

# A BRIEF STUDY OF HUMAN RESOURCE DEVELOPMENT, ORGANIZATIONAL EFFECTIVENESS AND INTERNAL MARKETING

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## ABSTRACT

Various definitions of internal marketing appear to suggest that there is a close similarity between the concept of Internal Marketing (IM) and Human Resource Management (HRM). Various functions, tools and elements of internal marketing are covered under the scope of human resource management as well. So there is a need for clearly understanding the nature and scope of internal marketing and its similarities and differences with the concept of HRM for its effective implementation. This paper is conceptual and the approach adopted is analytical. Extant research and concepts have been used to develop propositions and to discuss both research and managerial implications, and as a result, first of all, the present paper reviews the relevant literature about Internal Marketing, Human Resource Development and the link between Internal Marketing and Human Resource Development. The study has found that internal marketing strongly supports the relationship between Human Resource Development and organizational effectiveness and the satisfaction of internal customers influences customer satisfaction and loyalty before affecting the profitability and growth of the company. Based on research findings, insightfully this study suggested leveraging human resource development to enhance organizational performance.

**Key words:** Human resource development, Internal marketing

## INTRODUCTION

With the significant growth of service sector and the knowledge-based economy, internal marketing is increasingly important to organizations. The increasing recognition of importance of the employee's role in the service industry has led organizations to adopt the internal marketing concept and thereby, treat their employees as internal customers. Internal marketing has so many definitions designed by various researchers. The term internal marketing was first used by Berry L.L. He described internal marketing as "The Employees as Customers" Berry first proposed the concept of internal marketing as a solution to the problem of delivering higher quality of service. In earlier days the internal marketing approach had a Uni- dimensional focus. Authors such as Gronroos (1990), Vary (2001) and Tsai (2008) came out with an opinion that internal marketing is just a supplementary to Human resources management. In early development phase the majority of the work on internal marketing focused upon the issues such as employee motivation and their satisfaction. The major reason behind these efforts is to improve the customer service quality. Internal marketing requires that everyone in the organization buy into the concepts and goals of marketing and engage in choosing, providing and communicating customer value. In current scenario enhancing customer's experience with the service offered is a collective effort of each and every employee working in the organization though the degree to which they are associated with the particular service varies. To improve the quality of service rendered by an organization the employee's contribution towards enhancing it is a most important one.

The successful organizations begin their marketing activity strategy from the inside, which is called internal marketing. In addition to external marketing activities, internal marketing does not refer to the reverse of the concept of international marketing and does not refer to the sale of products for workers in the organization as

well. So it is a targeted efforts to add value to employees and enhance their loyalty to the organization, which makes the organization able to achieve its objectives. 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 costumers of their organizations who had needs to be satisfied; and those needs were closely connected to their jobs.

Internal marketing represents one of the modern marketing concepts that are related to human resource directly, which provides appropriate work environment for the employees that enhance them to achieve superior marketing performance, the success of internal marketing is a reflection of the success of external marketing. Human resource development strategies are a set of systematic and planned activities designed by an organization to provide its members individually and as a group the necessary skills, knowledge, and capabilities to meet current and future job demands in order to enable them to provide better services and create good relations with customers and customer satisfaction.

## **Internal Marketing**

The standpoint of internal marketing is that employees of an organization are its first market. Hence, the concept of internal marketing is based on the idea of employee as customer. Among the first who advocated that idea were Sasser and Arbeit. In their opinion internal marketing holds that personnel are the first market of a service organization (Sasser & Arbeit, 1976).

The concept of internal marketing is not limited to the ‘frontline’ customer service staff alone (De Bussy et al., 2003). Even the employees who do not interact directly with customers may impact upon perceived service quality because they directly influence the service providers (George, 1990 in De Bussy et al., 2003). If all employees perform their jobs well they are a value-added component of the service and product offering.

The definitions of internal marketing vary to a great extent. Based on the literature analysis according to their scope and dominant perspective IM definitions can be classified into the following groups: (1) Internal marketing as a 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.

## **Human Resource Management**

Human resource management as a specialized function in organizations began to grow around 1900s (Mathis & Jackson, 1988). However, the decade of the 1980s brought a serious transformation in the practice and study of human resource management. Intense business competition forced organizations to think about the new source of wealth and competitive advantage—employees. Therefore the field of HRM was indeed begun to embrace, a strategic perspective”. Moreover, in the 21st century, “in a world in which all work is knowledge work and intellectual capital is crucial for economic success, it is logical that the ability to attract, retain, and use the talents of people provides a competitive edge” (O’Reilly & Pfeffer, 2000).

