Achieving front-line employee’s satisfaction through

Internal marketing in service organizations

A case of SEB bank.

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Abstract

Problem definition:

In service organizations, front-line employees are considered to be the primary element when providing the organization’s services as they interact directly with customers and influence their perception of service quality. In other words, if the front-line employees are satisfied they will deliver the organization’s services in the best way which will directly lead to customer satisfaction. So it is worth studying how the service organizations use internal marketing tools towards their front-line employees in order to achieve their satisfaction.

Purpose of the Research:

The purpose of this thesis is to describe and analyze the human resources practices aimed at front-line employee’s satisfaction that is related to internal marketing at SEB and to show how using the various methods implemented by SEB has took the organization to the position as of now.

Research Questions:

How the Internal marketing elements are practiced by human resources at SEB bank in order to achieve front-line employee’s satisfaction?

Methods:

In order to fulfil the purpose of dissertation the primary and secondary data has been analyzed based on the theoretical concepts. The theoretical concepts are based on academic data from books and scientific articles. The empirical data consists of both primary and secondary data. The primary data has been collected by conducting two interviews, one with the manager from human resource department at SEB and another with a front-line employee. The secondary data were collected from SEB’s webpage.

Conclusion:

This study explores the potential effect the organization can have on the services due to the workings of the front-line employees. It can be concluded from the theoretical and empirical analysis that SEB’s management sees internal marketing practices (such as empowering, motivations and rewarding, job security and training) as a fundamental approaches to achieve their front-line employee’s satisfaction. SEB considers its employees as the most vital asset that can create and achieve its customer’s satisfaction, which has led to its immense growth.

Keywords:

Internal Marketing, Internal Marketing Mix, Human Resource, Service Organization, Internal Customers, Internal Service, Service marketing, Front-line employees
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1. Introduction

This chapter aims to give an overview about the field of services and what differentiate it from the products business. In addition, an explanation about the thesis topic and discussion problem is clarified.

1.1 Background

During the past three decades, the service sector has been growing rapidly. According to Grönroos (2000) service sector has represented more than 50 percent of the gross domestic product (GDP) or total employment in developed countries. It has been also noticed by Wilson, Zeithaml, Bitner & Gremler (2012) that the service sector has generated 73 percent of the European Union GDP. Grönroos (2000) has mentioned in his study that in the beginning of our modern society, service was not necessary in the customer’s view, but it did add value if it was provided. From those facts, it might be perceived that the service sector is colossal and the organization are confronting solid rivalry.

It was noticed by Shostack (1997) that marketers and managers confronted troubles when they were attempting to manage marketing of services utilizing the customary item marketing mix known as the 4Ps (product, price, promotion and place). By doing that, application to marketing of services has been problematic, because of the differences in characteristics between products and services. Scholars such as Wilson, Zeithaml, Bitner and Gremler (2012); Grönroos (2000); White and Susan (2004) and Shostack (1977) agreed that services differ from products by four characteristics: intangibility, heterogeneity, inseparability and perishability. According to White and Susan (2004), services have no physical presence thus they are intangible. They are heterogeneous because they are not alike during the performances, since humans are producing them. Furthermore, they are produced and consumed at the same time, which makes them inseparable. Therefore they cannot be stored to be used another time, and thus they are perishable. By knowing what differentiates a service from a product, service is defined as:

“All economic activities whose output is not a physical or constructions, is generally consumed at the same time it is produced and provides added value in form that are essentially concerns of its first purchaser” (Wilson, Zeithaml, Bitner & Gremler, 2012, p. 5).

Grönroos (2000) has argued that services are provided in all companies even though some are product-oriented companies. For example, the Kone corporations which is an elevator manufacturing company, stated that more than half of their turnover comes from services such as maintaining, installing and modernization services.

Wilson, Zeithaml, Bitner and Gremler (2012) agreed that service marketing has some common tools with marketing of products. For example, product, price, place and promotions are the common marketing mix between the two sectors; services and goods. They also suggested that due to the different characteristics between services and products, some modification and additional tools to service marketing could be applied. The 3P’s (people, process and physical evidence) model has been agreed upon as the service marketing elements. They have defined process as the mechanism and flow of activities by which the service get provided. While People refer to all workers producing the service and physical evidence is the atmosphere, environment and place in which the service gets delivered and interaction happens with customers.

Morgan and Neil (1991) argued that there are two types of customers; internal and external customers. According to Wilson, Zeithaml, Bitner and Gremler (2012), the interaction between the employees and external customers is the main factor of customer’s perception of service quality,
which leads to the importance of the employees in service delivery. Papasolomou and Vrontis (2006) stated that internal marketing acknowledges this issue by focusing on employees in order to enhance external performance or when the service is delivered. Ahmed (2002) explained Internal marketing as a tool to create motivated customer oriented employees by using marketing tools to satisfy employees’ needs by treating both organization and jobs it offers as products.

1.2 Problem discussion and specification

According to Grönroos (1997) services marketing are divided into three main areas, internal, external and interactive marketing. Managers have developed and implemented different strategies to improve and measure their external marketing activities. Surveys such as the SERVQUAL are made frequently to find out if the customer’s expectations are met. Parasuraman, Zeithaml and Berry (1981) were among many researchers who mentioned and studied the SERVQUAL approach (also called RATER, i.e., Reliability, Assurance, Tangibles, Empathy and Responsiveness), which is a survey that measures customer’s perceptions towards the quality of the service provided. The dimensions in the SERVQUAL method got developed by many scholars in order to give more clear quality measures of customer’s satisfaction in services field (White & Susan., 2004).

In 1990’s, the thinking of service companies changed. In a study by George (1997), it is argued that companies should shift their attention to their internal marketing area and focus on factors that satisfy the employees, as they are the ones producing the service. Varey (1995) mentioned that the term internal marketing was discussed by many authors for the past three decades, yet he argued that there is neither a clear definition of what internal marketing means nor the exact nature of it. Berry (1981, p.2) was the first author who introduced the term internal marketing as treating employees as internal customers. He described the term as:

“...[V]iewing employees as internal customers, viewing jobs as internal products, and then endeavoring to offer internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization”.

Authors such as Varey (1995) and Quester (1999) agreed that adopting internal marketing is to recognize employees as internal customers, increase their satisfaction and create customer-oriented employees. On the other hand, Wilson, Zeithaml, Bitner and Gremler (2012) have explained that front-line employee (can also be called contact personnel) is the most important employee in a service organization as they interact directly with customers and influence the customer’s perception of service quality. In other words, if the front-line employees are satisfied they will deliver the organization’s services in the best way which will lead to customer satisfaction. They additionally concurred that unless the front-line employees are fulfilled in their positions, customer's fulfillment will be hard to attain.

Moment of truth, as Wilson, Zeithaml, Bitner and Gremler (2012) expressed, is one of the service phases. It is when the customer interacts with the employee to experience a service. Therefore it is worth studying how to develop the front-line employees to make them happy when providing the service to customers as they have the most of customer’s perception of service quality. Moreover, it’s interesting to find out what the tools for internal marketing are, and how service marketing organizations use these tools in order to achieve their front-line employee’s satisfaction.

Figure 1 summarizes the Thesis topic’s path, where the service marketing is the main field of this study. From that field, the internal marketing and its mix towards the front-line employees have been chosen to be studied. Finally, a company has been chosen to describe how the theories that have been studied are practiced.

2
1.3 Purpose and Research question

The purpose of this thesis is to describe and analyze the human resources practices such as empowerment, rewards and motivation, job security and training aimed at employee satisfaction that relate to internal marketing at SEB.

Research question is formulated as: How the Internal marketing elements are practiced by human resources at SEB bank in order to achieve front-line employee’s satisfaction?

1.4 Targeted group

This work is of a particular interest for service marketing organizations that are aware of the necessity and have an interest in internal marketing and employee’s satisfaction. This thesis can also serve as a great insight and an inspiring source for future researches conducted by students and teachers alike within the field of business management. This thesis will also tell how the service sector is indispensable for the future of mankind.

