because a good part of the research was aimed at examining the satisfaction of external customers, and not much has been done to examine the level of satisfaction of internal customers - employees especially in the banking sector. This research is an attempt to investigate the impact of internal marketing on employee satisfaction in the banking sector.

The first part of the paper gives a theoretical overview of the field of internal marketing and employee satisfaction. The second part of the paper describes the methodology used for research purposes, following the presentation of the results of research and discussions. At the end, the concluding observations and review of references used are given.

## 2. THEORETICAL BACKGROUND

### 2.1. The concept of internal marketing

The concept of internal marketing dates back to the 1970s and was applied in service companies, as a management approach based on building and managing the ability to provide services. A group of authors, Berry, Hensel, and Bruke (1976) were among the first to view internal marketing as an opportunity to improve an organization's ability to respond to the demands and needs of external customers. Berry (1981) was among the first authors to define the concept of internal marketing which considers employees in the organization as internal customers, jobs as internal products, and an organization seeking to offer internal products that meet the needs and desires of internal customers aimed at meeting the objectives of the organization. In the earlier literature, we encounter the notion of internal marketing as a process that acts as a link between employees and management and between organizational units with the goal of maximizing internal and external satisfaction (Varey, 1995). A new approach to internal marketing was introduced by Grönroos, according to which each employee should be trained as a marketer to perform additional work, cross-selling work and the like, and must possess the skill of retaining customers. This would allow building long-term relationships with clients and the organization should adopt a similar framework to that of the external marketing and using internal application of marketing activities it should encourage awareness of the services and behaviour oriented towards the client (Grönroos, 1980). Thus, internal marketing is important in all economic sectors, and especially in the service sector, such as the banking sector (Greene et al., 1994; Frost & Kumar, 2000). In this sense, Harris (2000) believes that the quality of service provided to the bank's client is affected by the quality of service in the bank's internal working environment.

In today's literature, internal marketing is one of the components of holistic marketing (Kotler & Keller, 2012). In the 21st century, marketers are increasingly realizing the need for a more complete approach that goes beyond traditional applications of the marketing concept. In this regard, the authors introduce the concept of holistic marketing, which starts from the development, design and implementation of marketing programs, processes and activities in which they recognize the breadth and interdependence of today's marketing environment. Marketing activities within the organization must be given equal importance, if not more important, than those directed outside the organization (Kotler & Keller, 2006). According to Filipović and Jančić (2010), a holistic approach to internal relations in an organization ensures that employees at all levels accept appropriate marketing principles, especially senior levels of management. Thus, internal marketing is applied in hiring, training and motivating capable people willing to work to the maximum to create value for customers, the organization, and the community. All business functions in the organization, even in the bank, must be marketing-oriented and develop a common strategy in relation to the market, environment and target public (Kostić-Stanković M., 2017).

Rafiq and Ahmed (2000) define internal marketing as a planned effort, using a marketing approach, to overcome resistance to organizational changes, align, motivate, and coordinate employees between business functions, applying corporate strategies to deliver a satisfied customer through the process of creating motivated employees oriented to the customer. Although there is no consistency in the elements that define the concept of internal marketing, numerous empirical studies have identified the common elements: training and development, internal communication, management support, feedback, interfunctional coordination and integration, employee satisfaction and motivation, and orientation to the satisfied customer. Recognized elements of internal marketing through numerous studies, Rafiq and Ahmed (2000) reduce to five key ones: 1) motivation and employee satisfaction, 2) customer orientation and satisfaction, 3) coordination and integration of business functions, 4) marketing approach and 5) implementation of corporate and functional strategies. This understanding is widely accepted in the relevant literature; however, further operationalization of these elements in recent research in banks (Ismail & Sheriff, 2017; Mainardes, et al., 2019) found that added two elements of internal marketing - employee rewarding system and internal communication significantly affects employee satisfaction. The aim of the paper's research is to determine which of the key elements of internal marketing lead to employee satisfaction, proving their connection.

Starting from the understanding that internal marketing is the creation, development and maintenance of organizational culture, Domazet (2011) recognizes the activities of internal marketing that lead to the achievement of the goals of the organization, and thus the bank:

- Successful fulfilment of all business tasks of employees aimed at achieving the goals of the organization,
- Motivating employees to perform tasks as experts focused on clients and the quality of products/services,
- Acquisition and retention of quality staff (employees) oriented to clients.

The concept of internal marketing in a bank depends on a set of different combinations of goals (Đurović, M. 2008):

- Market position of the bank in relation to the competition, as well as life cycle position,
- Mission, vision and strategy of the bank,
- Internal values, their levels and characteristics, especially personal values.

Based on the above it can be concluded that the internal marketing as an integral part of the marketing orientation of the company, relying on human resources management aimed at ensuring that positive attitudes are created in the employees towards the organization and develop their awareness of the correct understanding of their role in achieving the organization's objectives.