HRM is commonly defined as a “process of acquiring, training, appraising, and compensation employees, and attending to their labour relations, health and safety, and fairness concerns” (Dessler, 2005), and as a “strategic and coherent approach to the management of an organization’s most valued assets—the people working there who individually and collectively contribute to the achievement of its goals” (Armstrong, 1999). Hall and Goodale (1986, p. 4) add that HRM is a “process of bringing people and organizations together so that the goals of each are met,” with the aim of the “optimal degree of fit among the four components – the environment, organization, job, and individual”.

## **IM as a synonym of HRM**

Reardon & Enis (1990)-IM is the application of persuasion strategies, both novel ones and those common to external marketing, to convince people in-house that they are connected to the customer.

Reardon & Enis (1990)-IM is the employment of the same skills that are employed in external marketing to market inhouse, in order to persuade employees that they are vital links in the production-customer satisfaction chain .

Rafiq & Ahmed (1993)-IM is the development of marketing program aimed at the internal marketplace in the company, by using the same basic structures used for external marketing

Ballantyne (2000)-IM is a strategic approach to challenging both the attitudes and behavior of staff towards an understanding of the centrality of the customer.

Gilmore & Carson (2001)-IM is the spreading of the responsibility for all marketing activity across all functions of the organization, and the proactive application of marketing principles to 'selling the staff' on their role in providing customer satisfaction within a supportive organizational environment.

Kotler (2003)- IM is a task of hiring, training, and motivating able employees who want to serve customers well

## LITERATURE REVIEW

### ***Human resource development:***

Until recently it was rarely realized that a firm's human resources and human capital are sources of competitive advantage. Competitiveness cannot be achieved without managing performance and at the same time developing the skills and the competence of employees. Performance management potentially makes the most significant contribution to individual and organizational learning and helps to raise organizational efficiency and promote growth (Adhikari, 2010).

The world of employment has changed dramatically, technology is impacting practices, experiences and societies are becoming more global and multicultural. With the rise of globalization, employability is becoming one of the main goals for business enterprises. Today's employers require employees to have soft or non-technical skills in addition to technical skills (Mansour & Jason, 2016). So, the HRD function is different from personnel/HRM functions. Rao (Rao, 2007) outlines the following roles of an HRD manager:

Developing the enabling capabilities in individuals and the system.

### **Integrating the development of the people with organizational development.**

- Maximizing the learning opportunities of individuals in organizations through various mechanisms, autonomy and responsibility.
- Decentralization, delegation and shared responsibility.
- Balancing change and adaptation.
- Building feedback and reinforcement mechanisms, etc.

Hence, we define HRD for the purpose of this study as a systematic process of developing strategic human resources (which include talent development, training/ development, organization development, performance development and career development) in order to enable the organization to achieve its strategic objectives including Quality, Productivity, Customers satisfaction, Employees satisfaction and Innovation.

Human Resource Development Components:

### **Organization Development :**

Swanson and Holton (2001) suggest that there are many different views of OD, since the contexts of the needs for system change vary greatly across different organizations. They state that OD is essentially a method of defining and solving problems related to the organization, and they introduce two popular models that are seen in many OD process models: action research and organization development for performance system (ODPS) (Cummings & Worley, 2005). On the other hand, ODPS involves the implementation of a process of planned, systematic change to develop human expertise for improving individual, group, process, and organization performance: (a) analyze and contract, (b) diagnose and generate feedback, (c) plan, design, and develop, (d) implement, and (e) evaluate and institutionalize (Lynham, 2000). We can define organization development as a systematic process of implementing organizational- wide change and development interventions in order to enable the organization to achieve its strategic objectives.

### **Training and Development:**

Training and development is one of the important HRD functions in a constantly changing global economic environment, in which every individual in an organization has an opportunity to develop competences accordingly. Training is described as the extensiveness of formalized programs to develop knowledge, skills and abilities while the development is Development– Preparing for future responsibilities, while increasing the capacity to perform at a current job (Evans and Davis, 2005). Jacobs and Washington (2003) use another term for TD: they explain, “employee development refers to an integrated set of planned programs, provided over a period of time, to help assure that all individuals have the competence necessary to perform to their fullest potential in support of the organization’s goals”. We can say training and development is a systematic process of providing training and development of employees in order to enable the organization to achieve its strategic objectives.

