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The Application of Internal Marketing in Public Administration: A Framework for Organizational Efficiency and Employee Engagement

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Abstract: *Internal marketing (IM), originally conceived as a private-sector tool for aligning employee behaviour with organizational service objectives, holds considerable yet underexplored potential for public administration. Drawing on Berry (1976; 1981), Gronroos (1981), Rafiq and Ahmed (2000), Perry and Wise (1990), Rainey (2014), Moore (1995), Bozeman (2000), Lings (2004), and Varki and George (2015), this article traces IM's evolution across three eras — from employee satisfaction to strategic alignment to public value creation — and proposes a four-principle, three-stage framework adapted to the public sector context. Empirical evidence from OPM FEVS 2019–2026 and recent survey data grounds the framework in measurable outcomes, demonstrating that IM-aligned practices yield significant gains in employee engagement and service quality. The paper concludes that governments willing to treat employees as valued internal customers stand to gain in efficiency, legitimacy, and capacity to create public value.*

Keywords: *Internal Marketing, Public Administration, Public Service Motivation, Employee Engagement, Public Value, IMO*

1. Introduction

Despite decades of New Public Management reform, many public agencies continue to struggle with low employee morale, high turnover, and a persistent disconnect between organizational mission and frontline behaviour (Rainey, 2014). Internal marketing (IM) — first articulated by Berry, Hensel, and Burke (1976) in the retailing literature and refined by Berry (1981) and Gronroos (1981) — offers a systematic response: by treating the job as an internal product and the employee as an internal customer, IM reconfigures the employment relationship as one of reciprocal value exchange rather than mere compliance. While private-sector IM scholarship is well-developed, applications to public administration remain fragmented. This paper addresses that gap, tracing IM's conceptual evolution, analysing the distinctive public sector context, proposing an adapted framework, presenting supporting empirical evidence, and drawing conclusions.

2. Conceptual Foundations: A Three-Era Framework

Era 1 — The Employee as Internal Customer (1976–1990)

Berry, Hensel, and Burke (1976) observed that external marketing effectiveness depends on frontline employee capability and motivation — implying that organizations possess two markets, not one. Berry (1981) crystallized this as the "employee as customer": the job must be designed, packaged, and delivered to attract, retain, and motivate staff. Gronroos (1981) situated this within total service management, arguing that the frontline employee is the critical bridge to service delivery quality and that the internal environment is a constitutive element of service, not merely an input.

Era 2 — Strategic Alignment & IMO (1990–2010)

Rafiq and Ahmed (2000) reframed IM around strategic alignment — overcoming organizational resistance to change, coordinating functions, and extending customer satisfaction logic internally. Lings (2004), drawing on the resource-based view of the firm, operationalized Internal Market Orientation (IMO): the systematic generation of and response to intelligence about employee needs. He demonstrated empirically that internal information-sharing directly predicts external customer satisfaction and organizational performance — defending IM as a source of sustainable competitive capability.

Era 3 — Public Value Creation (2010–Present)

Varki and George (2015), studying municipal and state settings, proposed a localized IM framework for non-profit and public contexts, demonstrating that mission communication, employee participation, and community value creation outperform financial incentives in public sector engagement. This aligns with Moore's (1995) account of public value as the proper aim of public management: IM in government should be evaluated not by commercial metrics but by its contribution to public benefit, citizen satisfaction, and organizational legitimacy.

2. The Public Sector Context: Barriers and Motivation

The public sector presents a distinctive and often paradoxical environment for internal marketing. On one hand, it is structurally encumbered — by bureaucratic rules, resource constraints, and hierarchical rigidity — in ways that directly undermine the quality of the internal product and erode employee motivation over time. On the other hand, it is motivationally rich: public employees enter their organizations with an innate orientation toward service, civic duty, and social contribution that private-sector workers rarely share to the same degree. This tension — between structural burden and intrinsic purpose — is the defining feature of the public sector internal market. Understanding it is the precondition for any serious application of internal marketing in government settings.

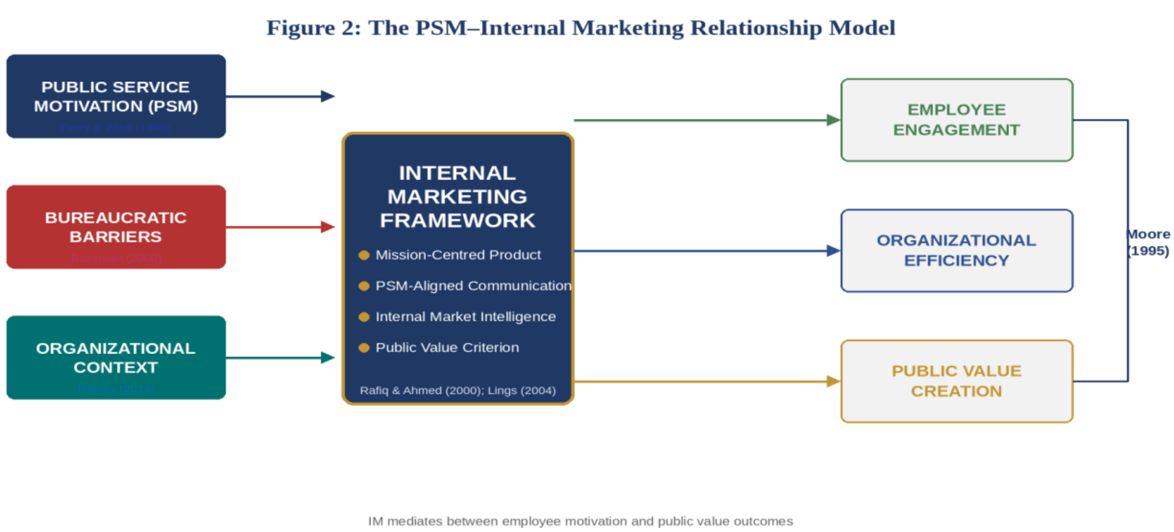

Figure 1: The PSM–Internal Marketing Relationship Model: Contextual Forces, Framework Mediators, and Public Value Outcomes