## 2.2. Employee satisfaction

From the aforementioned definitions of internal marketing, it can be seen that employees' job satisfaction is emphasized. In addition, the connection between marketing and employee satisfaction was emphasized, all within the elements and activities of internal marketing. Despite its widespread use in scientific research, there is no general definition of employee satisfaction. Employee satisfaction gains in importance as most people spend half their waking hours at work (Ebrahimian Jolodar, 2012). This leads to the conclusion that job satisfaction is a positive feeling that an employee acquires by evaluating their job or work experience (Haroon *et al.*, 2012). Job satisfaction can be viewed as a key motivator of organizational behaviour in the workplace (Shah *et al.*, 2018). This concludes that job satisfaction is one of the more complex areas faced by today's managers in managing their employees.

The notion of satisfaction can be related to the vision and feelings that employees have towards their work. Hence, a positive relationship and positive attitudes towards work indicate job satisfaction. On the other hand, negative relationship and negative attitudes towards work indicate job dissatisfaction (Armstrong, 2006).

<i>Definitions of employee satisfaction</i>	<i>Authors</i>
Matching the personal needs of an individual with his perception of his own work potential in order to meet these needs.	Kuhlen, 1963
The need for satisfaction, regardless of whether the job has met the requirements of the employee in the work environment.	Worf, 1970
Matching an individual's attitude about his work-related needs and rewards.	Concard <i>et al.</i> , 1985
Satisfaction functions with different elements of work. All the feelings that an individual has about work.	Herzberg and Mausner, 1959 Gruneberg, 1976 Prince, 2011
The affective orientation that the employee has towards his work.	

According to Muller & Christy (2016), the level of job satisfaction is influenced by a wide range of variables related to individual, social, cultural, organizational and environmental factors, and together represent the dimensions of employee satisfaction:

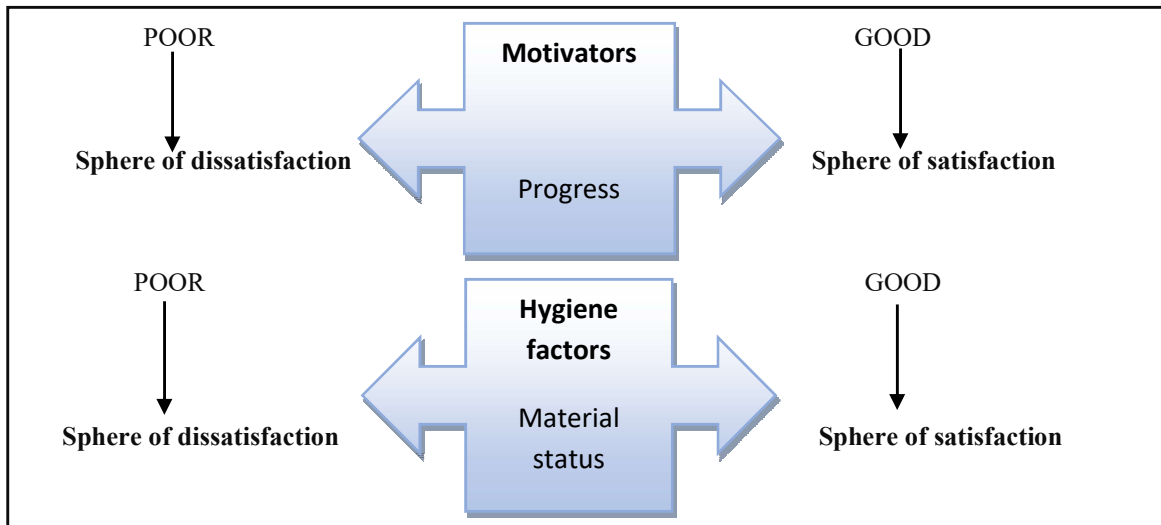
- Individual factors include personality, level of education and qualifications, intelligence and abilities, age, marital status, job orientation,
- Social factors include relationships with co-workers, group work and respect for standards, opportunities for interaction and informal organizations,
- Cultural factors include ethnicity, attitudes, beliefs and values,
- Organizational factors include the size of the organizational structure, HR (*human resources*) policies and procedures, technology and organization of work, management styles, management systems and working conditions.

Respecting these factors as dimensions of employee satisfaction, it is logical to conclude that some employees may be satisfied with certain aspects of their work, and dissatisfied with other aspects.

In order to better design and implement internal marketing, knowledge of certain theories in the field of human resource management is necessary. Significant efforts in terms of job enrichment and achieving employee satisfaction belong to Frederick Herzberg and his two-factor theory (Herzberg & Mausner, 1959). This theory is based on research on employees' attitudes towards work and incentives. It turned out that those respondents who loved their job associated this fact with success, recognition, the nature of the job, responsibility and advancement. Job satisfaction factors were related to the content of the job, and were related to higher level needs. Another group of respondents who were dissatisfied with their work cited reasons in business policy, insufficient competence of

superiors and poor working conditions. Job dissatisfaction factors related to the job context. The research concludes that attitudes towards work and productivity are influenced by two groups of factors: motivational and hygiene factors (Figure 1).

Figure 1. Herzberg's scales



Source: Mihailović & Ristić (2009)

The factors that affect job satisfaction and encourage productivity are motivational factors. On the other hand, if working conditions and interpersonal relationships are poor and the organization's policy is uncertain, it will lead to employee dissatisfaction and reduced productivity. According to Mihailović & Ristić (2009), hygiene factors must be provided first, in order for motivation factors to enter the scene. Thus, it can be concluded that motivational factors increase employee job satisfaction, while hygiene factors reduce employee dissatisfaction with work.

