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**LINKING INTERNAL MARKETING AND EMPLOYEE ENGAGEMENT IN  
THE HOSPITALITY INDUSTRY**

**POVEZIVANJE INTERNOG MARKETINGA I ANGAŽIRANOSTI  
ZAPOSLENIKA U HOTELJERSTVU**

***ABSTRACT***

*The prosperity of the hospitality industry, as a part of the service industry, strongly depends on the customers' satisfaction. Employees deal directly with customers on an everyday basis. Therefore, the human capital of an organisation has a key role in delivering high-quality customer service. In order to improve the quality of services, internal marketing was introduced as a marketing strategy where employees are approached as internal customers. It represents a concept for managing the human capital of a company by focusing on the processes of recruitment, retention, motivation, training and internal communication, thus affecting the work dedication and devotion of employees. High employee engagement - the level of commitment of employees in fulfilling their job requirements and delivering quality customer service – will pave the way for company success.*

*The purpose of this paper is to explore the relationship between internal marketing and employee engagement in the hospitality industry. The study aims to analyse and determine the influence internal marketing practices have on the level of employee engagement. Based on an extensive literature review, a conceptual research model was created to explore the relationship between motivation and retention, as a multidimensional internal marketing concept, and employee engagement, observed as cognitive engagement. The data were collected using questionnaires among hotel employees in the Croatian hotel industry.*

*The paper offers managerial implications for hotel managers on developing employee engagement and, consequently, improving service quality. It will expand the current knowledge on internal marketing practices and its influence on employee engagement in the hospitality industry. To enhance future employee engagement it is recommended that hotel management should place more emphasis on internal marketing practices and programs thereby enhancing the quality of the*

*employees' work. This will consequently improve service quality. Also, limitations and ideas for further research are offered.*

**Key words:** *Internal marketing, Employee Engagement, Hospitality Industry, Human capital, Management of human capital.*

## SAŽETAK

*Prosperitet hotelijerstva, koji čini dio servisne industrije, pod snažnim je utjecajem zadovoljstva kupaca. Zaposlenici su u svakodnevnim aktivnostima u izravnom doticaju sa potrošačima. Ljudski kapital organizacije imati će ključnu ulogu u pružanju visokokvalitetne usluge potrošačima. Kako bi se poboljšala kvaliteta usluga, interni marketing je predstavljen kao marketinška strategija u kojoj se zaposlenici promatraju kao interni klijenti. To predstavlja koncept za upravljanje ljudskim kapitalom poslovnog subjekta s naglaskom na proces zapošljavanja, zadržavanja, motivacije, obuku i interne komunikacije. Navedeni procesi imati će snažan utjecaj na predanost i odanost zaposlenika. Visoki angažman zaposlenika, predanost zaposlenika da u potpunosti ispunjava zahtjeve radnog mjesta i pruža kvalitetnu uslugu kupcima, predstavlja temelj uspješnosti poslovnog subjekta.*

*Svrha ovog članka je istražiti odnos između internog marketinga i angažmana zaposlenika u hotelijerstvu. Studija ima za cilj analizirati i utvrditi utjecaj unutarnjih marketinških praksi na razinu angažmana zaposlenika. Osnovu za konceptualni model istraživanja predstavlja opsežni pregled literature kako bi se istražilo povezanost između interne komunikacije, osposobljavanja, zapošljavanja i sl, kao multidimenzionalnog koncepta internoga marketinga i angažmana zaposlenika (fizičke, emocionalne i kognitivne). Podaci su prikupljeni anketnim upitnikom, a ciljana skupina su zaposlenici u hotelskoj industriji Hrvatske.*

*Članak nudi implikacije za menadžere hotela kako bi razvili angažman zaposlenika te posljedično unaprijedili kvalitetu usluge. Članak će doprinijeti stvaranju novoga znanja o praksama u sklopu internoga marketinga i njegovom utjecaju na angažman zaposlenika u hotelskoj industriji. Kako bi se povećao angažman zaposlenika predlaže se menadžmentu hotelskih poslovnih subjekata da veći naglasak stave na interne marketinške prakse i programe usmjerene na zaposlenike kako bi se povećala kvaliteta njihove usluge. Navedeno posljedično povećava ukupnu kvalitetu usluge hotelskog subjekta percipiranu od strane potrošača. Također, istaknuta su ograničenja i ponuđene ideje za buduća istraživanja.*