1.5 Scope of the Study

This study is focused on the relationship between internal marketing and front-line employee’s satisfaction. The study is limited to only service organizations and to only one company, SEB bank. In addition, this study will focus on the elements of internal marketing that influence front-line employee’s satisfaction, which are entrusted to the human resources department at SEB. Other elements and departments that are involved in internal marketing are excluded. It is worth noting that the term employee in this study refers to front-line employees.

1.6 Chapter Overview


2. Theoretical Framework

This chapter focuses on internal marketing and its definitions. A description of service marketing elements and a definition of internal marketing mix is mentioned. Moreover, an argument of the
relationship between internal marketing and human resources department is discussed.

2.1 Service Marketing Elements the 3P’s

Authors such as Shostack (1977) and Wilson, Zeithmal, Bitner and Gremler (2012) clarified that the services have different characteristics such as being intangible, heterogeneous, inseparable and perishable. Thus they agreed that the service marketing elements differ from the product marketing (named also traditional marketing) by three P’s; people, process and physical evidence. However, only one of the P’s (People) will be discussed thoroughly, since it’s the main interest of the study.

2.1.1 People

According to Wilson, Zeithmal, Bitner and Gremler (2012), when an organization is dealing with a service it is offering to their customers, the role of its service employees becomes more critical as customer service mainly depends on it. As there is no tangible product present in service sector, therefore, it is the responsibility of service employees to project a better and good image of the services offered by the firm. Because of the inseparability of production and consumption of services, service delivery is characterized by interactions between customers and service employees. Service employees who experience positive human resource practices can devote their energies and resources to effectively serving their customers (Heskett & Schlesinger, 1994). Due to such gravity of a service employee, 3p model considered people as a significant part and suggests organizations to keep their employees motivated (Iliopoulos & Priporas, 2011).

Wilson, Zeithmal, Bitner and Gremler (2012, p.21) defined People as “all the human factors who play a part in service delivery, and thus influence the buyer’s perception: namely, the firm’s personnel and other customers in the service environment”. Furthermore, they assume that the contact employee (front-line employee) is the most important employee in the organization, because they influence the customer’s perception, and they are the service in the customer’s eyes. Therefore the management should take some aspects into consideration such as the way they are dressed, their appearance, attitudes and behaviors. Front-line employees are the boundary between outside and inside the organization; therefore they are considered as workers and marketers at the same time.

2.2 Definition of Internal Marketing and Its Purpose

According to Wilson, Zeithmal, Bitner and Gremler (2012), the product marketing parties can be summarized as firm, product and customers. While in service marketing, the relationship approach is slightly different. In service organization, the firm interacts with customers and employees instead of products. Thus the service marketing key parties are firm, employees and customers. This is shown in Figure 2
As Wilson, Zeithaml, Bitner and Gremler (2012) described the figure, the right side of the triangle is named the external marketing, in which the firm interacts with customers, while the interactive marketing is on the bottom of the triangle, where employees deliver the service to external customers. Finally comes the internal marketing on the left side, which the firm interacts with its employees. According to Ahmed (2002, p. 10), internal marketing can be defined as:

“Planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter-functionally co-ordinate and integrate employees toward the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through process of creating motivated, happy and customer oriented front-line employees”.

Referring to the definition above, internal marketing is seen as a tool used to motivate and to create customer oriented employees in order to achieve employee satisfaction. Another argument carried out by Aurand, Gorchels and Bishop (2005) is that internal marketing is very important to close the gap between what an organization promises its external customer (External marketing) and what is actually practiced by employees delivering the promise.

2.3 Internal Marketing Mix

The idea of internal marketing mix as Piercy and Morgan (1991) explained is the concepts of having a number of marketing elements under the management’s control, which are implied and integrated to produce the right response from the targeted market. They also assume that those elements are the same elements as the marketing mix (product, price, promotions and place). For more clarification, they recommend that the organization ought to treat jobs as products. However, this tactic aims to view the job from the perspective of the employees and not from the nature of tasks or duties that have been given to them. They also argue that the financial payments are not only considered as price of the product (jobs in this sense), but also giving the employee some kind of involvement in decision making, responsibilities and career development.

Among many marketing scholars, Galphin (1997) has also presented the following elements such as strategic rewards, training and development, empowerment, senior leadership, staffing selection and incentive systems as internal marketing mix. According to Rafiq and Ahmed (1993), many marketers entrusted marketing department to lead the internal marketing mission. In addition, Ballantyne (2000) suggested that marketing department might provide leadership for internal marketing.

On the other hand, researchers such as Foreman and Money (1995) argue that the human
resource department manages some elements of internal marketing mix, as it is essential for the people in the organization. These arguments enhance researcher’s ideas such as Kotler (2004) who viewed internal marketing as a work performed by the organization to motivate its internal market (employees) in order to work as a team to drive external customer satisfaction. It has been well clarified by George (1990) that the internal marketing and its elements are not limited to “front-line” employees only, because every employee affects the final quality of the service.

2.4 Achieving Front-Line Employee’s Satisfaction

Wan (2007) stated that nowadays companies are surrounded by different competitors, which makes it hard to survive in the global market. Due to that it is important for service-orientated organizations to focus on their employees, since they are seen as their competitive weapon. Johnson (1996) has also stated that in service management literature, scholars have made many different scientific studies on the relationship between employee’s satisfaction and customer’s satisfaction, and what organizational climate should exist in the organization to achieve that purpose. In addition, service quality researchers such as Tornow and Wiley (1991) figured out that it is significant to take into consideration the employees attitudes towards customers when managing the service quality.

Locke (1976, p.1300) has defined employee satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”. In a study that was carried out by Berry (1981) regarding the employee’s role in organization, he found that employees are the main players in delivering the service, creating the climate and environment in which the service is delivered. Furthermore, Scholars such as Wasmer and Bruner II (1991) have written that the performance of contact personnel in an organization to its customers is the one who creates service. From this perspective, Yelkur (2000) said that front-line employees are the most vital element in the service marketing, since they affect the environment and process in which service is produced and shape the customer’s perception of service quality. Moreover, the relationship between the front-line employee satisfaction and performance has been proved by Petty, McGee and Cavender (1984), who showed that the relationship between these two factors is indeed positively correlated. In other words, the more the front-line employees are satisfied in their jobs the better performance quality they will deliver.

Price and Mueller (1981) mentioned that beside the high quality of service performed by satisfied employee, there is also a strong relationship between front-line employee’s satisfaction and retention. They concluded in their study that there is a negative relationship between service provider’s job satisfaction and turnover. For more clarification, if the front-line worker is satisfied, the probability of leaving the job is low. Solomon (1988) has estimated that separation, training and replacement costs are between 1.5 and 2.5 times the annual salary for each worker who quits. This implies that having a low turnover in a service organization especially with service providers is preferable, because that would save the organization cost.

Spinelli and Canavos (2000) emphasized, that customer’s satisfaction is at the core of any organization’s objectives, because it encourages customer loyalty and helps with word-of-mouth advertising. Based on that, Wan (2007) suggests that customer’s satisfaction is strongly linked with employee’s satisfaction. Moreover, he has taken this linkage further by saying that it also drives productivity and profitability.

Heskett and Schlesinger (1994) were also among many researchers who studied the relationship between employee’s satisfaction and profitability. They contended that when the front-line employees are fulfilled in their work environment, they would give a higher quality in service. This will lead the organization to gain satisfied and loyal customers. As a result, the firm’s profits will increase. Figure 3 formulates the service-profit chain that had the same idea as (Heskett & Schlesinger, 1994).
Blyton and Turnbull (1992) have commented that companies should see their employees as the most valuable asset. Investments should be implemented to develop them rather than considering them as a cost that should be minimized, since the human factor is intensively involved in providing the service. They have also suggested that employees should be treated like external customers, and aim to satisfy their needs, meet their perceptions and provide them with the right tools in order to achieve organization objectives.