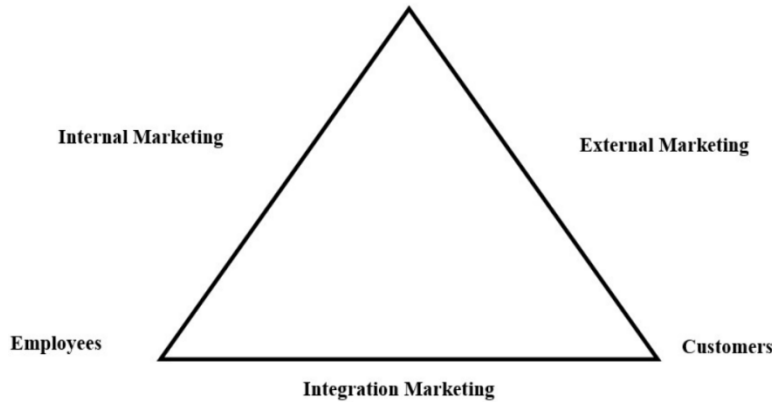
## **Career Development:**

Chalofsky (1989) states that career development services have emerged as part of HRD functions, beginning in the early seventies. In this era, firms sent recruiting counsellors to schools in order to provide career guidance and counselling students. At the same time, they provided their employees with advice on how to pursue their career goals within the organization. Career development involves the person’s creation of a career pattern, decision-making style, integration of life roles, value expression, and life-role selfconcepts (Niles and Bowlsbey, 2002). Career development interventions assist in building a partnership between the organization and its employees, enriching their knowledge, skills and abilities by improving individual competences, allows simultaneous enhancement OE (Gilley et al., 2002). We define career development as an ongoing process by which individuals progress through a series of changes until they achieve their personal level of maximum achievement.

## **Internal marketing:**

The notion of Internal Marketing appeared in 1970’s; it has been founded to solve the problems that occur due to the lack of delivering services in high quality (Panigyrakis & Theodoridis 2009). According to Berry and Parasuraman (Berry and Parasuraman, 1988), Internal Marketing is the process of handling staff as internal customers and projects as internal products that satisfy the needs and desires of the customers and adhere to the company’s goals. On the other hand, Jaworskki and Kohli (Jaworski and Kohli, 1993) support that Internal Marketing is the process of promoting the company and its products to the employees. In other words, companies in the service industries must develop programmes that will be addressed to the internal market (their employees) as well as the external market (customers) (Lovelock, 1991; Tansuhaj et al, 1987; Gummesson, 1994; Gronroos, 1990a). The internal marketing figures out from Relationship Marketing, where the main goal of internal marketing is to build a base of customers and retain them and get them to the point of loyalty. Kotler and Armstrong (2006) showed the internal marketing is training and motivating of employees to find a clever marketer working in external marketing, make employees unable to provide excellent services through encouraging them to work as a team to serve customers. Al Jadi (Al-Jadi, 2006) sees that internal marketing is a purposeful effort to provide employees with a clear understanding of the goals and tasks that the organization would like to achieve with training, motivation and reward according to the level of the achievement of the objectives.

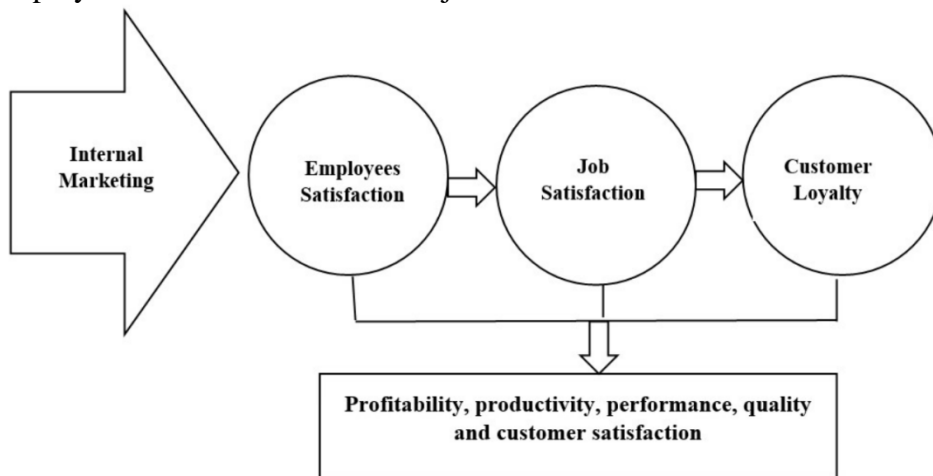
The above-mentioned approaches emphasize the importance of applying marketing techniques on the company’s employees. In particular (Marshall & Baker, 1998) four “Ps” are fine-tuned, so they apply to the internal market. The concept of Product refers to the type of tasks offered to the internal customers (employees); Price refers to the opportunity cost of the employees performing tasks that they deem as boring; Place refers to the degree of easiness or difficulty in relation to employees’ commuting to and from their work place and finally; Promotion refers to internal communications which enable the company’s management to update employees about the company’s vision for the future. The aim of Internal Marketing on a strategic level is the creation of an appropriate environment that will support the employees’ interest in external customer satisfaction. In addition, Internal Marketing regularly focuses on internal communication between management and staff (Gronroos, 1990).