**Ključne riječi:** *interni marketing, angažiranost zaposlenika, hotelijerstvo, ljudski kapital, menadžment ljudskoga kapitala.*

## 1. Introduction

Customer satisfaction has become a vital concern for companies in their efforts to improve product and service quality, and maintain customer loyalty within a highly competitive marketplace (Al Khattab et al., 2011). Employees in everyday contact with consumers will be responsible for delivering high-quality customer service in order to positively influence customer satisfaction. In the hospitality industry, more than in any other, customer attitudes and satisfaction will be based not only on the products and services they consume but also on the whole experience. This experience will include all direct and indirect contact employees have with customers. The performance of a company's workforce will, therefore, intensely influence overall customer satisfaction.

To improve the quality of services, internal marketing was introduced as a marketing strategy where employees are approached as internal customers. It represents a concept for managing the human

capital of a company by focusing on the processes of recruitment, retention, motivation, training and internal communication, thus affecting the work dedication and devotion of employees. High employee engagement – the level of commitment of employees in fulfilling their job requirements and delivering quality customer service – will pave the way for company success. Human capital will play a key role in successfully achieving business productivity and all other success-oriented goals in service organisations. The intensely competitive market is forcing hoteliers to continuously innovate and improve themselves in order to attract new customers and keep their loyal ones. The attention to service quality from the customer's perspective is considered as one of the most important factors deciding the success of tourism and hotel businesses (Hue Minth et al., 2015).

As awareness of the importance of human capital rises, so does the need to find new concepts and ways of motivating employees to ensure their high level of engagement. Although internal marketing is not a new a concept, in Croatian hospitality it has not been widely accepted or strongly linked to employee engagement. To fill this gap, our study was conducted to explore the relationship between internal marketing and employee engagement in the hospitality industry. The study aims to analyse and determine the influence internal marketing practices have on the level of employee engagement. The paper offers managerial implications for hotel managers on developing employee engagement and, consequently, improving service quality.

## **2. Literature review and hypotheses development**

### **2.1. Internal marketing**

The application of branding principles to human resource management will result in employer branding. An organisation uses employer branding to promote its image as the right place to work and to develop awareness among potential and current employees and stakeholders (Sullivan, 2004). The quality and extent of hospitality services will be determined by the number of employees and the level of knowledge, competences and skills they possess. This will put a constant pressure on organisations. On the one hand, they will need to find a way to attract new highly-qualified employees and, on the other hand, a way to keep existing employees with key knowledge and competences in the company.

Internal marketing is usually seen as a process for selling and promoting the company and its vision, mission, values and objectives to the employees. Kotler and Armstrong (1991) define internal marketing as the “task of successful hiring, training and motivating able employees to serve the customer well”. It is a concept with the belief that satisfied customers come from satisfied employees (Kotler & Keller, 2009, 62) and an integrated internal management of all those activities that directly and indirectly support the satisfaction of the customers' requirements. Therefore implementing strategies like training and development, leadership, rewards, and communication within the context of internal marketing to satisfy internal customers (employees) is important for organisational service quality (Islam Rony & Mohd Suki, 2017, 135-136). Akroush et al. (2013) explore six dimensions of internal marketing: staff recruitment, staff training, internal communication, staff motivation, job security and staff retention. The impact of internal marketing extends beyond the employee-firm relationship in its ability to link employees' satisfaction to superior service quality (Sousa & Coelho, 2013). Internal marketing starts right from the beginning of the recruitment and selection of the right employees, to selection of a satisfying position and showing positively in doing work to thus, achieve customer satisfaction (Al-Hawary, 2013.).

The concept of internal marketing emerged during the 1970s, emphasizing the role that employees have when determining service quality (Barry et al., 1976). Barry (1981) defined internal marketing as viewing employees as internal customers and jobs as internal products that satisfy the needs and wants of those customers while addressing the objectives of the firm. During the 1990s

internal marketing shifted its focus to the link with human resource management. Hales (1994) stated that internal marketing is similar to human resource management, and the processes of human resource management such as attracting, developing, motivating and retaining employees are internal marketing activities (Berry, Parasuraman, 1991). Even though internal marketing and human resource management cover some of the same activities and processes, human resource management is much more comprehensive. Internal marketing can be seen as a human resource management tool used by an organisation to successfully develop and motivate highly-engaged employees to provide quality service to customers, resulting in high customer satisfaction.