2.5 Human Resources Role in Internal Marketing

According to Aurand, Gorchels and Bishop (2005), a well-trained, informed and motivated employee has a big impact on the service quality. This leads that human resources ought to be more included in the core business courses of action of the organization. They also emphasized that internal marketing is not only about communication but it also include functions that comes under the direct control of human resources such as training and recruiting. White and Susan (2004) argued that if management wants a high quality service to be provided, employees have to receive the necessary resource, equipment and information to deliver it. Thus, many scholars in the field of human resource management and marketing have studied how to achieve this internal satisfaction. It was explained by MacMillan and Schuler (1984), that it is very important to have the human resource management being a part of the company’s strategy. In addition, Grönroos (1978) agrees that company’s administration is reasoned as a very important factor in the firm’s competition in service marketing. Wilson, Zeithaml, Bitner and Gremler (2012) mentioned that human resources department is responsible to recruit and hire the right people that have the organizational way of thinking and offer an appropriate package of employment. They said that this department is also responsible for training and developing employee’s skills through motivation and rewarding systems that enhance the employee’s satisfaction.

As mentioned by Berry (1981), the main goal of internal marketing is to treat employees as internal customer and jobs as internal products. In addition, one of the concepts of internal marketing is to ensure that employees are satisfied in order to provide a better quality service to company’s customers. In other words, employees should feel that their management cares about them and their needs. Moreover, Kotler (1991, p. 188) defines internal marketing as “the task of successfully hiring, training and motivating able and hardworking employees to serve the customer well”.

Even though, there is a lack of implementation framework in internal marketing literature, scholars have concluded a couple of its elements, which are used inside the organization to inspire and motivate employees. For example, communication, training and sharing information (Gummesson, 1991), developing, educating and motivating (Grönroos, 1985); hiring, attracting, retaining, rewarding and motivating employees (Foreman & Money, 1995), in other words functions that comes under the role of human resources management.

Furthermore, previous studies indicated that human resources instruments with marketing perspective could be used for internal marketing. It was clearly mentioned by Grönroos (1998), that internal marketing is actually a doctrine for handling the company’s human resources based on marketing aspects. In addition, Tansuhaj, Randall and McCullogh (1988) have clearly mentioned that employee retention, training motivation etc. are part of the internal marketing mix. Therefore, when
implementing any business plan internally, it would require adding all human resource management aspects that were described as internal marketing mix.

Figure 4 summaries the conceptual framework used for this study. It shows how the human resources practices are influenced by internal marketing activities to accomplish employee satisfaction.

Figure 4: Human resources practices in internal marketing towards achieving front-line employee’s satisfaction. (Own illustration)

2.5.1 Empowerment

According to Chebat and Kollias (2000), one of the characteristics of services is inseparability. This means that they are not alike when they are produced, because the human factor is involved in the production of the service. They also mentioned that mistakes and failures might occur. Therefore, they have ascertained that all employees especially the front-line should have some kind of empowerment. According to Wilson, Zeithaml, Bittner and Gremler (2012, p.261), empowerment can be defined as “giving the authority, skills and tools to employees to serve customers”. They also mentioned that the employees have to receive the right guidance and training before they are delegated empowerment in order to know how to handle a service crisis.

Chebat and Kollias (2000) argued that empowering employees has many benefits in return. It reduces the job-related stress, enhances the job satisfaction, and provides greater adaptability. They mentioned that employees can be satisfied and better outcomes are achieved towards customers because they can take actions if any failure occurred. Bowen and Lawler (1994) have also argued that if the nature of the service is to be customized from person to person, and if advanced technology is not involved, or the service needs a long-term relationship with customers, then the employees and managers have to have a very strong interpersonal skills and authority. They have also found that empowering employees gives them the will to deliver a better service because they get the feeling of being a part of the organization. In addition, they will feel more responsible which will reflect clearly on their warmth and enthusiastic behavior towards other employees and customers.

However, scholars such as Bowen and Lawler (1994) argued that empowerment should not always be given to all employees as it might incur the organization down. They identified that the organization should invest a lot of money in selecting people that can work in an empowered environment which requires a creative and open-minded person. The service delivery might get slower because the employees have to spend more time with customers to know how to satisfy or re-
satisfy them, and they might also make bad decisions that will affect the organization process.

2.5.2 Rewards and Motivation

In his paper Kovach (1995), suggested that an employee reward system is a must for motivating employees. He also proved that there is no significant difference between women and men in forms for demands in rewards. However, it has been shown that there is a significant difference in age groups. He noted that the younger generation prefers growth, promotion, wages and job security, while the older generation prefers good working conditions, personal loyalty to employees and sympathetic help with personal problems.

According to Hale (1998) there are two different organizational rewarding systems, strategic rewards and incentive systems. Regarding the strategic rewards, he pointed out that organizations usually choose to reward those who help to reach business goals based on their actions, accomplishments and behavior. While the incentive system as Pfeffer (1997) also mentioned is to recognize and motivate teams and individuals with rewards to achieve organization objectives and goals. So instead of just rewarding them on their own performances as in strategic rewards, they help the front-line employees with motivation to improve themselves as individual or teams in incentive strategies.

Ryan and Deci (2000) explained that there are two ways to reward and motivate their employees named intrinsic and extrinsic rewards. According to them, intrinsic is when the employee gets rewarded and motivated through internal factors such as own interest. In parallel, the extrinsic is when the employee gets rewarded and motivated through external factors. For a front-line employee, internal factors can be that they enjoy the service profession, and external factors can be that this line of work is a good way to start their careers.

Lin (2007) argues that it is crucial for every organizational success that there is a strategically important goal to support the relationship between job satisfaction, rewards and motivations. In addition, O'Driscoll and Randall (1999) say that an employee’s satisfaction related to the motivation and reward system that goes for both intrinsic and extrinsic. They found that most people who start their career is due to an intrinsic factor. However, eventually the extrinsic factor will be the dominant reason why they choose that career.

In addition, Bishop (1987) believes that rewards are needed to motivate people in an organization to enhance employee’s loyalty towards their organization and to improve their performances. However, he argued that no matter what and how much an employee will be offered there is a limit of what someone is capable of performing. Lawler & Worley (2006) found out that there are a lot of different rewards and motivation methods for employee’s satisfaction, such as bonus systems and person based pay. However, there is some motivational techniques that do not give the same satisfaction as those two mentioned before. For example, merit-based salary only increase the salary slightly and after a while having it, it will be a part of the employee’s base pay. By doing this the employee will have a hard time to tell the difference from bonus and base pay. In return, it will not have the desired motivation and satisfaction effect as the organization was hoping for.

2.5.3 Job security

The meaning of job security as Browne (2000) explained is “job security via workforce stabilization and employment continuity policies”. As Pfeffer (1995) suggested that the main idea behind this internal marketing practice is that organizations show appreciation and commitment towards their employees. They will be more willing to share ideas of their own knowledge to improve the company’s productivity.
An argument by Locke (1995, p.66) says that “…innovations in work practices or other forms of worker–management cooperation or productivity improvement are not likely to be sustained over time when workers fear that by increasing productivity they will work themselves out of their jobs.” He emphasizes on the necessity of job security in order to prevent any fear by the staff that their jobs might be at risk after sharing their knowledge and help in improving the productivity of the company.

In addition, Smith (1999) has emphasized on the fact that job security is a tool to gain employee loyalty. He said that when organizations show its employees that their experience add a value to the organization productivity, and have a trustworthy promise that they cannot be dismissed after sharing their knowledge, as a result they will improve the organization’s work quality and enjoy doing their role tasks. However, he argued that if the management did not adapt this tool in their practices, employees will not be as productive as they should be and will not have the willingness to co-operate with the organization.

Pfeffer (1995) mentioned that organizations should consider that investing in employees by intensive training and empowerment would not be enough without job security. Otherwise, risk of employees leaving the organization to competitors will exist. In return, this will lead that the firm loses its skilled employees and benefit others. Another type of job security, which he mentioned, is that organizations can avoid laying off their staff by relocating them to other areas where they can be beneficial. As a result, the organization will show its employees that they really care about them and that their services and contributions to the organization are greatly valued.

