

# The Impact of Internal Marketing Practices on Employee Performance in Islamic Banks of Jordan

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## Abstract

Many organizations in the banking industry recognize the importance of internal marketing practices because they deal with and respond to a changing environment to obtain a competitive advantage. The aim of this study is to evaluate internal marketing practices adopted by Islamic Banks of Jordan and their impact on employees' performance. 500 Questionnaires were distributed to Islamic bank employees in Jordan. Relationships of variables in the proposed model and scale characteristics were analyzed using smart PLS. Results indicate that there are strong relations between hiring, empowerment, rewards and incentives, and employee performance. Management should empower the employees in the daily business and routine activities. In this era of globalization, Islamic banks must develop internal marketing practices as a distinct area of competition because the services that the organization generates are produced by the employees who direct them to the customers. Banks have to pay attention to high-performing employees.

**Keywords:** Employee Performance, Empowerment, Hiring, Incentives and Rewards, Internal Marketing practices, Islamic banks.

## 1. Introduction

Organizations seek to find effective ways to meet external challenges to maintain their survival and increase their effectiveness, as business organizations look to increase their efficiency and achieve their goals, by focusing on the efficiency of the human component by finding the best-qualified elements and appropriate capabilities so that they can control performance and achieve strategic goals, Which led organizations to constantly identify the needs and desires of workers, which will improve the level of employee satisfaction as an important element in the success of business organizations. [1]

The concept of internal marketing has emerged as a tool to achieve a quality of service and customer satisfaction by “treating employees as customers” by applying the concept of internal marketing, this concept is no longer limited to service, but it has become clear that any type of organization can use internal marketing to facilitate the implementation of external marketing strategy Or any other institutional strategy [2]. Internal marketing all employees in an organization are internal clients who must achieve organizational goals. Therefore, if the objectives of the organization are derived from external marketing, the functions of individuals contribute to this by responding to the employees within the organization, each of which is directly or indirectly linked to the end consumer [3]. Internal marketing policies and programs involve some of the planned and targeted activities of their employees in terms of development, training, reward, employee-employee relations, communication, and clarity of roles [4]. Internal marketing considers all employees of Islamic banks in Jordan to be internal customers who must work to achieve the goals of the bank. If the goals of the banks stem from the achievement of the objectives of external marketing, then the roles attached to each employee must contribute to achieving this goal by responding to the internal customers as each of them is directly or indirectly related to the external customers. The objective of internal marketing is to hiring qualified employees and training and development them, empowerment, retention them and caring, satisfying them, and sustaining them to continue with the organization to meet its goals and get the external customer's satisfaction. Therefore, this study is intended to illustrate An Evaluation of Internal marketing practices in Islamic Banks of Jordan.

## **2- Internal marketing practices**

Internal marketing is described as an "employee as an internal customer and a job as a product"[5]. Internal marketing is defined as “a process of recruitment, motivation, development, and retention of skilled employees through work-related products and the fulfillment of their needs” [6]. More precisely, internal marketing is “a set of human resources (HR) policies and procedures that consider employees as members of the internal market who need to be trained, educated, developed, and empowered to serve customers more effectively” [7].

**Hiring and Attracting:** The most significant starting point of internal marketing in the bank's industry is the hiring of employees. Hiring is “a process of identifying and hiring the best-qualified candidate for job vacancy, in a timely and cost-effective manner” (from inside or outside the organization), and attracting candidates to the organization to fill the required vacancies in quantity, quality, and time. “It is the process of obtaining the appropriate quantity and quality of the workforce”, this is done in light of the process of job analysis and human resources planning. Hiring processes begins with attracting qualified candidates for a specific job; recruitment in the organization of services bears a greater burden of productivity [8].

**Rewards and incentives of employees:** are Benefits or compensation that individuals receive as an advantage for their jobs, the incentive is the subjective return received as a result of performance excellence. Hence, we note that the organization's implementation of internal marketing practices involves its workers, not only asking them but also rewarding them [9].

**Empowerment:** means giving employees more freedom and discretion to act on the tasks related to their work in order to facilitate procedures. For instance, empowerment has been described as “granting employees control or latitude over certain task-related activities, while such a concept focuses on task-related activities, empowerment in its broader sense requires more than task-related authority and latitude” [10].

**Employee performance:** There is no common, overarching theory of employee performance. The effectiveness of organizations in managing, improving, and empowering their employees is a crucial element of how organizations work. Human capital, therefore, has a positive impact on performance [11]. Performance can be “traced back to the actions of people at work; workers behave in a certain manner or act in a way that contributes to the objectives of the organization” [12]. “Employee behavior in relation to organizational performance can be represented in three different ways”: task performance, Organizational Citizenship Behaviors, Workplace Deviant Behaviors [13].