Over the years, research linking internal marketing and the hospitality industry has confirmed the importance of internal marketing in managing employees in the hotel industry (Sokhatskaya, 2013, Lo et al., 2010.) and demonstrated that effective internal marketing practices result in employee satisfaction, customer focus and delivery of high-quality services (Sokhatskaya, 2013, Tag-Eldeen et al., 2001), as a means of effective management of employees for enhanced productivity. Nevertheless, studies linking internal marketing practices and employee commitment and engagement, especially in small hotel sectors, are rather limited (Braimah, 2016).

Internal marketing strategy is emerging as a central theme of increasing importance in both academic and practitioner discourse as a platform upon which organisations can get their human resources to understand and commit to the values proposition of organisations and improve their performance. Committed workforces achieve better results in their tasks and therefore deliver better service which, in turn, affects client confidence positively and contributes to realizing client loyalty (Towers Watson and Willis, 2014).

## **2.2. Employee engagement**

Employee engagement is the level of commitment of employees, on both emotional and intellectual grounds, fulfilling all the requirements of the work place, making sure the mission and vision of the company are met at all times (Shahzad, T., Naeem, H, 2013).

Employee engagement first appeared as a concept in management theory in the 1990s. Kahn (1990) states that personnel engagement represents the harnessing of organisational members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively and emotionally during role performances. Schmidt et al. (1993) defined it as an employee's involvement with, commitment to, and satisfaction with work. Employee engagement is a part of employee retention. Employee engagement has often been used as a synonym of the term "employee satisfaction". This definition integrates the classic construct of job satisfaction with organisational commitment (Smith et al., 1969) (Mayer & Allen, 1991). Job engagement includes three types of engagement - physical, emotional and cognitive (Rich et al., 2010). Defining employment engagement still remains problematic since the definitions and dimensions taken into consideration vary in the weight they give to the individual versus the organisation in creating engagement.

Some empirical evidence explains the relationship between employee engagement and internal marketing. Mitchell (2000) explains that an organisation must create some employee commitment because once the employees are emotionally connected to the organisation the value of their brand company is higher. To achieve positive internal marketing, managers should strive to facilitate a high level of employee engagement/commitment that will result in a positive perception of employees concerning work and organisation (Das, 2003). Internal marketing will acquire a role of core tool used to motivate and retain the employees and create strong employee engagement in them (Czaplewski et al., 2001).

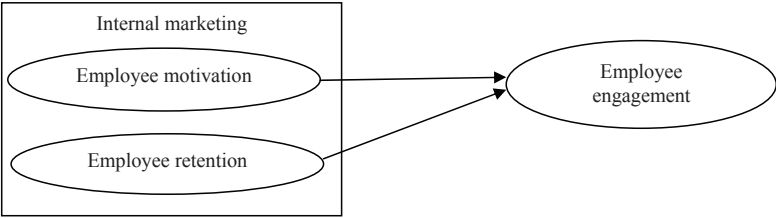
There are three measurable elements essential for sustainable engagement: employee willingness to expend discretionary effort on their job; having tools, resources and support; and having a work environment that actually supports physical, emotional and interpersonal well-being. Given the low levels of highly-engaged workers, it is essential for companies to understand the factors that drive sustainable engagement. Four in 10 employees are highly engaged so there is room for improvement. Fully 60% of employees lack the elements required to be highly engaged. Global top drives of sustainable engagement are leadership, goals and objectives, workload and work/life balance, image and empowerment. In today's global workplace, leadership is a driver of not only sustainable engagement overall but also of all the components of sustainable engagement. Base salary, opportunities for career development and job security are fundamental to attracting and retaining all employees. A company should focus on creating a stable job environment through the communication of business strategy goals and results as well as through effective leaders and managers and clear expectations (Towers Watson and Willis, 2014).

**2.3. Hypotheses development**

Motivation and staff retention are two key dimensions of internal marketing (Akoroush et al. (2012). All dimensions of internal marketing, as a part of human resource processes, are linked and influence one another. Securing a safe environment and implementation of different incentive plans should result in higher job satisfaction and a higher level of employee commitment in fulfilling all the requirements of the work place, ensuring that the mission and vision of the company are met at all times. The existing employees with key knowledge and competencies will be less likely to leave the organisation and the new, highly-qualified employees will be more likely to come and work for such employers. Positive internal marketing should result in satisfied employees and customers and in the high quality of goods and services the organisation is offering. Based on previous it is posited that:

- H1. Internal marketing affects employee engagement.*
- H1a. Motivation affects employee engagement.*
- H1b. Retention affects employee engagement.*

