

## CHAPTER I

### INTRODUCTION

#### 1.1 Research Background

Researches in marketing and human resource management recognize the strategic importance of human capital. Many studies such as Jerrell (2014) and Rachid (2017) suggest that employees have a great influence on the firms' performance. Indeed, human resources are unique resources that competitors simply cannot replicate (Akhtar, 2008) and provide competitive advantage to the firm (Papasolomou & Vrontis, 2006).

In the marketing literature, the focus on employees as internal customers is called "internal marketing" (IM) (Gounaris, 2008). "Internal Marketing consists of an effort by an organization to train and motivate its employees to provide better service". It entails the application of the traditional marketing concept and its associated marketing mix inwards to the organization's own staff, in which employees are treated as customers of the organization in order to improve corporate effectiveness (Eddy, 2016).

Several studies suggest that internal marketing, employee job satisfaction, and organizational performance are correlated (Wieseke, 2009; Jerrell, 2014; Eddy, 2016). From a relationship chain perspective, internal marketing is seen to affect employees' commitment to the firm (Stoffers & Heijden, 2009), which in turn is a determinant of employees' job satisfaction (Abzari, 2011). High employee job satisfaction will reduce the staff turnover and improve organizational performance

(Pantouvakis, 2011). Thus, implementing internal marketing and human resources practices can drive profitability and create significant bottom-line results (Vazifehdoost, 2012) through a chain model. In fact, good internal marketing and human resources practices will be able to improve the knowledge, skills, and abilities of a firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees (Eddy, 2016).

Most empirical studies use samples from multiple industries, including commercial, hospitality, restaurant and the nursing industries, among others. It is rare to find any study investigating the relationship between all three concepts in the banking industry. Especially if we are looking for research that has been done in the local area. This study aims at filling this gap using data from banking industries in the Padang City, West Sumatera.

The aim of this paper was to find out how the use of internal marketing affecting the human resource condition in banks. Especially banks that are operating in Padang City. As well as to gain deeper understanding on how the human resource element goes in banking industry in Padang City. It would be discussing on how well the human resource goes in local banking industry and maybe to gain knowledge on how to improve that condition for the better performance. The end result of this paper was to gain knowledge on how does the bank employees in general think about their job and how far does internal marketing affect that perspectives and hopefully to give more understanding for any managers how to use internal marketing as a tool in more efficient and effective way.

## 1.2 Research Problems

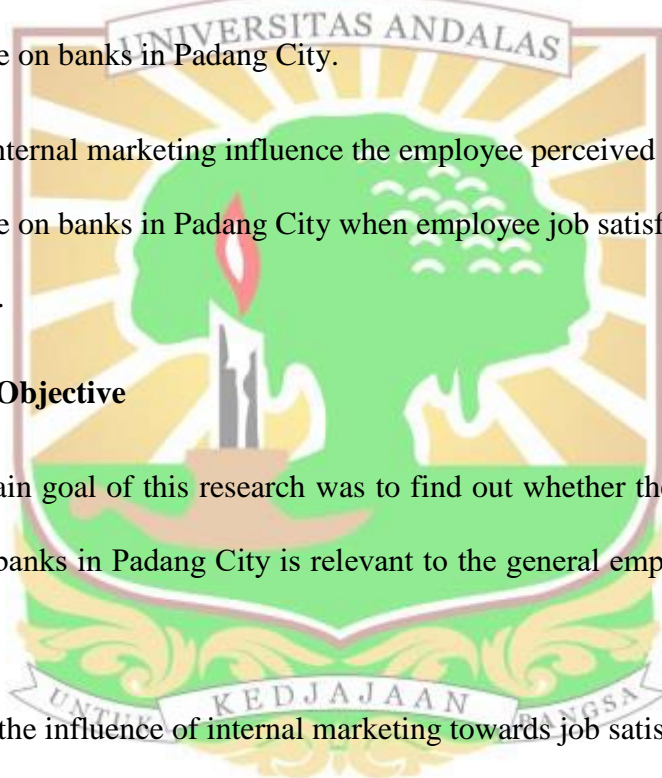
1. How does the internal marketing influence the employee job satisfaction on banks in Padang City.
2. How does job satisfaction influence the employee perceived organizational performance on banks in Padang City.
3. How does internal marketing influence the employee perceived organizational performance on banks in Padang City.
4. How does internal marketing influence the employee perceived organizational performance on banks in Padang City when employee job satisfaction is used as mediator.

## 1.3 Research Objective

The main goal of this research was to find out whether the use of internal marketing on banks in Padang City is relevant to the general employee's attitude.

They are:

1. To analyze the influence of internal marketing towards job satisfaction.
2. To analyze the influence of job satisfaction towards employee perceived organizational performance.
3. To analyze the influence of internal marketing towards employee perceived organizational performance.



4. To analyze the influence of internal marketing towards employee perceived organizational performance with employee job satisfaction is used as mediating variable.