**Islamic banks:** They are monetary financial institutions that do business, provide financial and banking services, attract cash capital and employ them efficiently to ensure their growth and optimize their return on achieving economic and social development goals in the framework of the Islamic Sharia.

### **3- Literature view**

(Al-Hawary, Al-Qudah, Abutayeh, Abutayeh, & Al-Zyadat, 2013) entitled “The impact of internal marketing on employee’s job satisfaction of commercial banks in Jordan.” The study aimed to investigate the impact of the internal marketing practices identified by empowerment, training, leadership, and motivation on Jordanian commercial banks' job satisfaction. Based on statistical analysis and values that training and development have the greatest impact on job satisfaction of workers, followed by motivation, empowerment, and communication, thus, internal marketing practices have a positive effect on employee job satisfaction. Because of the above results and statistics, and because of the critical economic situation in Jordan and the high cost of living, considering that human power is the greatest resource in Jordan, the study recommended to decision-makers and managers have to give their full attention and motivation to convert their workers into their most reliable and permanent assets, that they have to be trained in developing the different skills within employees and motivating them to be creative and use their skills by assigning them to training courses that match each employee's skills or interests[14]. (Martey, 2014 ) entitled “The Impact of Internal Marketing on Employee Performance in the Insurance Industry of Ghana”. The internal marketing measurement construct was a policy on retention, training, motivation, empowerment, and communication.

The results show that there are a significant positive relationship and a statistical relationship to the strategy of retention, training, motivation, and communication with internal marketing. The study recommended that the organizations that provide the service should establish internal marketing as a marketing strategy whereby reaching a satisfied customer is achieved by satisfied employees [15]. (Magatef & Momani, 2016) entitled “The Impact of Internal Marketing on Employees’ Performance in Private Jordanian Hospitals Sector.” The study was conducted on all workers at a variety of administrative levels in this sector and also aimed at evaluating the effect of independent variables “training, incentives, rewards, internal communication, empowerment, and organizational culture on the dependent variable that is employee performance”. Data were obtained by selecting a random sample of employees from various levels in the Jordanian private hospital sector. The results found that the organizational culture has a strong influence on the performance of the employees, and after that came the variable of rewards and incentives in affecting the performance of the employees. Additionally, most of the variables had a low impact on employee performance, due to the employees’ lack of interest or the lack of knowledge of the role that these variables play and the importance of implementing them to improve employee performance and increase productivity and worker quality [16]. (Misheck, 2016) entitled “An evaluation of the impact of internal marketing strategies on organizational performance”. The study sought to determine the extent of employee training contribution to service delivery, explore the effectiveness of internal communication on employee performance, and determine the effect of job enrichment on employee performance. The researcher concluded that internal marketing improves the performance of the company and that the organization is constantly committed to motivating its employees. Results indicated that internal marketing has a positive inverse relationship with organizational performance. The research examined the existence of strong internal communication networks within the organization. Additionally, some employees have also suggested that job enrichment is necessary for them to be satisfied with their work. The researcher used preparation, internal communication, and job enrichment as internal marketing variables [17]. (AL-Ghaswyneh, 2018) entitled “Pillars of internal marketing and their impact on staff performance.” The study focused on the employees as internal customers with the specifications provided by the work environment for them in order to achieve their tasks. The study showed that there is no statistical significance below (0.05) for the research's main hypothesis in terms of training, internal communication, promotion, incentives and rewards programs, and dissatisfaction with the university applied internal marketing pillars for most employees. This explains the decrease in the effectiveness of the internal marketing application and its effect on performance for most of the respondents. Through the results, most of the responses were that the university seeks to improve the work environment through technology, knowledge of employee needs, and direct communication with employees in order to fulfill its duties without focusing on employee satisfaction through training, incentives, and promotion. The study recommended conducting a study to find out how to

develop training systems, incentives, and promotion at the university, by focusing on the characteristics of the current work environment and its relationship to the prevailing work culture in the study community [18].

**4- Research objectives**

- 1- To understand the purpose of using internal marketing practices in Islamic banks of Jordan.
- 2- To explore the impact of internal marketing practices on employee’s performance.

**5- Methodology**

This study is a field study in which the researcher will follow the descriptive-analytical method; this done using the questionnaire in data collection, analysis, and hypothesis testing. This approach does not depend on collecting data to describe the variables in the study model but analyzing the internal marketing practices adopted by the Islamic banks in Jordan and testing the hypotheses that used in the study of a simple and multiple regressions. The study population consists of employees in Islamic Banks in Jordan. The study framework model follows the employees of Islamic Banks of Jordan who follow the internal marketing application. This study employed a probability sampling method. Random sampling has been connoted as a probability technique of sampling. The general statistical description of the constructs used in this study is examined by using the descriptive analysis. Descriptive tests are used to determine the level of interest and the views of respondents for each measurement or variable.

