

**Internal Marketing & Internal Customer Performance: A Contingency Framework
through Organizational Identification**

Dr Zia Khalid

zia.ms@must.edu.pk

Lecturer MUST Business School, Mirpur University of Science & Technology

Muhammad Farhan Munir

muhammad-farhan.munir@tu-ilmenau.de

Faculty of Economic Sciences and Media, Technische universität ilmenau Germany

Dr Abdul Latif

Abdullatif@upr.edu.pk

Assistant Professor, Department of Business Administration, University of Poonch

Corresponding Author: * Dr Zia Khalid zia.ms@must.edu.pk

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ABSTRACT

Internal marketing (IM) is built around the logic that it works well to improve attitudes and behaviors of employees. But empirical evidence tells that existing models somewhere struggle to sufficiently explain when and why IM is at best to change behaviors. This study uses social exchange theory (SET) and social identity theory (SIT) this paper introduces OI as a moderator that has a meaning infusion mechanism to let employees understand why the desired behavior is essential. Employees will respond positively to organizational call for internal customer performance (ICP) when feelings of identity prevail. Otherwise, fragmented results will continue to surface in scholarly works of IM and performance. Current research, thus, presents a theoretically coherent pathway for IM to motivate employees for greater performance. Paper concludes with contribution to theory, limitations of the research, and future directions for IM scholars.

Keywords: Internal Marketing (IM); Social Exchange Theory (SET); Social Identity Theory (SIT); Organizational Identification (OI); Internal Customer Performance (ICP); Employee Attitudes and Behaviors; Employee Performance

INTRODUCTION

Modern day organizations face multiple challenges that can easily downgrade the prospects of their success. These challenges put employee performance in central stage achieve strategic goals. Rapid developments in micro and macro environments have forced organizations to primarily resort on its human capital for a sustained competitive advantage. Research emphasizes that employee performance is critical in determining organizational outcomes (Triansyah et al., 2023; Memon et al., 2023). High-performing employees are, therefore, play

their role not only in day-to-day operations but for organizational adaptability, innovation, and differentiation. However, achieving or/and maintaining good performance is a difficult job (Rivaldo et al., 2023).

An area where scholars have been working to achieve performance is internal marketing. It is a strategic philosophy that focuses on treating employees as internal customers (Ahmed & Rafiq, 2002, Khalid & Hadi, 2021 a). The satisfaction, motivation, and development of these internal customers is the first step for delivering high-quality service to external customers (Isazadeh, et al., 2025).. IM, thus, supports to create an environment that meets the needs of a high-performing workforce (Ahmed & Rafiq, 2002; Rafiq & Ahmed, 2000). The logic is quite simple when employees feel valued and supported they are ready to deliver superior performance. Though IM continues its journey since 1970s and all these long years is a testament to its growing acceptance in various corporate fields (Khalid & Hadi, 2021 a; Khalid & Hadi, 2021 b). However, still more is required to be done to prove its outcomes are beyond a reasonable doubt if applied correctly (Khalid & Hadi, 2021 a).

IM and employee performance (The context of IM has encouraged us to use internal customer performance for performance) have been studied in various industries but the results are not always direct. Few studies underscore a positive and direct relationship between IM and performance (Fattah and Twigg 2017; Ishaque & Shahzad, 2016; Magatef & Momani, 2016; Imani et al., 2020). At the same time, many others demonstrate that IM affects performance only indirectly; with the help of mediator/s such as job satisfaction, organizational commitment (Rodrigues et al., 2023; Rodrigues et al., 2016; Taştan & Davoudi, 2020). These findings suggest the possibility of some moderating variables. Extant literature suggests very few studies examine such moderating influences and none actually introduced organizational identification (OI) as a moderator.