#### **1.4 Research Significance**

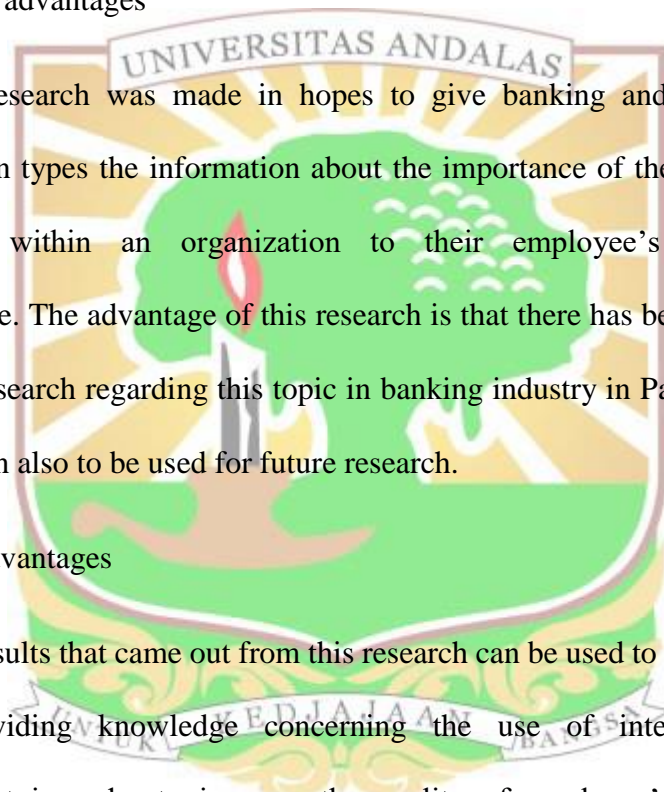
This research is made with hopes to give a good amount of contribution to:

1. Theoretical advantages

This research was made in hopes to give banking and possibly other organization types the information about the importance of the use of internal marketing within an organization to their employee's organizational performance. The advantage of this research is that there has been no particular previous research regarding this topic in banking industry in Padang City. This research can also be used for future research.

2. Practical advantages

The results that came out from this research can be used to create an impact while providing knowledge concerning the use of internal marketing management in order to increase the quality of employee's organizational performance. This research can also be used by banks to improve their internal management.



## 1.5 Research Scope

While conducting this research, there would be some limitations:

### 1. Theoretical scope

This research would only be focused on the intended variables to be tested, including internal marketing, job satisfaction, and employee perceived organizational performance.

### 2. Practical scope

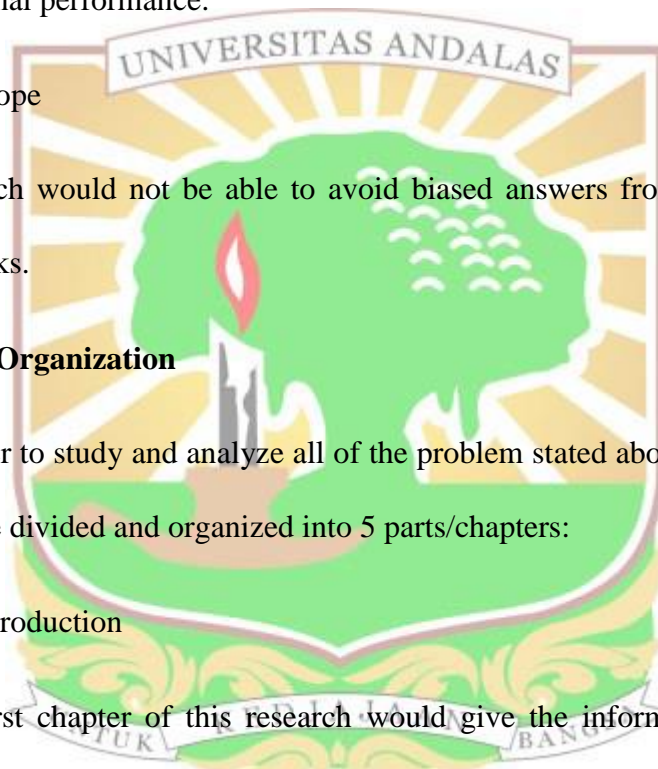
This research would not be able to avoid biased answers from employees of subject banks.

## 1.6 Research Organization

In order to study and analyze all of the problem stated above, this research will have to be divided and organized into 5 parts/chapters:

### Chapter I – Introduction

The first chapter of this research would give the information about the backgrounds of the problems/research, the statement of the problems, the research purpose, the significance of research, the research framework, and organization of the study/research.



## Chapter II – Literature Review

The second part of this research paper would support the research by using previous studies/researches that are relevant with the topics of this research. The previous studies can also be used to generate hypothesis of this research.

## Chapter III – Research Method

The third chapter of this research paper would explain the research methods that will be used for this research as well as identifying the amount of sample and population that needed for the research in order to generate relationships between all of the variables.

## Chapter IV – Analysis and Discussion

The fourth chapter would contain the analysis of the research that has been conducted, the characteristics of the respondent, and descriptive analysis.

## Chapter V – Closing

The fifth chapter would present the conclusion that can be drawn from the analysis and research that has been conducted and will show positive or negative relationships between each variables. This chapter will also contain advices for future researches.

