

The Impact of Internal Marketing on NPD

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Abstract

This paper aims to interweave the dimensions of internal marketing with new product development (NPD) in manufacturing sector in Jordan. It presents this relationship through a theoretical model and hypotheses. The results show that internal marketing positively facilitates the process of NPD.

Keywords: Internal marketing, NPD, manufacturing sector

Introduction

Several authorities have identified the importance of internal marketing as a recipe for business success. For example, Thomson (1991), Ahmed and Rafiq (2003), Bernstein (2005), and Kale (2010) all mention internal marketing in their diverse discussions on several issues. Internal marketing pertains to treating employees as customers (Berry and Parasuraman, 1991). They suggest that it is a philosophy as well as an approach towards conducting work. The logic behind concentrating on internal marketing is that in the process of manufacturing products, a company actively depends on its employees, who are its real asset. Thus, employee satisfaction mediates customer satisfaction.

Nevertheless, employee satisfaction on its own cannot generate customer satisfaction. The purpose of nurturing employee satisfaction is not to satisfy customers directly and get profits, but rather to make a product that will satisfy them. The literature (Gronroos, 1990; Rafiq and Ahmed, 1993; Kale and De, 2013) suggests that internal marketing should be placed at the heart of organizational culture in order to spread the idea of customer awareness among employees.

Despite its importance, especially in terms of innovation and new product development, the relationship between internal marketing and new product development (NPD) in particular has received relatively limited attention. Although there are some studies which tackle the effect of internal marketing components on NPD (Cho and Hahn, 2004; Tucker and Sebastian, 2014), there is no single study, arguably, which presents and tests a conceptual model that accommodates the direct influence of internal marketing dimensions on NPD. This, however, directly reflects the importance of this paper.

NPD offers organizations a good approach to achieving competitive advantages (Chang et al., 2007). Internal marketing stimulates and facilitates this mission. Accordingly, this paper's main argument pertains to this purpose. It aims to investigate the importance of internal marketing to NPD, and more precisely seeks to achieve the

following objectives: (1) to determine internal marketing dimensions in the context of Jordan's manufacturing sector, (2) to examine the relative impact of internal marketing dimensions on NPD, (3) to offer an empirical model that decision-makers in manufacturing industry can benefit from in measuring NPD performance.

Literature Review

Internal marketing emerged in the 1960s as a consequence of total quality management (Doukakis, 2003). In the 1970s Berry et al., presented internal marketing as a way for firms to consider both their employees and their customers. That is, satisfying employees results by satisfying customers, which results in more customer loyalty and profits for companies. In the 1980s Gronroos stated that internal marketing as a behavior practiced by organizations positively affects employee's emotions, and thus employee commitment towards organizations becomes bigger and better. David (2001) expands on this idea and suggests that management should spread the idea of a positive behavior among its employees, if it wants to serve its customers more effectively. By doing this the management will increase marketing awareness among employees (Bernstein, 2005). Ahmed and Rafiq (2003) propose that the importance of this attitude is reflected in paying continuous attention to improving the jobs that employees do and the environment in which they do them. This way of development helps to increase customer satisfaction and organizational performance simultaneously (Ahmed and Rafiq, 2003). Furthermore, Thomson (1991) reveals the importance of internal marketing through treating employees as profitable customers. This approach necessitates an understanding of internal customer's motivations, thus fostering constant communication across all levels within a firm (Kale, 2010). This way of communication and cooperation among employees and management breeds success (Ballantyne, 2003).

The Literature (e.g. George, 1990; Gaplin, 1997; Davis, 2001; Doukakis, 2003) suggests that internal marketing has several components. These include: internal communications, training, teamwork, empowerment, and reward system. Other authorities (Berry and Parasuraman, 1992; Taylor and Cosenza, 1997; Ueno, 2010; and Kale and De, 2013) have identified more elements to be major constituents of internal marketing. Like the previous ones these include communications, reward system, training, teamwork, and empowerment. In addition to culture, recruitment and selection, leadership, employee involvement, internal marketing segmentation and targeting, HR practices, and internal marketing research. The other previous work that also identified the range of elements that might influence internal marketing is that of Ahmed and Rafiq (2003); they proposed a number of factors that form the wide-ranging concept of internal marketing: communications, physical environment, organizational structure, selection and succession, staffing, leadership, rewards, coordination, empowerment, incentives, training, and operational changes. These dimensions were narrowed down to five by Kale and De (2013), namely culture, climate, compensation, recruitment, and training. Finally, Tag-Eldeen and El-Said (2011) use, to some extent, similar dimensions to measure internal marketing, these include: culture, information (communication) among employees, reward system, marketing approach to HR principles. This paper will draw on these dimensions.