**6 –Results and Discussions**

**Table 1: Descriptive Analysis of Constructs**

LATENT CONSRUCTS	N	Mean	Std. Deviation	Level
Hiring of employees	388	2.30	.429	Medium
Incentives and Awards System	388	2.10	.733	High
Empowerment of employees	388	2.31	.606	Medium
Employee’s performance	388	2.10	.565	High

*Source: Questionnaire*

Observably, from table 1, the mean and standard deviation of the independent variables are; Hiring of employees (M = 2.30, SD = 0.429), Incentives and Awards System (M = 2.10, SD = 0.733), and Empowerment of employees (M = 2.31, SD = 0.737) signified high and Medium level of practice that influences Employee performance in Islamic banking. In general, these results indicate that the respondents tend to exhibit high levels of Employee performance. Overall, the mean score of the constructs ranges

between (1.93-2.50). Hence, it shows that there is a moderate level of responses by the subscribers on the constructs.

**Multi co-linearity Test:** A correlation matrix was examined in order to identify any occurrence of high correlation, that is, multi co-linearity among the independent latent variables of this study [19]. As shown in table 2, there is no existence of multi co-linearity because the correlation between all the unobserved latent independent constructs falls below the threshold of  $r = 0.9$  [20]. Additionally, the tolerance level was further used to confirm that there are no multi co linearity issues with the data of this study. Accordingly, the tolerance values exceeded the minimum recommended 0.10 as shown in Table 3, thus a further confirmation that this study's data did not have issues of multi co linearity.

**Table 2: Inter-Constructs Correlations for Multi co linearity Test**

	<b>HOE</b>	<b>IS</b>	<b>EOE</b>	<b>EP</b>
<b>HOE</b>	<b>1.000</b>			
<b>IS</b>	0.673	<b>1.000</b>		
<b>EOE</b>	0.729	<b>0.768</b>	<b>1.000</b>	
<b>EP</b>	0.658	0.776	0.722	<b>1.000</b>

Source: Questionnaire

**Table 1.3: Test multi co linearity**

Constructs	Tolerance value	VIF
HOE	.277	3.609
IS	.173	5.776
EOE	.279	3.587

Source: Questionnaire

The result of the structural model for the direct relationships between independent and dependent variables of this study is presented in Table 4.

Table 4 Direct Path Coefficients

Paths	Beta	SD	Sample Mean(M)	T Statistic	P Values	Hypothesis	Remark
Empowerment of employees >employee's performance	0.260	0.259	0.073	3.553	0.000	H01A	Rejected
Hiring of Employees >employee's performance	0.172	0.174	0.080	2.150	0.032	H01B	Rejected
Incentives and Awards System - >employee's performance	0.653	0.653	0.079	8.312	0.000	H01C	Rejected

Source: Questionnaire

Table 4 shows the results of the hypothesis testing for the direct relationship as proposed in this study. The discussion for the results on this table is as follows:

**H0:** “There is no significant relationship between internal marketing practices and employee’s performance in Islamic banks of Jordan”.

**H0 A-** “There is no significant relationship between Empowerment of employees and employee’s performance in Islamic banks of Jordan”.

The result from the table shows the path estimates for the linkage between Empowerment of employees and employee’s performance with beta ( $\beta = 0.260$ ), t-statistic ( $t = 3.553$ ) and p value ( $p = 0.000$ ). This signifies that the relationship between EOE and EP is positive and significant; hence hypothesis H01A was rejected based on this outcome.

**H0 B-** “There is no significant relationship between hiring of employees and employee’s performance on Islamic banks of Jordan”.

The result from the table shows the path estimates for the linkage between hiring of employees and employee’s performance with beta ( $\beta = 0.172$ ), t-statistic ( $t = 2.150$ ) and p value ( $p = 0.032$ ). This signifies that the relationship between HOE and EP is positive and significant; hence hypothesis H01B was rejected based on this outcome.

**H0 C-** “There is no significant relationship between Incentives and Awards System and employee’s performance in Islamic banks of Jordan”.



The result from the table shows the path estimates for the linkage between Incentives and Awards System and employee’s performance with beta ( $\beta = 0.653$ ), t-statistic ( $t = 8.312$ ) and p value ( $p = 0.000$ ). This signifies that the relationship between IS and EP is positive and significant; hence hypothesis H01C was rejected based on this outcome.

**Table 5 Assessment of Coefficient of Determination R<sup>2</sup> Value**

	R Square	R Square Adjusted
<b>EMPLOYEES PERFORMANCE</b>	0.731	0.727

*Source: Questionnaire*

Based on the results of the path model reported in table 5 and Wegner (2011) criteria, R<sup>2</sup> for employees performance is found to be 0.731, suggesting that exogenous variables can account for 73.1% of the variance in the employees performance, which is substantial.