2.5.4 Training

In organizational learning literatures scholars such as MacDuffie and Kochan (1995); Slater and Narver (1995) argued that, training employees enhances creativity and productivity in the organization. Therefore, companies in developed countries that have advanced economies shall train their staff in order to compete successfully, especially those who provide the organization’s services to customers.

Bettencourt and Gwinner (1996) have identified the different types of training. They suggested that for a front-line employee, interpersonal adaptive behavior and service offering adaptation are the preferable training programs. The interpersonal adaptive behavior concerns the communication skills that a front-line employee needs when communicating with customers. For example they get trained on their tone of voice, vocabulary, and gestures. Parallel to that is the service offering adaptation, which is training the front-line employee how to customize the service based on customer’s needs, if needed. Gronroos (1981) have emphasized that front-line employees should be trained as the salesman is trained because he is the one who sells the service. Bansal, Mendelson and Sharma (2001) have mentioned in their study that the turnover in the Danish police was negatively related to training. This led them to agree with Birdi, Allan, & Warr, (1997) who believe that staff stay longer in the organization because they are satisfied and feel that the management care about their personal developments needs by training.

Moreover, Bansal, Mendelson and Sharma (2001) suggest that training the employees would yield intangible outcomes such as improving the organizational performance and increasing the employee’s skills. This will be reflected on service quality because employees are satisfied with their jobs. Furthermore, Wilson, Zeithaml, Bitner and Gremler (2012), agree upon this by assuming if employees are getting the right training in their departments, and know how the workflow process of delivering a service is conducted; it will lead to overall employees’ satisfaction as everyone is doing his task perfectly. For example, if the waiter in a restaurant is trained how to write down the orders in the order-list, this will make it easy to be read by the chef. Even though, managers know the beneficial outcomes from training, they only invest in employees when the organization is profitable. This
encouraged Bansal, Mendelson and Sharma (2001) indicating that employees should not be only trained when the company is profitable, but even during economic downturns as well.
3. Methodology

In this Chapter, methods and techniques used in writing this study are explained. In addition the reasons behind using these techniques are clarified.

3.1 Choice of the Research Topic

There were many research topics from different business fields available to write about for our bachelor thesis. Leadership and Entrepreneurship in the management field, parallel to cost and accounting in the accounting. However, we chose to write in the marketing area, because we have had many interesting courses throughout our study period, at Mälardalens University in Västerås, Sweden. Online marketing, international marketing and service marketing were among those courses. Marketing of services caught our attention for the importance of services in today’s organizations, because it is believed that services exist in every organization whether it is selling products or services. Furthermore, the front-line employees were chosen to study, because it is believed that they are the ones that shape and create the service.

In the first week, data were collected for the thesis to overview the different service marketing areas, such as external, internal and interactive marketing. It has been noticed that the external marketing has been studied extensively. Therefore, the internal marketing is more interesting to study, because it is more practical and can be applied in reality.

3.2 Delimitations

This study concerns organizations that are involved in the service sector. The study is limited to only one type of employees, namely front-line employees. The company SEB was chosen as an example to understand how the internal marketing theories are practiced within the organization to achieve employee’s satisfaction. Our study is based on qualitative research only excluding the need of collecting quantitative data, as it requires a lot of surveys to be executed with the bank employees to measure the satisfaction factor in SEB. Finally, the marketing mix elements that were discussed in this study have been entrusted by SEB bank to its Human resources department. Thus, other department’s role in internal marketing practices such as marketing department have been excluded.

3.3 Research Methods

There are many research methods with many different purposes. However, the qualitative and quantitative methods are the most used ones. Bryman and Bell (2011) clarified that the qualitative method approach can be seen as research method that emphasizes on words and sources of data rather than numbers. Myers (1997) mentioned that it is a way used in studying social and cultural phenomena, where data collection can be observed personally and researcher’s reaction; such as making interviews. In contrast, the quantitative method can be defined as a strategy that focuses on quantification in collecting and analyzing the data (Bryman & Bell, 2011). Those are data that have been collected from numerical, formal and laboratory experiments methods, and mostly this type of method is used when studying natural phenomena (Myers, 1997). In this study, the qualitative research method has been applied, because it gives more opportunities to examine and analyze the theoretical concepts that have been studied in service organization’s literature. In addition to that, the qualitative method requires reliable data sources such as interviewing managers and experts in the studied field. This can give a better picture of how the concepts chosen in this study are applied in the real life business, which enhances the final analysis.
3.4 Research approach

Regarding the research approach, there are two types, i.e., deductive and inductive. Bryman and Bell (2011) defined the deductive approach as one or more theory studied and analyzed in a specific field, and then can be examined and compared with reality to measure if the assumptions and hypotheses confirm or reject the theory while the inductive means that the theories and hypotheses are the outcome of the research.

Thus, the deductive approach was chosen as a base of this study because it gives the ability to analyze the concepts discussed in the conceptual framework in internal marketing. It also gives the chance to examine those concepts and theories on SEB bank, which is used as a case study in this paper. The aim behind that is to know more how those strategies are practiced in the organization.

3.5 Literature Review

The data that have been collected consist of scientific studies and articles that we have found through Google’s Scholar search engine at Mälardalens University. For this study, data have also been collected from books borrowed from Mälardalens University and Västerås City Library.

The theories and concepts we have mentioned from our data collection present methods for how service organizations satisfy their front-line employees. The following sub questions are written to help finding the right answer to the main question:

- What is internal marketing (concepts and models)?
- Why it is important for service organizations to have satisfied front-line employees?
- How internal marketing elements are involved in achieving employee satisfaction and what department is responsible for those tools?

The first question was chosen to get better understanding of what is meant by the internal marketing, which is a fundamental concept in the study. The purpose of having the second question was to find out the outcomes when organization achieves front-line employee’s satisfaction. Lastly, the third question was chosen to find out which departments are responsible for the internal marketing mix.

3.6 Choice of Data Collection Method

To be able to find out and compare theoretical studies with practical methods, both secondary and primary data were used.

3.6.1 Secondary Data

Secondary data according to Sorensen, Sabroe and Olsen (1996), are data that have been collected by someone else than the user. The secondary data in this study are presented in a general view that can be implemented in any organization that desires getting a stronger competitive advantage. This data gives the researcher a valid sampling frame for guiding the researcher and giving a hint that they might be on the right track. Also might give the right information for solving the research question, or at least give an indication that the researcher is on the right path. The required information about SEB’s such as history and profits were collected from the website of the company. In addition, quantitative data that measure employee’s satisfaction and retention which were collected by SEB management were used.
3.6.2 Primary Data

McIntyre and Boulle (2006) pointed out that primary data is data which is collected from the source by the researcher that have not been altered or manipulated in any way.

Primary data in this study have been collected from semi-structured interviews with SEB human resource manager Karin Lundvall in Stockholm on the 17th of April 2014 and with an anonymous front-line Employee X in Västerås on the 9th of May 2014. These interviews were very necessary for this study, because important and strong data can be grasped, which would help in the final analysis and determine if the theories and concepts are exercised in practice. Without these interviews it will be very hard to be able to give a correct conclusion and analysis.

3.6.2.1 Semi-Structured Face-to-Face Interview

Bryman and Bell (2011), say that a semi-structured interview is an interview that is prepared in advance with questions which cover a specific topic. Face to face interview is a communication between the researchers and the person who is being interviewed at the same place and time (Rubin & Rubin, 2004).

In this study two semi-structured face-to-face interviews have been conducted. The first one was made with Karin Lundvall, and the other was with a front-line employee. The purpose of the first interview with Karin Lundvall was to find out how the internal marketing mix are practiced in service organization. Also to know what kind of strategies are implemented to meet their front-line employee’s satisfaction. An interview script form (see Appendix 1), with nineteen questions, was prepared in advance for this purpose. The second interview with Employee X was to find out what motivates and satisfies him/her in their daily tasks. Also to know if the internal marketing elements discussed in the study are practiced (see Appendix 2). Both of the interviews scripts have been sent to the correspondents two days before the interview in order for them to have an overview about the areas that will be covered. They were told in advance that there might be counter questions depending on their answers.