**Figure 1** Conceptual model



*Source: Author's*

**4. Methodology**

**4.1. Measures**

In testing the posited relationships, scales from past research were used. To explore internal marketing practices, scales from Akroush, Abu-ElSamen, Samawi and Odetallah (2013) were used. In internal marketing practices, focus was put on employee motivation and employee retention. The scale was adapted to a hotel setting as respondents were employees at the hotel reception desk. Employee engagement was measured on a scale from Rich, Lepine and Crawford (2010) and



adapted to a hotel setting. Engagement was approached as cognitive engagement from their scale. All scales used a 7-point Liker scale anchored in 1- completely disagree and 7 – completely agree.

## 4.2. Sample and data collection

Research was conducted on a sample of hotels in Croatia from March to June 2016. A convenience sample was used and, in total, 281 questionnaires were collected. The collection process with paper-and-pencil questionnaires included respondents from hotels predominantly located in the coastal part of Croatia. This was assumed to be an adequate scope of research, as the north Adriatic and the south Adriatic accounted for 36.65% and 44.01%, respectively, of the total number of hotels in Croatia in 2016 (Ministry of Tourism, 2016). Hence, 78.66% of all Croatian hotels are located in the coastal part of the country.

Research focused on front desk employees who are in direct contact with hotel guests and represent the first contact with guests. So, internal marketing practices and employee engagement affect how guests perceive not only the hotel but also the tourist destination. Therefore, having engaged front line employees at the hotel reception desk is crucial.

The final sample of 281 properly filled questionnaires was used for further analysis. Analysis was done using SPSS 21 for Windows.

## 5. Research results

### 5.1. Sample characteristics

Demographic characteristics of 281 respondents are presented in the following table (Table 1).

*Table 1 Respondents' demographic profile*

Characteristic	Frequency	Percentage
<b>Gender</b>		
Male	116	41.3%
Female	165	58.7%
<b>Education</b>		
High school	99	35.2%
Undergraduate university study	64	22.8%
Undergraduate professional study	52	18.5%
Graduate study	65	23.1%
Postgraduate study	1	0.4%
<b>Type of employment</b>		
Seasonal work	83	29.5%
Employed based on temporary work contract	97	34.5%
Employed based on permanent work contract	97	34.5%
Student employment	4	1.4%

*Source: Research results*

The sample consists of a slightly higher number of females (58.7%) who have finished high school (35.2%) and are employed based either on a temporary work contract (34.5%) or a permanent work contract (34.5%). The age of the respondents ranges from 20 to 60, with the average being 33. Most of the respondents are 27 years old (8.1%), followed by those aged 25 and 23 (both groups accounting for 7.1% of the total sample).

## 5.2. Research analysis

In order to test the research hypotheses, exploratory factor analysis was conducted to test if the scales used are suitable for further analysis. Exploratory factor analysis (EFA) was conducted using Principal component analysis in SPSS with oblimin rotation and Kaiser Normalisation. Hair et al. (2010) suggest this analysis when a sound theoretical background among researched constructs is present but when constructs are closely related and probably dependent, they suggest oblimin rotation. After purifying the scale and discarding items that had low communalities, that is, lower than 0.5 as Field (2009) suggested, two items were removed from further analysis. Analysis results relating to the Kaiser-Meyer-Olkin (KMO) adequacy of sampling and Bartlett's test of sphericity reported: KMO=0.913 and  $\chi^2=3302.375$  ( $p<0.05$ ). So, according to the threshold values of Hair et al. (2010), this sample is adequate and analysis can be continued. In the analysis no factor loading lower than 0.3 is present, as Field (2009) has suggested. In our EFA, a three-factor solution has emerged, revealing the following factors: employee motivation, employee retention and employee engagement. These factors explain 69.831% of variance in research results. Results of exploratory analysis and reliability analysis for retained factors are presented in Table 2.