Culture

Culture is an important factor in influencing NPD (Patrick et al., 2008). This importance is due to its intense impact on triggering a positive climate response in employees (Joanna, 2014). Dixit and Nanda (2011) suggest that in the manufacturing industry good organizational culture has a strong influence on innovation (NPD).

The above argument poses the first hypothesis:

H₁. Organizational culture has a positive impact on NPD.

Information (communications)

Communication is remarkably important in manufacturing industries. Employees deal with each other as a team to make products, so the smoothness and clarity of communication undoubtedly influences NPD (Tucker and

Sebastian, 2014). Thus companies make substantial efforts in the area of maintaining and enhancing a good level of communication among employees in order to deliver the desired result (Badir et al., 2008). They propose that, good communication among employees is a prerequisite to NPD performance.

The above argument poses the second hypothesis:

H_2 : Good communication among employees has a positive impact on NPD.

Reward System

Chang et al., (2007) present NPD success as the response to a reward system. The existence and strength of a reward system contributes to enhancing NPD (Gupta et al., 1986; Cho and Hahn, 2004). Reward systems define the performance of employees and employee enthusiasm defines the success of NPD. The above argument poses the third hypothesis:

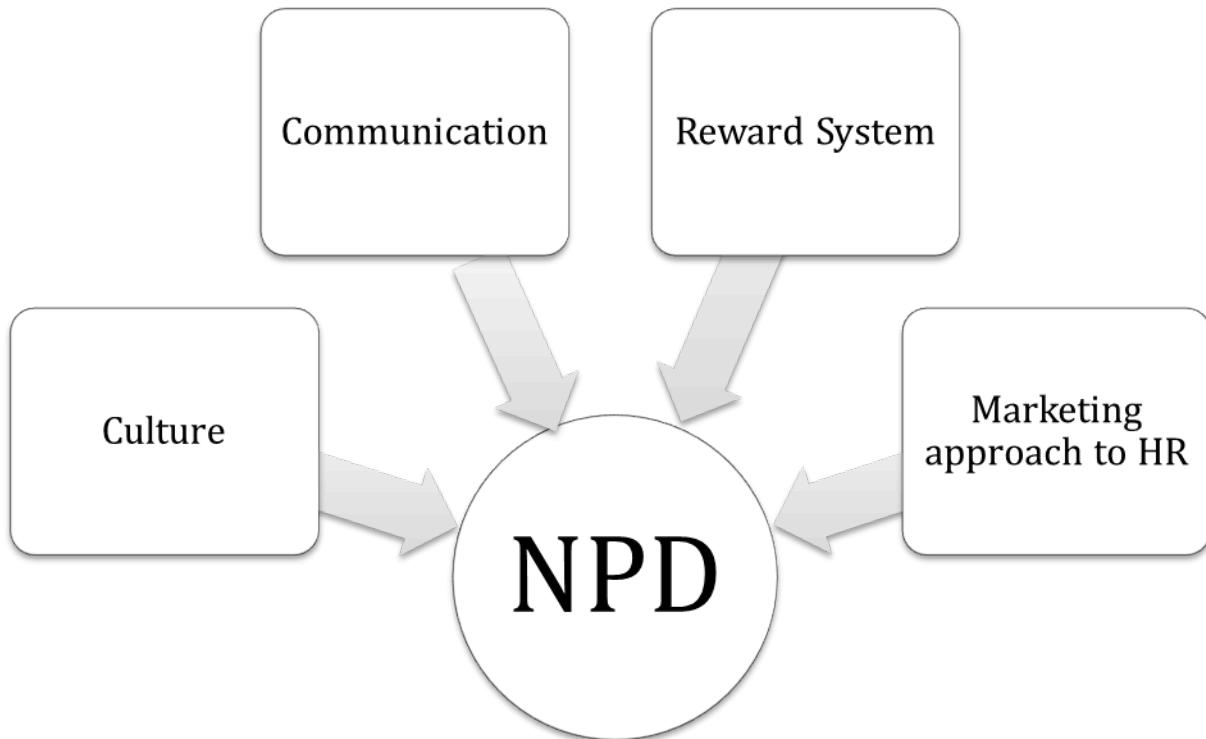
H_3 : The applied reward system has a positive impact on NPD

Marketing approach to HR principles

The literature suggests that applying marketing principles to human resource management retains employees and enhances their performance (Carlzon, 1987; Tag-Eldeen and El-Said, 2011). For example, Kale and De (2013) argue that companies should attract, select, and maintain the right employees. Carlzon (1987) states that a company that applies a marketing approach to recruiting and maintaining employees, should be more successful than one which does not. This is because this approach leads to more satisfied employees. Ching-Sung et al., (2014) propose that there is a causal relationship between satisfied employees and innovation (NPD). The above argument poses the fourth hypothesis:

H_4 : Applying marketing approach to HR has a positive impact on NPD.