To address this issue, social exchange theory and social identity theory are chipped into the conceptualization of the IM–ICP relationship. SET (Blau, 1964) provides a compelling explanation for why internal marketing enhances employee performance. According to SET, organizational relationships operate on reciprocity norms. When employees perceive favorable treatment they feel morally obliged to reciprocate through improved performance. The logic is simple: IM serves as an organizational investment and the outcome of this investment is employees reciprocate with higher ICP. Thus, core causal foundation of the proposed framework comes from SET. While SET answers why IM influences performance, SIT explains when that effect is stronger or weaker. SIT asserts that individuals categorize themselves into social groups and derive part of their identity and self-esteem from group membership (Ashforth & Mael, 1989). When employees identify strongly with their organization, they internalize its values, view organizational successes and failures as personal and demonstrate greater motivation to contribute (Johnson & Ashforth, 2008; Abbasi et al., 2021). In theoretical sense IM and OI are perfectly aligned and probably that is why OI is

predominantly studied as a mediator not a moderator. So, its potential as a boundary condition remains unexplored. The same argument is supported by the literature as not a single study investigates OI as a moderator between IM and employee performance. A gap is thus left that needs a scholarly intervention. In this context, OI theoretically determines how IM signals find interpretation at the end of employees. Employees with high OI are more likely to view IM practices as authentic organizational care, while employees with low OI may see them as superficial or perfunctory. Thus, SIT integrates well with SET and justifies OI as a moderator in the IM–ICP relationship.

LITERATURE REVIEW

Internal Customer Performance

Internal Customer Performance refers to employees' ability to execute assigned tasks in ways that meet organizational standards and effectively contribute to organizational goals. Employee performance is consistently regarded as one of the most essential determinants of organizational success across sectors and industries (Andreas, 2022; Sitopu et al., 2023; Suprayitno, 2024; Triansyah et al., 2023). Scholars argue that performance encompasses not only task execution but also behavioral, cognitive, and affective components; including teamwork, cooperation, initiative, accuracy, timeliness, and innovative behavior. All industries depend upon employees however service industry has a much higher dependence on the performance of frontline employees. As they can produce healthy customer experiences and build customer perceptions (Zainal Abidin & Roslin, 2019). Employees are no longer merely operational resources argue Memon et al. (2023), but strategic assets whose skills, knowledge, and behaviors are the determinants of organizational competitiveness. Study of Memon et al. (2023) further points out that recognition of human resources as a source of competitive advantage rather than a cost center is increasing in organizations. In fact, employee performance is a reflection of that competitive advantage.

For achieving organizational goals and an added organizational value, performance management is essential as it guarantees a competitive sustainability (Triansyah et al., 2023). Scholars like Sitopu et al. (2021) state that performance cannot be understood merely in terms of task fulfillment but other behaviors and broader organizational environment must also be accounted for. Productivity of employee at job takes influence from various factors and they should be given due weight (Al-kharabsheh et al., 2022; Memon et al., 2023). Past literature identifies performance enabling factors. These include job satisfaction, empowerment, leadership, work environment, career prospects, organizational culture, rewards, training, internal communication etc. All of which are key components of internal marketing. This establishes a strong conceptual foundation for examining IM as an antecedent of ICP.

Internal Marketing

Internal marketing was introduced to revamp the thinking pattern of organizational management that stressed on the dignity of external customers during those times. In the beginning phase, it was brought in to improve service quality by treating employees as internal customers. These internal customers were believed to be critically influential in external service flows. Importantly, IM is no more an HR tool but it is a strategic relational architecture connecting human resource, marketing, and strategic management. Like external customers internal customers are also savvy. That is why IM is turning out to be dialogic; employees appraise internal offerings and express dissatisfaction or demand adjustments. IM bonds employees with their organization and this bondage is of strategic nature (Brown, 2020, 2025). Ahmed and Rafiq's framing describes IM as a philosophy and process deployed when organizational strategy assumes employees require similar levels of attention and engagement as that of external customers. Qaisar & Muhamad (2021) and Rodrigues et al. (2016) characterize IM as crucial in environments of global competition and change. They position it as an instrument for creating ample coordination in organizational functions by aligning behaviors.

Researchers have empirically proven its efficacy in ensuring various outcomes. Hussin et al. (2023) demonstrate its effect on motivation and satisfaction. Findings of Imani et al. (2022) highlight facilitating role of IM in innovation through learning mechanisms. Qiu et al. (2021) extend IM beyond service sectors, noting that its relevance is now universal since firms confront skill shortages and face transformation pressures.