On Karin Lundvall question form, there were both qualitative and quantitative questions. The quantitative questions were very general and significant to this study in order to relate between employee’s satisfaction, retention and profits. The qualitative questions were about internal marketing and internal customers, which are more important because their answers will help the authors to answer the study research question. For the Employee X questions, only qualitative ones were asked. Bryman and Bell (2011), have mentioned the two types of questions; the open and close questions. According to their definition of these terms, an open question is a type that gives a free space to the respondents to answer as they wish. In contrast, the close questions are those types where the respondents have fixed answers where they have to choose an appropriate answer. Therefore, as it can be seen in the both appendixes, the interviewer's questions were chosen to be open questions, because of the advantages of this type in which the respondent can answer in their own terms; they are not forced, and the questions do not suggest certain kinds of answers (Bryman & Bell, 2011).

Both interviews were conducted in English. However, since it was known that both, Karin Lundvall and Employee X were not native English speakers, they were allowed to express themselves in Swedish when needed. Each interview’s duration was 60-70 minutes long. Karin Lundvall interview took place at SEB office at 13:00 CET, while Employee X’s interview took place in his/her office at 13:30 CET. Both respondents were relaxed and the interview’s atmosphere was calm, which made the discussion easy going, understandable and rich of valuable information.
3.6.2.2 Operationalization

According to Bryman and Bell (2011) operationalization is used as an indicator to identify and measure the research’s ideas and concept. They mentioned that the operationalization could be implemented through a structured interview’s question, which could be concerned with the respondent’s attitude. The following table illustrates how operationalization was implemented in this research.

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Indicators/measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal marketing</td>
<td>Appendix 1, question 2 was asked to know if the concept of Internal marketing was known by human resources and practiced in the organization.</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>Appendix 1, question 3 was asked to find out how human resources department is involved in implementing plans/strategies to achieve employee satisfaction. In addition, the purpose of question 4 &amp; 5 were to know why SEB would aim to create a good work atmosphere for their employees and make them feel good while doing their daily tasks. Finally, by question 6 we asked respondents about which activities in terms of motivation, rewarding, training etc. are implemented in the bank. Questions from 14-19 were asked to measure the outcomes of internal marketing.</td>
</tr>
<tr>
<td>Motivation</td>
<td>By question 7 in Appendix 1, was asked to know how SEB encourage employees to work, make their tasks enjoyable, have energy and ambitions to achieve, taking responsibility and being committed.</td>
</tr>
<tr>
<td>Empowerment</td>
<td>By question 8 in Appendix 1, was asked to know what limit of power and control do the front-line employees have when they face a customer complain.</td>
</tr>
<tr>
<td>Rewarding</td>
<td>By question 9 in Appendix 1, was asked to find out what type of recognition does SEB shows to its employees in terms of both financial and moral aspects.</td>
</tr>
<tr>
<td>Job security</td>
<td>By question 10, in Appendix 1, was asked to know what opportunities SEB provides its employees to build their careers and make them feel confident and secured in their roles.</td>
</tr>
<tr>
<td>Training</td>
<td>By question 11, in Appendix 1, was to get an idea how front line employees are educated in order to be able to respond to customers, having customer oriented mindset, and feel confident when delivering the service.</td>
</tr>
</tbody>
</table>
3.7 Data Analysis

For the researchers to be able to analyze how the organization performs its internal marketing, the theoretical framework was applied to the collected empirical data. This information helped the researchers to analyze how the organization operates in different scenarios.

The secondary data that were collected helped in clarifying how employee satisfaction could affect outcomes such as profits and employees turnover. The primary data that were collected did give the opportunity to connect between all the different concepts that have been presented as secondary data. Moreover, they gave a greater understanding on how SEB manages, deals with employees; promotes, helps and motivates them to success.

The information that was collected from secondary and primary data was combined with the theoretical framework in a way to give a general view of the internal marketing and how all are connected and how all the things operate. All information that have been collected enhance better understanding about the topic and also help to answer the research question.

3.8 Reliability & Validity

It is mentioned by Bryman and Bell (2011) that reliability and validity are two different types of ways to measure quality, which are achieved through principles and methodology.

3.8.1 Validity

Validating is to find out how valid are the measurements used to measure the concepts, and finding out if that result is trustworthy (Bryman & Bell, 2011). It is important to present all data used by organization that works with internal marketing on a daily basis and to show that they are real and significant to this study. All different theories and concepts that have been presented in this study are shown as a base to develop the interview script for the interview with the human resources manager at SEB.

The explanation for picking this bank was for the accompanying reasons. First, SEB has a good reputation in the market regarding its employment and it has been given a reward as the best bank in Sweden by global finance for 2014 (SEB, 2014). On the other hand, the business nature of the company is mainly service marketing as the human factor is highly involved in providing service which is relevant to our thesis study.

It was highly important to do these personal interviews in order to collect the right data from both human resources that practice the internal elements, and front-line employee who receives those elements. Furthermore, the interviews were important to get a deeper insight into internal marketing practices in their organization. That type of data sources would make the study analysis valid as it is based on facts and not personal opinions.

3.8.2 Reliability

Bryman and Bell (2011) have defined the term reliability as measurements that are reliable
and dependent, but also consistent. With consistency means that if a test would be made more than once then the outcome would be the same every time. This study has had a strong base about internal marketing due to the many courses that the authors had in this particular subject at Mälardalens University. Not only their knowledge base was well, but also well prepared to know how to find reliable and qualitative data to use, to be sure that the reliability in this study they made sure that they did not alter the study with their own opinions and believes.

When collecting secondary data, the researchers wanted to use as many different sources as possible to make sure that the data collected were trustworthy and liable. The different concepts were discussed between the group members to make sure that the interpretation would not be altered or misunderstood.

When the primary data was collected at the interview, none of the researchers had been in contact with the human resources manager or Employee X at SEB, and discussed about the interview questions. So none of the researchers could anticipate or know what the outcome of the interview might be. Due to this, the credibility, which is “the finding quality is believed and trusted” (Bryman & Bell, 2011, p. 33 & 44), made the interviews reliable and have not been altered with any way in forms of preparation between researcher and the human resources manager and Employee X at SEB.
4. Empirical Findings

In this chapter, a brief company introduction is presented. In addition, all findings and data that were collected from both interviews are presented in the same order as the theoretical framework chapter.

4.1 Presentation of SEB

According to the company website SEB (2012), Skandinaviska Enskilda Banken AB (SEB) was founded in 1856, when the founder of the bank André Oscar Wallenberg started the first private bank in Sweden. Since the opening of SEB, its head office is located in Stockholm.

Since the foundation of the bank, the management has developed and improved their offerings from being a bank for private services towards providing universal banking services, operating in Sweden and Baltic countries. Among Nordic countries, SEB is leading with their 2,900 corporations and institutions partners within investment banking. SEB operate also with 400,000 small and medium sized corporate clients worldwide and in the private sector they have 4 Million private individuals, which they are providing with advisory and services to meet their every single financial need. Their current CEO is Annika Falkengren and as of now SEB are operating in 20 countries worldwide. Their profit has increased from 3.7 Billion Swedish Krona to 4.9 Billion Swedish Krona for the first quarter of 2014 (SEB, 2014).

SEB’s ambitions and goals for their partners and customers are to make their dreams come true by providing knowledge and guidance to them to reach their goals. SEB is like any other bank providing services and financial products to its customers, but what makes SEB stand out from its competitors is that they emphasizes on long term commitments with their partners in both good and bad times. Since SEB are operating in many different countries it gives them strong cross border co-operations where different backgrounds, skills and cultures can be moved together to improved their services and meet the growing customer demands. (SEB, 2011)

During the last couple of years, SEB has received a lot of rewards that proves their ongoing success within their area of expertise. In December 2013, they got awarded as “Best bank for small businesses in Sweden – Private Businesses (Privata Affärer)” and in January 2014, they received “Best bank for large corporations in Nordic region” for their overall performances. In addition, in March 2014 they received “Best bank of Sweden - Global Finance” award. (SEB, 2012)

SEB´s responsibility in business priorities is within three major areas and they are Responsible Business, People, Community and the Environment and how all are connected shows in the figure below.