### 3. THE METHODOLOGY

For the purposes of the research, the focus group method was applied, while the instrument used to collect the data was the interview. The interview was conducted via email and telephone. The interview included 6 respondents employed in 3 banks at the following positions: front office jobs, back office jobs, employees with special authorizations and managers. Two respondents are employed in front office jobs in 2 different banks, two in back office jobs in 2 different banks, one respondent is employed with special authorizations and one is in a managerial position.

### 4. RESEARCH RESULTS

Numerous studies conducted in the banking and financial services sector highlight the positive impact of internal marketing on employee satisfaction. For example, Sahi *et al.* (2013) found that internal market orientation had an impact on employee attitudes, resulting in job satisfaction at Indian banks. The results of the study by Kanyurhi *et al.* (2016) conducted in financial institutions proved that the impact of internal marketing on employee job satisfaction implies that financial institutions must invest in and value employees in order to achieve job satisfaction. The authors concluded that this is achieved by selecting and retaining quality employees through well-established internal marketing procedures, sharing information with employees, rewarding, and assigning responsibilities. Mainardes *et al.* (2019) conducted research, divided into six areas, in the banking sector of Brazil: internal marketing, employee satisfaction, job engagement, intention to leave work, financial incentives and psychological incentives. The research concluded that internal marketing, in addition to having a positive impact on employee satisfaction, is crucial to attracting, selecting and retaining the best employees.

In this paper, a scale of questions developed by Mainardes *et al.* (2019), which relate to internal marketing and employee satisfaction. Within the interview, 19 questions were conceived, to which the employees answered YES/NO. The first part of the interview consisted of 13 statements, which sought to determine the level of perception of quality by internal marketing. The second part of the interview consists of 6 statements based on which the level of employee satisfaction with work, job content, training, and career advancement is assessed.

Constructs	Indicators
Internal marketing	My bank encourages me to take initiative
	My bank improves my perception of self-efficacy
	My bank trusts me to make good decisions
	My bank allows me to use my own judgment in solving problems
	My bank has internal communication strategies
	My bank's internal communications are effective
	My bank has internal interactive communication channels
	Employees in my bank are constantly trained
	My bank promotes learning among members
	The training in my bank is linked to my role of meeting the needs of the client
	Employees in my bank are kept by competitive wages compared to the market
	My bank has comprehensive benefits programs
	Employees in my bank are motivated to remain employed there
Employee satisfaction	I find real joy in my job
	I like my job more than people in general like their jobs
	I rarely get bored with my job
	I would not consider a job change
	On most days, I am excited about my job
	I feel very satisfied with my job

Source: Mainardes *et al.* (2019)

The results obtained from the interview show that most employees are very satisfied with their job. This is still consistent with the statement by Kanyurhi *et al.* (2016) that internal marketing, in addition to affecting employee satisfaction positively, is the key to selecting and retaining best employees. In this research, front office employees are more dissatisfied with their jobs compared to other respondents. They have fewer opportunities for constantly training. Also, they stated that they don't have competitive wages compared to the market. Internal marketing activities are well implemented in most banks. Most workers are satisfied with the clarity and organization of work. The professional training offered by the employer was also rounded off by most workers as a positive factor in their work. The results are still consistent with the study by Mainardes *et al.* (2019) that shows that the exogenous variables – financial rewards, internal marketing and psychological rewards – exert an influence on the endogenous variable employee satisfaction. In addition, internal marketing is a mediating construct, being able to intervene in the relationship between financial rewards and job satisfaction and in the relationship between psychological rewards and job satisfaction. Based on the overall analysis, it can be concluded that the better the employees assessed motivation, career development, training and the existence of internal communication, the more pronounced they were satisfied with the content of the job, satisfaction with earnings, and the possibility of career advancement.

## 5. CONCLUSION

The paper made an attempt to analyze the relevant literature in the field of internal marketing and human resource management in more detail to investigate the nature of the relationship between internal marketing and employee satisfaction. The obtained results confirmed the previous research which speaks in favour of the connection between internal marketing and employee satisfaction. Data analysis showed that employee satisfaction can be influenced, in which a significant role is played by internal marketing understood as an integral part of the marketing orientation of the organization, relying on the application of various human resource management activities aimed at: 1) creating positive attitudes towards the organization among employees and 2) development of adequate perceptions of one's own role in achieving the goals of the organization. Further, it can be concluded that human resource management and internal marketing are closely related and have related goals. Since conducting research through interviews is a subjective process because a large part of the entire process depends on the individual approach of the examiner, I believe that, in order to generalize the conclusion, future research should be based on a larger number of respondents and use the interview as a supplement to the primary research method. Undoubtedly, the internal marketing will undergo a transformation and expansion in terms of scope. Although the limitation of the field of action is on the work environment and the individual in it, in the era of technological development that knows no regional borders, the work environment will certainly become a broader concept than previously understood.

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