**Fig. 1.:The dimensions of modern marketing**

**Internal marketing objectives:**

Although there is no 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. Increase employee commitment with the organizations. 3. Increase employee involvement with organizations. 4. Increase employee motivation. 5. Increased job satisfaction.



**Fig. 2.: Objectives of internal marketing**

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 the organizational superior performance and will influence the 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 quality services for external customers to have a loyal base of satisfied clients, which contributes to increasing revenues, decreasing costs and building market share and etc. Considering the literature above, the following model briefly illustrates the main goal of IM.

**Internal marketing-mix:**

(Lovelock & Wright, 2002; Keller, 2006) determined the Internal marketing -mix in the following way:

- Product: The function of internal marketing is a product which announces employees to select the best candidate to achieve the job successfully while the tasks, roles and responsibilities represent some product specifications.

- Price: The Price is the cost needed by employees to acquire new skills and knowledge in order to meet job requirements that enable them to achieve strategic organizational objectives.
- Promotion: Represents the communications with the organization, share information and exchange views, and through that communication systems are designed to link between management and employees on the one hand and between the internal customer and external customer on the other hand.
- Place: Represents the place where the internal customers meet the offered product, the place where the workers perform their job and the degree of easiness or difficulty in relation to the employees' commuting to and from their workplace.

### **Dimensions of Internal Marketing:**

Foreman and Money (1995) suggested three components of internal marketing that are rewards (rewarding and fairly compensating employees), (Paliaga & Strunje, 2011). Ng et al. (Ng et al, 2016) pointed out different components from where the company starts the internal marketing with (a) recruitment (b) training (c) motivation (d) communication (e) company vision/goals (f) co-optation reward. For this study, we can determine the Dimensions of Internal Marketing in three Dimensions (a) Empowerment (b) Employee training and development (c) Motivation.

### **Empowerment:**

Naval (Naval, 2013) sees the employees' Empowerment to participate in top management, making strategic and operational decisions, formulating policies and solving problems, job development and delegation of sufficient power and freedom that is reflecting positively on the performance of the organization. Bruce (Bruce, 2009) indicates that employees' empowerment in decision-making positions and the encouragement of their participation contributes to a rapid response to any changes in the environment and thus contributes to increased job satisfaction. There should be a healthy and good relationship between the internal customers and the management of the organization and there should be emphasis on the delivery of the best products and services and needs of satisfaction of the employee. There should be proper management style and system for the internal training and coaching of the employees that must help and support the nourishment of an internal environment of business (Ullah, Ahmad, 2017).

### **Employee training and development:**

According to many studies, training and development is one of the basic elements of internal marketing and has an effective role in the satisfaction of employees and in the increase of their productivity (Kameswari, Raiyalakshmi, 2012), (Ahmed, Alborie, 2012). There are many studies on internal marketing which state that there is a strong need to develop the satisfaction of employees and that employers should consider jobs as internal products, their aim should be to develop a loyal, most skillful and qualified personnel (Zampetakis and Moustakis, 2007). There should be a proper management style and system for the internal training and coaching of the employees that must help and support the nourishment of an internal environment of business (Roberts-Lombard, 2010).