**Table 2** Factor analysis and reliability analysis

Items	Factor		
	Employee motivation	Employee engagement	Employee retention
Our system of incentives is in accordance with business goals set on the hotel level.	0.818		
All employees know the reward system and how to earn a reward.	0.771		
All employees know why they have been granted awards and rewards.	0.871		
System of incentives at our hotel motivates employees to give their best at their job.	0.730		
System of incentives has set clear criterions for evaluating how employees are performing.	0.785		
Hotel management uses a system of financial incentives to motivate employees to do their best at job.	0.634		
Hotel management provides possibilities for employees to advance in the hotel hierarchy.			0.546
Hotel management includes employees in the decision-making process when future hotel development plans are being discussed.			0.821
Hotel management empowers employees at their jobs.			0.715
At meetings, hotel management discusses with employees how to help them perform better at their jobs.			0.678
Hotel management recognises good employees.			0.666
Hotel management uses a payroll system that is in accordance with an employee's amount of work at the job.			0.682
At work, my mind is focused on my job.		0.772	
At work, my job is my priority.		0.809	
At work, I focus a great deal of attention on daily tasks.		0.851	
At work, I concentrate on my job.		0.772	
At work, I devote a lot of attention to my job.		0.868	
Cronbach alpha	0.918	0.909	0.885
% of explained variance	45.250	18.462	6.120
Eigenvalue	7.692	3.138	1.040
Scale mean	28.91	28.48	28.27

Note: Rotation converged in 9 iterations.

Source: Research results

From the above table (Table 2) it can be noted that all scales have reliability above the suggested value of 0.7 (Nunnally, 1967); that is, Cronbach alphas are in the range of 0.885 to 0.918. This

implies that scales are reliable and can be used for further analysis. In subsequent analysis, scales were composed as an average index of items that constitute the factor.

To test the stated hypotheses, multivariate regression analysis was applied with employee engagement as the dependent variable. The method used in the selection of variables in regression analysis is the Enter method. Results are presented in Table 3.

**Table 3 Results of multiple regression analysis**

	B	Beta	T-value
Constant	4.608		22.258
Employee motivation	0.023		0.405
Employee retention	0.207 (0.063)	0.286	3.295**
R <sup>2</sup>	0.098		
R <sup>2</sup> (adj)	0.091		
F-value	15.089**		

Note: N=281; standard error is in parenthesis; \*\* p < 0,05

Source: Research results

Table 3 shows that both employee motivation and employee retention explain variance in employee engagement in a small but statistically significant extent ( $R^2$  (adj)=9.1%). From conducted analysis it can be concluded that only employee retention ( $\beta=0.286$ ) influences employee engagement. VIF values (2.315) and Tolerance (0.432) are at acceptable levels, indicating that collinearity is not a problem since VIF is not substantially larger than 1. The Durbin-Watson test is 1.671, indicating that residuals are not correlated.

## 6. Discussion and Conclusion

Based on these results we can conclude that internal marketing practices observed through employee motivation and employee retention do not contribute equally to employee engagement in the hospitality industry. When observing front line employees at the reception desk, only employee retention ( $\beta=0.286$ ) influences employee engagement, observed as the cognitive engagement of employees with their job. Hence, the stated hypothesis is only partially confirmed, but still it can be stated that internal marketing practices influence employee engagement. This is in accordance with past research discussed in the second chapter.

Research results are indicative in their nature but still offer some interesting insights for managers in the hospitality industry. Firstly, internal marketing has to be approached from a multidimensional perspective. When observing internal marketing *per se* it could be concluded that its practices do influence employee engagement, but with detailed analysis it can be noted that only employee retention contributes to employee engagement. So, employee motivation is not an influencing factor. Secondly, advancement opportunities, employee empowerment, inclusion of employees in the decision-making process and the recognition of good employees, both through system of rewards and financial contribution, will help employees to be more engaged at their job. This will consequently contribute to satisfaction as Kadic-Magljalic, Boso and Micevski (2018) noted that internal marketing practices do enhance customer satisfaction in the maturing markets. And, as customers are in the centre of every market oriented company like hotels, developing internal marketing practices will contribute to their satisfaction also in hospitality industry. Thirdly, employee engagement of front line employees at the reception desk in hotels has to be observed independently of their motivation for their job, as employee motivation does not contribute to employee engagement.

This paper, as many others, has limitations. The sample consists only of front line employees working at the reception desk. So, including a more diversified sample would give additional

insight into internal marketing practices and how they are related to employee engagement. Also, including more internal marketing practices in research would certainly provide an additional perspective of how managers in the hospitality industry can manage employee engagement. Providing different perspectives in employee engagement, by including emotional and physical engagement in research framework, would also provide additional insight. Hence, it is suggested that future research should include more internal marketing practices to enable a more in-depth analysis of how to approach hospitality industry employees as customers. It is also suggested to include diverse perspectives on employee engagement in order to provide additional insight into how to engage employees.

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