However, Qaisar & Muhamad (2021) also point out that despite decades of literature, IM is not consistently practiced. Some organizations adopt IM rhetorically while neglecting substantive implementation. Magatef & Momani's (2016) findings that certain IM dimensions influence performance while others do not highlight inconsistent uptake and varying employee interpretation. This inconsistency also offers a broad signal that effectiveness of IM may be requiring few other considerations.

Internal Marketing and Internal Customer Performance

Researcher Fattah and Twigg (2017) found positive associations between IM and operational performance in UAE fast food firms. While Magatef & Momani (2016) showed that hospitals with stronger IM practices experience better staff performance, although specific IM dimensions differ in significance. Ishaque and Shahzad (2016) describe internal marketing as a highly effective approach in Pakistan's telecom sector to improve job performance. Imani et al. (2022) showed that IM drives performance in the oil sector of Iran, having the capability to direct behavioral change. In oil and gas industry of Malaysia, Zainal Abidin & Roslin (2019) found certain elements influencing performance while others showed no influence. Taştan & Davoudi (2020) identified job satisfaction as a mediator in a study conducted on employees of

healthcare, banking-finance, and insurance. In social and healthcare organizations, Rodrigues et al. (2016) could not establish a direct effect of IM on job performance but IM makes its way through psychological states of job satisfaction and organizational commitment. Research work by Rodrigues et al. (2023) found no direct influence of Internal marketing on job performance but did so through some mediation mechanism in Portuguese public sector.

Though the studies reached different conclusions, direct and indirect influence of IM on performance but all these take us to a point where Internal marketing seems to be enabling conditions favorable for employee performance. Overall these findings also strongly point out that the relationship is also contingent upon other interpretive factors. However, according to SET IM convinces employees to interpret organizational steps positively and in response show strong behavioral outcome that is internal customer performance. So, along with the positive results and SET, following hypothesis may be proposed:

P1: Stronger IM practices are associated with higher internal customer performance.

Organizational Identification as a Moderator

Organizational identification has its backing from Social Identity Theory, describing it as the integration of organizational membership into one's identity. Perspective of SIT is that human self is made up of two domains, one dealing personal identity and the other concerned with social identity (Ashforth & Mael, 1989). Each one helping individuals to understand themselves in larger social surroundings (Ashforth & Mael, 1989). In contrast, social identity derives meaning from classifications into social groups/categories/collectives that offers them purpose, affiliation and validation (Ashforth & Mael, 1989). It is defined by Mael and Ashforth (1992) as "a perceived oneness with an organization and the experience of the organization's successes and failures as one's own" (p. 103). The moment individuals start perceiving psychologically merged with a group and in fact experience a sense of oneness with that group, this is where identification occurs (Ashforth & Mael, 1989). This is where group becomes a top priority for individuals and individual can't separate their own fate from the group (Ashforth & Mael, 1989). That is why employees who identify strongly with their organization exhibit behaviors that promote organizational interests (Mattar et al., 2025). According to Mael and Ashforth (1992), classification is certainly categorical but affiliation is not static or absolute in any way (Mael & Ashforth, 1992). Individuals show varying degree of attachment that determines its strength (Johnson & Ashforth, 2008; Liu et al., 2021; Mael & Ashforth, 1992). Greater identification pushes other identities into oblivion (Galvin et al., 2015).

Bhowmick & Mulla (2021) demonstrated that OI helped police officers in sustaining efforts under stress. It implies identification offers endurance resources. Abbasi et al. (2021) provide evidence from public banking that identification enhances discretion, empowerment experiences, and knowledge contribution. Ngo et al. (2013) showed that perceived support fosters identification that later shapes commitment and performance. It is so powerful that it

can buffer the negative effects of workplace ostracism on front line's service performance and thus safeguarding organizational performance (Mattar et al., 2025). Stronger organizational identification is more likely to stimulate employees to put greater energies, effort, and time into work to achieve organizational mission (Mattar et al., 2025). It shows why OI is highly valuable for management science researchers and managers.