**Table 6: Constructs Effect Size**

Constructs	EP	Effect Size
<b>EOE</b>	0.053	Small
<b>HOE</b>	0.016	Small
<b>IS</b>	0.219	Medium

*Source: Questionnaire*

Besides assessing the joint effects of exogenous latent constructs on endogenous construct, this study also measures the impact of each of the exogenous latent construct on endogenous construct. This measure is referred to as effect size ( $f^2$ ) which specifies the relative effect of a specific exogenous latent variable on the latent endogenous variable [21]. It measures change in R<sup>2</sup> value due to deletion of a construct and assesses whether the deletion of the particular exogenous construct exerts substantive impact on coefficient of determination (R<sup>2</sup>) of the endogenous construct [22]. Similarly, effect size ( $f^2$ ) shows the practical contribution of the path linking an exogenous construct to the endogenous [23]. Consequently, the effect size is measured using Cohen’s formula computed automatically in smart PLS3 [24]. In PLS-SEM model, the effect size ( $f^2$ ) effect of an exogenous construct is recommended to be small, medium and substantial at 0.02, 0.15 and 0.35 respectively [25]. Table 6 showed the  $f^2$  of all the exogenous constructs from the result of PLS-SEM conducted using the survey data. As observed from this table, the independent variables that recorded significant positive effects on dependent variable have between small to medium effect on the dependent variable.

**Table 7: Predictive Relevance of the Model**

Construct	SSO	SSE	Q <sup>2</sup> (1-SSE/SSO)
<b>EP</b>	1940.000	891.162	0.541

*Source: Questionnaire*



The blindfolding procedure was used to obtain Stone- Geisser's  $Q^2$  and assess the predictive quality of the model. Tenenhaus (1999) established that positive value of  $Q^2$  means that the model has predictive validity; while a negative result indicates that the model does not have predictive validity. Similarly, Hair et al. (2011) recommended that the model will have predictive quality if the cross-redundancy value is greater than zero; otherwise the predictive relevance of the model cannot be accepted. According to Chin (1998) and Hair et al. (2014), threshold for assessing the strength of Stone- Geisser's  $Q^2$  are 0.02, 0.15 and 0.35 which represent small, medium and large predictive relevance respectively. Using blindfolding procedure on endogenous constructs (EP) with Smart PLS version 3.2.7 with omission distance of 7, Stone- Geisser's  $Q^2$  was computed. Table 7 showed that cross validated redundancy of (0.594 and .541). This result confirmed that the model has a large predictive relevance respectively

### **7- Summary of Results:**

Based on the statistical analysis, Tests revealed a high correlation in the responses of the study sample conducted to test the relationship between internal marketing practices and employees' performance. The mean and standard deviation of the independent variables are; Hiring of employees ( $M = 2.30$ ,  $SD = 0.429$ ), Incentives and Awards System ( $M = 2.10$ ,  $SD = 0.733$ ), and Empowerment of employees ( $M = 2.31$ ,  $SD = 0.737$ ) signified high and Medium level of practice that influences EP in Islamic banks in Jordan. In general, these results indicate that the respondents tend to exhibit high levels of employee performance. Overall, the mean score of the constructs ranges between (1.93-2.50) tables 1.2; hence, it shows that there is a moderate level of responses by the subscribers on the constructs. However,  $R^2$  value ranges from 0 to 1. The greater the value of  $R^2$ , the higher the percentage of the variance in the dependent variable explained by the combination of independent variables. Based on the results of the path model reported in table 1.7 and Wegner's (2011) criteria,  $R^2$  for employees' performance is found to be 0.731, indicating that exogenous variables can account for 73.1% of the variance in the employee's performance, which is substantial. Table 1.9 showed the  $f^2$  of all the exogenous constructs from the result of PLS-SEM conducted using the survey data. As observed from this table, the independent variables that recorded significant positive effects on the dependent variable have between small to medium effect on the dependent variable. Statistical results indicated that Islamic banks in Jordan are aware of the concept of internal marketing and are committed to applying all its dimensions (Hiring of employees, Incentives and Awards System, and Empowerment), There is a significant positive relationship to the internal marketing practices of Islamic banks in Jordan and the performance of the employees according to the literature review, data collection and analysis.

### **8 – Conclusion:**

Islamic banks in Jordan must satisfy the customer in the first meeting because the services are highly contested by many banks. to attract the customer Banks should work to improve the performance of their

employees, through the use of appropriate appointment and selection methods for their employees, and work to empower them and use appropriate incentives and rewards system to improve their performance. Management should empower the employees in the daily business and routine activities. In this era of globalization, Islamic banks must develop internal marketing practices as a distinct area of competition because the services that the organization generates are produced by the employees who direct them to the customers. Banks have to pay attention to high-performing employees.

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