Figure 1: Research model and hypotheses



Methodology

The quantitative paradigm was used to address the objectives of this research. The choice of this approach is grounded on a number of reasons. First, quantitative research is appropriate in cases where there are hypotheses. Quantitative approach demands using a big representative sample, and the analytical methods used in this research are also used in quantitative research (Creswell, 2009). A self-administrated questionnaire was used in this study. The main questions in the survey used the five-point Likert scale to measure how employees look at the dimensions of internal marketing and NPD. Statements for these variables were adapted from previous research. The respondents of this study were comprised of the manufacturing companies listed in the Amman stock market. The total number was 93 firms. The study targeted people (employees) who work in departments that are engaged in NPD. These included the research and development (R&D), Marketing, and operations departments. In total 191 usable completed questionnaires were received out of the 350 questionnaires that were distributed, representing a 55% response rate.

Analysis, findings, and discussions

The Normality test (skewness and kurtosis) was applied prior to conducting multiple regression analysis. In general the data did not violate the normality assumptions ranging from -1 to 1 and from -3 to 3 (Hair et al., 2009). The regression model demonstrated, $F = 54.775$. The regression explained about 55 per cent of the variance; $R^2 = .55$; adjusted $R^2 = .541$. The model met all the regression assumptions. Table 1 shows the results of hypotheses. As can be seen from the table, culture, communication, reward system, and marketing approach to HR were significant. This means all of those variables should be taken into account when dealing with NPD.

Table 1: Research hypothesis results

Hypothesis	t-value	Sig	Result
H1: Organizational culture has a positive impact on NPD	4.332	.000	Accepted
H2: Good communication among employees has a positive impact on NPD	2.437	.016	Accepted
H3: The applied reward system has a positive impact on NPD	2.059	.042	Accepted
H4: Applying marketing approach to HR has a positive impact on NPD	2.690	.008	Accepted

The previous studies support the above results. As discussed earlier, models that discussed culture and communications share the results with the proposed model of this study. For example, both of Dixit and Nanda's (2011) and NPD Tucker and Sebastian's (2014) studies emphasized the importance of culture and communications for NPD respectively. The table, further, shows that culture, contributed the most, explaining more than 4 per cent of variance. This means manufacturing companies should give culture more attention. Amabile (1988) supports this suggestion; she thinks that firms that encourage employees to generate new ideas without being offended will flourish. Dixit and Nanda (2011) put this in a simple yet sophisticated way: innovation (NPD) demands organizational culture that persistently pushes employees to be innovative. The study, also, demonstrates that communications are important. This outcome is shared with (Badir et al., 2008), who think that the strength level of communication fosters NPD performance in firms.

Reward system, also, impacts positively on NPD, Gupta and Singhal (1993) maintain that innovative organizations

pay more attention to reward systems than non-innovative ones. The importance of reward systems may well require management to rethink its role in NPD performance, and to recognize the process by which the reward system is designed. In this context, Chang et al., (2007) discuss different types and mechanisms of reward systems and their effect on NPD. They propose that departments within a company need different types of reward systems. Champan and Lovell (2006) suggest that an effective reward system coupled with work efficiency and teamwork results in more employee enthusiasm toward work, and thus NPD.

The fourth variable, which was dubbed, marketing approach to HR, was significant as well. This result complies with the literature (Carlzon, 1987; Tag-Eldeen and El-Said, 2011). The finding may reflect a traditional perspective of internal marketing, using principles of marketing to satisfy employees.

Conclusions and recommendations

This study has proposed and developed a conceptual framework of the impact of internal marketing on NPD in the context of manufacturing sector in Jordan. Internal marketing, then, is formed by a number of variables (culture, communication, reward system, and marketing approach to HR). The variable that makes the most impact on NPD is culture or organizational culture. The value of taking these variables into account and measuring their effect on NPD has been demonstrated.

This study has important consequences for NPD and innovation. It, for example, determines the role of organizational culture in NPD. Innovation and NPD practitioners too need to pursue the recognition and importance of applying marketing principles to human resource management. In addition, the design of the reward system plays an important role in influencing NPD performance. Information (communication) among employees also needs to be effectively designed and managed.

There is a substantial opportunity for further research into internal marketing and its influence on NPD. This study examined only four components of internal marketing that affect NPD performance. More variables can be examined in future research, for example, internal marketing segmentation, planning, recruitment, and climate. This study was also conducted in the manufacturing sector of a particular country. The study could valuably be duplicated in another sector, such as telecommunications, tourism, education, and other sectors.

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