As noted earlier, OI is treated almost entirely as a mediator and its conditional role has not been prominent. This gap finds further backing from the facts highlighted above that not even a single time it has been tapped as a moderator in IM-ICP relationship. Additionally, empirical anomalies, direct and indirect effects of IM on ICP, discussed in the introductory part also encourage us to unravel its moderating influence. When OI is high, IM practices are likely to be accepted and reciprocal behavior is also higher performance. Thus, OI moderates the IM–ICP link by strengthening or dampening the performance outcome. Present explanation is consistent with both SET and SIT, the two major theories helping us in current research. Hence:

P2: OI strengthens the positive relationship between internal marketing and internal customer performance; such that the relationship is more prevailing when organizational identification is high.

All the above discussion leads to the following theoretical model:

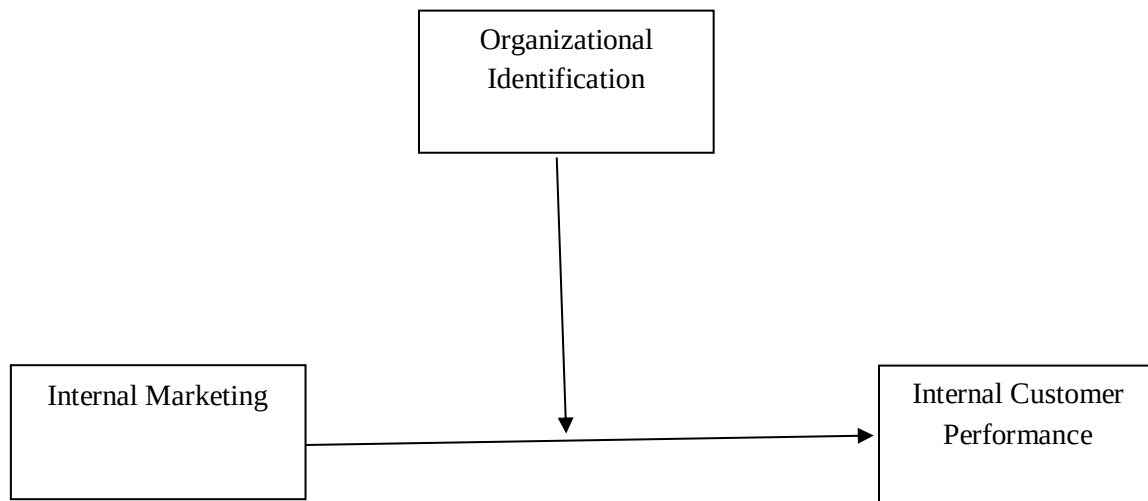


Figure: Research Model

Theoretical Contribution

Present study advances IM knowledge by reframing a generally well-examined relationship from the lens of identity theory. Not enough explanation is their on why IM is not able to produce desired behaviors all the time. Unlike studies in the past (e.g. Batool et al., 2024; Conteh & Yuan, 2022; Mattar et al., 2025), present one is not theorizing OI as a mediator but in the form of a moderator. It explains why IM has been offering varied solutions. Current work contends that IM signals a positive initiative from organization but it is effective when employee penetrates it into self-concept, a mechanism dependent on OI. The conceptual ambiguity created as a result of different outcomes in IM-ICP relation finds a resolution through our proposed model. Our model theoretically explains that earlier findings are not challenging for the IM theory itself but show a lack of identity alignment. This repositioning contributes in SET too by demonstrating that principle of reciprocity also requires identity-anchoring, thus extending scope of SIT.

Limitations and Future Research

Since the nature of this paper is conceptual, so the greatest limitation stems from this fact. It invites future researchers to scrutinize this work empirically. Longitudinal studies could be a better way to capture variance of meaning internalization and should not merely focus on measuring internal customer performance. It can guide us how identification resolves the ambiguities created due to mixed findings. It will also be interesting to find how the dynamic nature of OI exerts its influence on ICP against different dimensions of IM. Different cultural contexts (eg individualistic vs collectivistic) provide another avenue for future scholars to determine the effectiveness of this model. The scholars may also give an entirely fresh perspective on the IM-ICP gap by introducing new moderators or mediators. On the whole, the expanding power of IM due to its multidimensionality can truly reach its potential if researchers produce more and more empirical-based research (Khalid & Hadi, 2021b).

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