Figure 5 Business Priorities (SEB, 2013)
According to SEB, the employees are the brick and mortar in their organization. The company has created its own “Code of Business Conduct” so everyone in the organization knows the core values and also getting the right aid and guidance for building long lasting business relationships with customers. SEB’s core values are more than just words. Their inner scope is not only to help employees within the organization to manage challenges in their everyday life, but also to sustain their perception to achieve the organization’s visions. The whole point of having these core values is to add value to the organization and to be able to meet the constant growing demand from their customer’s expectations and gain their trust. (SEB, 2012)

4.2 Internal Marketing at SEB to Achieve Employee Satisfaction

According to Lundvall (2014), SEB has broad internal marketing implications due to the fact that there are a lot of departments involved in it. She has mentioned that the human resource at SEB is the responsible department for its employee’s hiring and performance. Thus, many strategies which will be discussed are entrusted to the human resources department in the company. This information was organized in accordance with the conceptual model presented in the end of the theoretical framework.

Lundvall (2014) has mentioned that having satisfied employees is a fundamental aspect at SEB, as its believed that satisfied employee means happy and satisfied clients, especially when the service is in the financial field. She followed by saying that SEB is like many other banks, which has both domestic clients (individuals and companies) as well as international. This means that they are dealing with many parties, thus they are providing different service to their customers. In addition, offering stable work atmosphere with high salaries would create a good reputation in the labor market that will attract personnel to work at SEB.

Furthermore, Employee X (2014) stated that bank’s clients might need advices and proposals about their financial investments or situations and plans. Therefore, people working at banks, especially front-line employees who deal directly with the clients should be carefully selected. Their educational background is one of the selection criteria.

Lundvall (2014) has also mentioned that the bank management cares a lot about their employees, and always tries to keep them satisfied as much as possible in order to keep them working at the bank. She stated that SEB employee’s turnover reached 6.8 percent in 2013, which is a low compared to the Swedish average employee turnover published by Holmen (2013) which was 11.6 percent. Employee X (2014) described that there are many departments in SEB that are involved in achieving employee’s satisfaction. However, from the employee’s perspective human resources are considered to be one of the key departments.

4.2.1 Empowerment

It was mentioned by Lundvall (2014), employees are free to take actions to help customers. However their empowerment level has a limit. In other words, they are guided in which areas they can take decision. She also mentioned that empowerment is important in the service field, because it gives the feeling to the employees that they are responsible, which also makes them feel of being part of this company. As Employee X (2014) stated, if a small mistake happens, then the front-line employee has the authority to fix it. However, if the case of the mistake was big, then the front-line employee has to inform his/her manager about it.
Lastly, Lundvall (2014) and Employee X (2014) pointed out that SEB’s human resources department believes that having some kind of empowerment delegated to the front-line employee gives the feeling to the client that the service is customized to his/her situation and enhanced the employee’s creativity in finding solutions to the problems.

4.2.2 Rewards and Motivation

To find skilled employees today is challenging, but even harder to keep them when found. That is why it is very important for SEB to show their employees appreciation in the organization by having strong set of rewards methods. Therefore, there are rewards offered to all levels in the organization, and there are both long term and short-term rewards that are offered to the employees. For everyone who is part of the organization get every year a chance to receive a bonus up to 55,000 SEK based on the organizations as a whole performance. (Lundvall, personal interview, 17th April 2014)

Lundvall (2014) explained further that for SEB to improve both short and long term relationship with their employees they choose to pay the yearly bonus in two terms. One term is by paying half of the bonus in cash to them and the other half is automatically given as shares and options in SEB, which they can choose to sell at least after three years. She followed this by saying that SEB does not only promote their employees to stay longer in the organization, but it also provides the opportunity to the employees to be a part of the organization which will in turn motivate them to improve their performances. In addition to those financial rewards, they do also offer all their employees with generous retirement plan, health care and additional aids for motivating training and also possibilities to lease car if needed. It was also mentioned that the different age groups who thrive to be a part of SEB have different desires in terms of rewards. For instance, the younger generation does not care that SEB offers a very generous pension plan while the older generation does.

“To give the employees the right motivation is very important to have passionate leaders who take their role seriously” said- Lundvall (personal interview, 17th April 2014). She believes that a good leader does not always aim to achieve the group’s target, but also improves the whole team’s performance. Therefore, it is important for leaders at SEB to find a balance between these two dimensions, where they will be able to reach the target but still being very people oriented person that can develop and create a good work atmosphere for everyone in the team.

Lundvall (2014) said that when strong leadership skills are established, it is very important to keep strong ties between managers and employees. For example, this is done by having ongoing face-to-face conversation with manager and employees at least twice a year. In addition, Employee X (2014) mentioned that at SEB, the manager does not only get a chance to find out about the employee’s satisfaction, but also get a chance to know their ambitions and goals working at SEB. He believes that this approach helps enhancing the employee’s motivation.

Lundvall (2014) clarified that employees at a service companies are facing stressful tasks, since their job nature is not constant which might affect their motivation status. Therefore the face-to-face conversations are performed. She explained that during the face-to-face conversation, the manager motivates the employees by comparing last year’s performances towards this year in terms of target fulfillment and behavior because they are very important in the manager’s opinion. Furthermore, she explained that the managers are also clear about what their future targets are and what is expected from the employee so they will be able to achieve the desired organizational goal. She clarified that during these meetings the employee has the chance to debate for their evaluation where they might have succeeded or failed.
According to Lundvall (2014), the Global Talent Review (GTR) is an important annual event at SEB. Basically, this is where managers present those employees who have the best performance results in both target fulfillment and behavior. When the talented employees are identified and put in the so-called talent pool where only 5-10 percent of all the employees get a chance to be enrolled. These employees are given the opportunity to develop and improve their skills to be suited as SEB future managers. However, she pointed out that the talent pool is not for everyone. Some employees might not be interested in developing and improve their skills, while others wish to be there but might be lacking what SEB are looking for. Therefore, they get the right motivations and support to improve in these areas where they are lacking in order to be selected for the next GTR event. By doing this, it will give the employees the right motivation to improve themselves. Employee X (2014) has also pointed out that another way of motivating front-line employees is through their recognition from higher managers.

4.2.3 Job Security

Lundvall (2014) stated “Due to the Swedish protection employment’s law, it is very hard to lay-off staffs in Sweden and that employment contracts are made according to the Union terms”. Due to this the employees do not feel threatened when sharing knowledge and experience with their colleagues as the company cannot lay off them easily. However, she said that it was possible to lay-off workers during financial crisis but the management would not prefer doing that, because in the future these people who have been fired may damage SEB’s image.

It has been said by Lundvall (2014) that SEB’s management relocates its staff internally when lay off workers is needed. She clarified that the first thing SEB does when forced to cut down staff, is to try to relocate them internally. By applying this strategy they can keep the employees inside the organization instead of losing them and benefit from their skills and experiences.

However, she commented by saying that if the employees have neither the willingness nor the interest in being relocated, they get notified in advance and offered a good compensation for a period of time. They can get professional help and support, if needed, in order to find a new job. There are also those types of employees that might not fulfill their tasks and their performances, those get fired but they are also helped when they search for another job.

4.2.4 Training

Lundvall (2014) claimed that training programs is the factor behind SEB’s success. She explained that there are different kinds of programs but the most important one is the leadership training programs. This program focuses on managers from different departments. They are trained on how to develop their leadership skills in order to lead and motivate the employees working in their departments.