### **Motivation:**

Mahdi (Mahdi, 1994) defines the motivation as the factors that drive the workers of the organization to work with all their capabilities to achieve their targeted goals and objectives (Yauas and Babakus, 2009; Ahmad and Rafiq, 2002) indicated that motivation is one of the basic and important elements of internal marketing in industrial and service organizations. The organization encourages that their internal customers (employees) must be satisfied through lucrative rewards who in return satisfy the external customer and fulfil their needs and wants (Haghighikhah et al 2016). Awwad and Agti (2011) stated in their study of banking that if the reward is fair then it creates emotionally stronger and more loyal internal customers for the organization. Internal marketing has strong linkage with the firm's performance so in order to get satisfaction from the customers, first of all we have

to train, educate and motivate our internal customers, in return they can fulfil the goals of the organization (Ullah, Ahmad, 2017).

## **Human Resource Development and Internal Marketing**

By reviewing the literature of HRD and IM it can be inferred that there is a 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, it would be best served through the contributions of both the marketing and human resources functions as they reflect the common roots of each discipline within a psychological theory. The important role of internal marketing is to breed effective human resources, which implies that IM and HRM are closely related to each other (Avoudia & Kaur, 2012). Moreover, internal marketing strongly supports the relationship between HRD and organizational effectiveness (Schneider and Bowen, 1985). It is because organizational effectiveness factors such as productivity, employee's engagement and service quality are closely related to the intention and ability of internal customers (i.e., employees) to achieve specific objectives. According to Zeithaml, Parasuraman and Berry (Zeithaml, Parasuraman and Berry, 1990), the levels of internal customers' satisfaction and commitment towards the organization, which is highly representative of employee willingness, are aspects worthy of in-depth investigation.

Iacovone (2012) found in his research survey of some companies like Cisco Systems, Elica, Microsoft, Coca Cola, Cefriel, W. L. Gore that these companies were characterized for the best IM practices, the survey shows that the responsibility of Internal Marketing activities does not belong to the human resource department, but to the Marketing Department. Where competition requires, focusing on strategic and distinctive competences, referring to the best human resources of the organization are essential. So, IM approach is something both strictly correlated with culture (and not necessarily with business size) and essential for business strategy. Chuang, Liu and Chen (2015) found that the satisfaction of internal customers influences customer satisfaction and loyalty before affecting the profitability and growth of the company. Aeeni, Ahmadi and Shafei (2013) found in their study that a positive impact of internal marketing on organizational citizenship behavior has been confirmed as expected and according to the results of their research the organizations can increase organizational citizenship behavior among their employees through the improvement of internal marketing activities and the enhancement of their performance by this. Ullah, Ahmad (2017) found in their study that the impact of internal marketing on organizational performance is not direct. It is however through organizational culture. Internal marketing can lead to a better and enhanced organizational culture that would ultimately lead to enhanced organizational performance. Tsai and Tang (2008) said that if organizations wanted to improve their performance then it was their foremost responsibility to treat their employees as internal customers, this would give empowerment and courage to the employees to provide their best service to the external customers

## **CONCLUSION**

Internal marketing includes activities aimed for employees and their development. It is targeted on identifying, motivating and retaining customer oriented employees. Regardless of its industry, adoption and implementation of internal marketing concept lead to long-term growth and success of the company. Internal marketing has important points of contact with human resources field of activity; therefore the analysis of internal marketing concept and its basic dimensions is a significant factor for creating competitive advantage in current business environment. The goal of internal marketing is to focus attention of employees on internal activities that need to be developed, maintained, and promoted for the purpose of business and strengthening competitiveness of the company on the external market. Human resources management through qualifying and motivation of employees to fulfil customer market needs as much as possible, namely to recruit appropriate personnel, and maintain and improve long-term relationship with them, is one of the key prerequisites for company's business success.

In today's fast and competitive world, the motivation of employees and uplift their positive behavior and catering their needs have become a major challenge for organizations. So, the main purpose of the current paper is to clarify the linkage between HRD and IM in today's organizations. In today's competitive environment,

organizations must meet the needs of their external costumers to reach their goals which are efficiency, effectiveness, productivity and market share. On the basis of the review of literature, this study has proposed a conceptual framework which aims to provide insights to managers to enhance positive employee attitudes and behavior through internal marketing and help explore how HRD practices effect on organizational effectiveness by mediating internal marketing initiatives that can help foster an organizational effectiveness and leads to improvement in organizational performance. This model will help improve the dimensions of human resource development practices by suggesting new ways of human and service development through culture improvement, thus enhancing the performance. In the theoretical framework, the relationship between HRD and internal marketing is proved from the literature. Although a lot of research has been done to find out the impact of internal marketing activities, there still exist a lot of research gaps that need to be addressed. One important point is to look into the mechanism of internal marketing which is to improve the performance of the organization through organizational effectiveness.

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