SEB offers a wide variety of training schemes both for people who are employed in the organization and for those who are in the process to be a part of SEB. The younger generation who wishes to be a part of SEB has a chance to be so through SEB “Trainee” program (Lundvall, personal interview, 17th April 2014). In this program, they do not only get a better understanding about SEB, but also improve their communication and personal development skills. For people who are already part of the organization, they are provided with ongoing theoretical and practical training (Employee X, personal interview, 9th May 2014). Lundvall (2014) explained that for SEB managers there is a program called “Management in Practice” that lasts for a year. Here the managers will learn how to
handle issues in their departments and different leadership techniques such as coaching and feedback with employees and leading in change. SEB realizes the importance of training its employees; therefore the bank’s management collaborated with institutes for even more advanced leadership programs, which is called “Wallenberg Institute” (Lundvall, personal interview. 17th April 2014). However, this is only suited for the top tier leaders of SEB that have the potential to be SEB next executives managers.

However, Employee X (2014) mentioned that trainings are not only for managers, but also constant training for front-line employees at SEB are implemented such as individual base training, where they will be given an external consultant who will work on their drawbacks for their improvements.
5. Analysis

In this chapter of the study, the framework’s theories are analyzed with the help of the data found.

5.1 Internal marketing in SEB

In service organizations such as SEB, internal marketing has been used for many different purposes such as achieving employee’s satisfaction and to create a customer oriented mindset. It is worth writing that there is a match between human resources way of thinking and what was mentioned by George (1990), that the internal marketing is not limited for just front-line employee’s satisfaction. The same concept was mentioned by Lundvall (2014), that all employees at SEB are getting attention as they affect the quality of the service provided. Thus, the human resource department plays a big role in implementing the internal marketing elements such as motivation, rewarding, empowering and training the employees.

It can be noticed that SEB’s human resources department is aware that front-line employees are the vital keys in any service organization. They are the ones who produce the service, and interact directly with the end customers. Regarding to this, front-line employees have gained strong attention from SEB’s human resources. The department starts its role in the internal marketing process by hiring the right people. As Employee X explained, qualified people with educational and experience background in the financial area are hired. This means that selecting the right people will reflect on the overall organizational job’s atmosphere, in a way which will not only make employees work successfully, but also attract new skilled employees. By that way, it can be said that SEB’s human resources way of thinking about the internal marketing matches Ahmed (2002), who believes that the aim of internal marketing is to make the jobs at the organization preferred to employees out in the labor market.

Internal marketing was explained previously by Berry (1981) as viewing the employees as internal customers and treat the jobs offered by the organization as products. From that perspective, it can be said that these techniques has been implemented in SEB internal marketing strategy. In fact, that can be analyzed from the Employee X’s answer, when he/she was asked the reasons behind choosing to work at SEB. Gradually, it was stated that because SEB has strong jobs reputation, salaries are high and the working atmosphere is attracting.

5.2 Achieving front-line employee satisfaction

It is well-argued by marketing authors that in service organizations the human factor is intensively involved in producing the service (Chebat & Kollias, 2000). Therefore the firm’s employees, especially those who are in direct contact with external customers are considered to be the key of organization’s success in delivering service quality (Wan, 2007; Berry, 1981 & Yelkur, 2000).

Almost all banks offer the same products and services, but what makes a customer choose a particular bank comes to the fact of providing a high service quality. SEB realizes that in order to provide high standard services, and to satisfy their customers, they need to satisfy their employees and especially those who are in direct contact with their customers. They are the face of the organization, and customers perceive the service quality from their performances. (Lundvall, personal interview, 17th April 2014)

According to Price and Mueller (1981), another purpose of achieving employee’s satisfaction is the fact that a satisfied employee will keep working for the same organization and try to improve its services. Moreover, they noticed that employee’s retention would be low which in return will avoid
organization the cost of training new employees. This will help in keeping the skilled employees that are educated and who can provide the desired service standards towards organization’s customers.

Based on the SEB’s (2013) statistical information, employee’s turnover was 6.8%, which is considered to be low comparing to the normal percentage in Sweden, which is 11.2% (Holmen AB, 2013). This can be one of the reasons that SEB has a low employee turnover. As mentioned in figure 3, having satisfied skilled employees will lead to satisfied customers, which in return create customer loyalty. This leads to growth in organization’s profits. In fact SEB’s profits has increased from 3.7 Billion Swedish Krona to 4.9 Billion Swedish Krona for the first quarter of 2014 (SEB, 2014).

As it was expressed in the study, one of the purposes of internal marketing is to have a satisfied, motivated and customer oriented employees, who can be created by supportive recruitment and training. In addition, organizations aim to satisfy their employees who are in direct contact with customers, as they have a big influence on customer perception of service quality (White & Susan 2004). This can be achieved by motivating, rewarding systems and training that will enhance their satisfaction (Wilson, Zeithaml, Bitner & Gremler, 2012). In SEB, internal marketing elements such as training, rewarding, empowerment, motivation and communication are practices by organization’s human resources department. Moreover, as it was indirectly mentioned by Lundvall (2014) that one of their major goals is to make sure that employees are satisfied and motivated in their careers.

Figure 6, illustrates the way that is assumed to be followed at SEB to keep the front-line employees satisfied. Thus, Employees satisfaction is driven from these factors.

![Figure 6 Front-line employees satisfaction factors (Own illustration)](image)

### 5.3 Internal marketing elements

It has been noticed from the two interviewees and literature, that there are many departments as well as elements that influence the employee’s satisfaction. However the following elements (training, empowering, rewarding, motivation and job security), which are controlled by the human resource, have been studied in this paper.

#### 5.3.1 Empowerment

When Karin Lundvall (2014) was asked about empowerment, it can be said from her answers that SEB is aware of the importance of giving empowerment and authority to employees in the service field. However, she has mentioned that there are limits on the level of empowerment that is delegated to front-line employees depending on the problem they are facing with customers. This match what Wilson, Zeithaml, Bitner and Gremler, (2012) mentioned that employees should not get
empowerment without limits and/or restrictions. For example in the case of service failure, the front-line employee has the authority to solve that problem, but if the failure is out of his/her limit then he/she has to inform the manager. In other way, employees are trained how to recover from a service failure, how to explain such a failure to the customers and importantly in which failure should their managers be informed.

It is worth writing that both findings and previous research suggests that giving empowerment to front-line employees make them feel that they have higher responsibility for their tasks. This encourages the employees to provide a high service quality that satisfies the customers. In addition, empowerment has other positive effects than just giving authority such as reduces the employee’s job stress and improves their satisfaction. In addition to that, the front-line employees have the authority and skills to be able to meet and serve customer needs. As can be understood from Employee X that, if a manageable error would occur, he/she are able to correct without going through their manager.

5.3.2 Rewards and Motivation

SEB’s human resources manager has proclaimed that working at a service organization; where the employees are responsible for what they say to clients and how they act can be stressful. Of course it can be assumed that being a front-line employee at a bank has an effect on your performance. Front-line employees interact directly with investors, which means that advises might be given to customer in how to invest their money. For example, if the failure happens, then a depressed employee is the result of that. Therefore SEB’s human resources established a generous rewarding system. It has been realized that job satisfaction is related to job motivation as Ryan and Deci (2000) stated. This strategy keeps the front-line employees motivated and aiming to achieve good quality service every day. Employee X stated that he/she would do the best efforts to provide a good service quality to tone up SEB’s image.

It can be said that SEB matches what Pfeffer (1997) concluded in his article that rewarding in terms of bonuses, increasing salaries and buying shares and obligation, are motivations techniques that SEB uses towards their employees. Every year there is a chance for every employee in the firm to be able to receive a bonus up to 55,000 SEK for SEB performances for last year. But tangible awards are not appreciated by everyone says Lundvall (2014). There are those who prefer intangible rewards such as promotions and ability to climb up in the hierarchy.

From the awareness of that it is important to keep the front-line employees motivated in order to keep the quality of the service stable. SEB’s manager pointed out that rewards do not have only come in financial forms, but they have psychology approaches. Events such as the Global Talent Review, where managers get to talk with their employees, would help increase the employee’s motivation. The employee stays motivated if he/she get the chance to know what weaknesses they need to strengthen and what is expected from him/her to improve in their careers and in the company. In that event, employees also get target to a specific goal. That makes the employee focus on how to reach that goal and not anything else.

5.3.3 Job Security

Job security is a way that organization practices in order to encourage its employees to share their experience and increase productivity. In addition, offering it to organization’s employee’s shows appreciation and commitment from management towards them (Pfeffer J., 1995). As Smith (1999) explained, there are various ways to do this. First, employer can show the staff that they are an asset to the firm, and provide a trustworthy promise that they will not be dismissed from their jobs after
sharing their experience and improved productivity. Another way, if staff must be reduced, the organization try to move them to another business unit where they can potentially work and be productive in it.

It is worth mentioning that there is conflict between theory and real life when it comes to this term. The fact that Sweden has a lot of rules regarding employment it is hard for firms to dismiss its staffs easily (Lundvall, personal interview, 17th April 2014). However, from the collected primary data, it can be analyzed that SEB does provide job security to its employees. For example, new employees get a contract that is designed according to the Union terms of employment. This gives them the feelings that their rights are reserved. In addition, when the organization is in a hard financial situation and in need to close down some units, or to reduce its staff, employees have two options to choose from. The first option is to try to relocate the employee to another department where his/her experience and skills can be an advantage and used in that department. In this way the organization will keep their skilled and trained employees and avoid the risk of joining firm’s competitors. The second option that SEB offer is a good compensation payment for a period of time, where employee is coached and trained in order find a new job. In this way, the organization build a good relationship with the employee and its reputation.

5.3.4 Training

SEB realizes that they are operating in a highly volatile business, which tends to make constant changes that in turn make it hard for service orientated businesses to meet the constant changing needs. MacDuffie and Kochan (1995); Slater and Narver (1995) have emphasized on the importance for training the employees who provide the services to customers. SEB’s management and human resources are aware of the importance of the front-line employees, because they are the organizational image. This means that if the customer gets a first bad impression then it could be hard for SEB to turn that around in a later stage.

It can be analyzed that SEB uses different training strategies towards their staff. For example, training people under an internship program will give the chance for SEB to train people before even offered full time employment to know whether they match the banks standard or not. Another kind of training targets front-line employees where they are trained how to interact with customers in a professional way. In addition, they are also trained how to communicate with their managers to recover a service failure, if occurred.

As it can be noticed from the interviews that SEB’s front-line employee’s training strategy is not only limited to how to interact with customers and managers. As Employee X mentioned, there is also self-development training where they are given different tasks that are not related to their positions in order to discover their strengths and weaknesses. Regarding to that, the way SEB handles training matches Wilson, Zeithaml, Bitner and Gremler (2012) theory by having the awareness that training the staff at first might only give the impression that it’s for improving the organizational service quality, but it is also to increase the employee’s motivation and satisfaction. In addition, it has been indirectly said by Employee X that the front-line employees receive extensive training when hired, but they receive ongoing training to increase their motivation and satisfaction as they get to be part of the bank.
6. Conclusion

The internal marketing concept has been described in many ways by many marketing researchers. Indeed, it can be implemented in both products and services sectors. It is known that service marketing consists of more marketing mix called the 3Ps (people, process and physical evidence) than the traditional marketing mix. This study has focused on one of the P’s, which is “people”, specifically the front-line employees, as they are the ones producing the service. Thus, they are considered to be the most vital factor in service organization.

It can be concluded from the information that we have gained from the human resources manager and the front-line employee at SEB that the organization’s practices of internal marketing elements towards the front-line employees has more than one goal. It can be seen as a way to create an attractive job to attract well-skilled employees, which means viewing employees as internal customers. In other way, the aim of implementing the internal marketing mix is to satisfy the organization’s employees and keep them motivated. Therefore SEB’s internal marketing elements are seen as tools that can be used to achieve this goal. It can be concluded that there are several departments that play a big role in internal marketing, and that each department has its own elements such as the marketing and human resource department. However, in this study some internal marketing elements such as empowerment, rewarding and motivation, job security and training have been entrusted to the human resources department at SEB.

Rewarding and motivating front-line employee has been practiced carefully by SEB, because employees are put under pressure since their job nature is unstable and stressful. Thus motivating them keeps their performance level constant. Rewarding the staff is an effective way to motivate them. SEB practice it through many means such as giving financial rewards or by offering higher positions at the bank. Those types of techniques help the employee to stay motivated and willing to develop his/her performance in order to have greater outcomes. Another important element is training. Front-line employees at SEB feel calm and unstressed because they are trained on how to provide the service that satisfy the customer’s expectations. In addition to that, SEB’s employees are trained to interact with customers and how to act if a service failure occurred.

It can be summarized from this study that there is a relationship between the different elements. In other words, it can be noted that empowerment is related to training. Empowerment means giving authority to employees to act. However, in SEB this authority is limited due to the fact that it sometimes can be misused. Therefore employees are trained how to act in various situations. An advantage of this is that employees feel responsible for their actions, and give them the chance to serve the bank clients more efficiently if a service failure occurred. Besides that, securing the jobs at SEB is one of the internal marketing elements used. This internal marketing tool has been used by SEB by different ways such as reallocating employees if they are not suitable for the tasks attached to them. However, the employees are secured by the Swedish laws that protect employees from being dismissed.

Lastly, there are many reasons why SEB cares about having satisfied front-line employees. One of them can be as the noticeable profit growth. It has been agreed on having a satisfied employee will lead to a high service quality that in turn leads to satisfied customers. As a result, it will create customers loyalty to organization’s services and generate profits. Another reason is that a satisfied
employee will keep working at the same organization for a longer time, which leads to a low employee turnover. This means the organization will retain their trained and skilled employees, and therefore costs from training new ones can be saved.

7. Future Research

In this study, internal marketing in service organizations has been discussed. However, it has not covered all its aspects in terms of internal marketing elements and departments involved. Thus, it is recommended that the future studies will focus on other departments that are involved in the internal marketing, such as the marketing.

Another suggestion for future studies could be investigating different internal marketing elements such as internal communication and inter-functional coordination that could also be helpful in achieving the goal of internal marketing.

Finally, it would be interesting to investigate how elements discussed in internal marketing could enhance, not just the front-line employees satisfaction but also other different employees in different positions of the organization, whom can affect the service quality.
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Books and articles:


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Appendix 1.

SEB Interview questions: Human Resource Manager

1. Can you please introduce yourself, name position and a brief summary of the company?
2. What do you know about internal marketing?
3. What is the human resources department role when it comes to Internal marketing?
4. What is your goal of implementing internal marketing activities?
5. As a service organization, what is the importance of achieving employee Satisfaction?
6. What tools do SEB use or implement to achieve employee satisfaction?
7. How does SEB motivate its employees?
8. What kind of empowerments does SEB provide to their employees?
9. How does SEB reward its employees (rewards, incentives or both)?
10. Employee security is one of the methods used in achieving employee satisfaction, how does SEB secure their employees in their own jobs?
11. What kind of training do you provide your employees in order to improve their skills?
12. How does HR involve organization employees to improve daily processes?
13. How does SEB retain its skilled employees?
14. Approximately, what percentage does SEB has in term of employee turnover?
15. What kind of methods is used in SEB in order to measure employee satisfaction?
16. What percentage does SEB have in term of employee satisfaction?
17. From HR perspective, what are the outcomes of achieving employee satisfaction in SEB?
18. Approximately, how much did SEB customer’s base grow in the past 5 years?
19. If possible to provide, how many customers did join and left SEB for the past 5 years?
Appendix 2

SEB Interview questions: Front-line Employee.

1. Can you please introduce yourself, name and position?
2. As an employee in SEB, what is your perception about SEB human resource management?
3. Is there any reason behind choosing SEB as your employer?
4. When you joined SEB, what kind of training you have been provided as an employee dealing directly with customers? And how often?
5. When you face a customer that is not satisfied with SEB service, how do you compensate him/her?
6. Are there any kinds of rewards that you/your colleagues can get when you achieve a good performance?
7. How do you get motivated to work at SEB?
8. Is there any regular training sessions for your department? If yes, what is the purpose of these training sessions?
9. Would you consider that your job in SEB would be in risk if you shared your knowledge and experience with other team members? Why?
10. Any department that are involved in the front-line employee satisfaction and motivation?