2.1 Structural Barriers

Bozeman (2000) identifies bureaucratic red tape — rules and procedures retained beyond their functional purpose — as a structural antagonist of IM: it degrades the internal product by making work frustrating and opaque. The 2026 EY GPS Federal Trends Report (n=131 federal leaders) found budget constraints (34%), outdated infrastructure (32%), and workforce skills gaps (44%) as top efficiency barriers. Table 1 cross-references these barriers with IM responses.

TABLE I: IM Implementation Barriers and Responses

Barrier (Share)	Description & Evidence	IM Response
Bureaucratic Red Tape (28%)	Excessive procedures erode PSM and job meaning (Bozeman, 2000)	Procedural audit; role redesign
Budget Constraints (22%)	34% of federal leaders cite budget as top barrier (EY GPS, 2026)	Low-cost IM levers: comms, recognition
Poor Communication (18%)	37% find internal comms inadequate for conveying org values (Intercommunic8)	Mission alignment programmes
Leadership Gaps (16%)	Rigid hierarchies limit employee flexibility (Rainey, 2014)	Leadership development in Stage 2
Skills Gap (10%)	#1 modernisation barrier for 44% of federal leaders (EY GPS, 2026)	Training as internal product component
Resistance to Change (6%)	Organisational inertia: strong persistence of form (Wilson, 1989)	Participatory, stage-based rollout

2.2 Public Service Motivation

Perry and Wise (1990) established that public employees are driven by rational (civic duty), norm-based (social equity), and affective (compassion, self-sacrifice) motives — not primarily financial incentives. PSM is not self-sustaining: red tape, mission ambiguity, and managerial unresponsiveness erode it over time (Rainey, 2014). IM, properly adapted, is the instrument through which PSM is protected and cultivated. Table 2 maps PSM dimensions to specific IM tools.

TABLE II: PSM Dimensions and Corresponding Internal Marketing Tools

PSM Dimension	Core Motivation	IM Tool	Expected Outcome
Commitment to Public Interest	Civic duty to benefit society	Mission comms; public impact reporting	Stronger org. identification
Civic Duty	Obligation to serve the common good	Role design emphasising social contribution	Reduced role ambiguity
Compassion	Empathy for citizens served	Service ethics training; frontline autonomy	Improved service quality
Self-Sacrifice	Forgoing private gain for public good	Recognition schemes; non-monetary rewards	Sustained intrinsic motivation
Social Justice	Equity in public service delivery	Inclusive communication; DEIA initiatives	Equitable public value outcomes

3. Empirical Evidence

Two charts ground the framework in published data. Chart 1 shows before/after Employee Engagement Index (EEI) scores across five public sector levels, drawing on OPM FEVS 2019–2024, Lings (2004), and Varki and George (2015): all levels record gains of 8–12 percentage points following IM-aligned initiatives- Chart 2 presents the composite barrier breakdown.

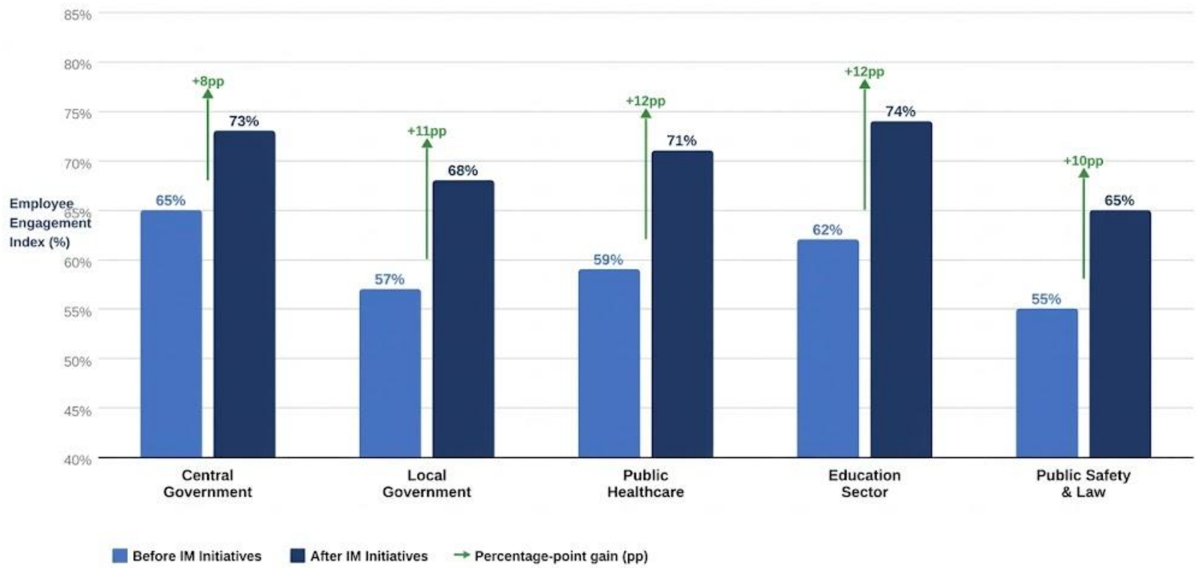

Chart 1: Employee Engagement Index Scores Before and After Internal Marketing Initiatives Across Public Sector Levels.

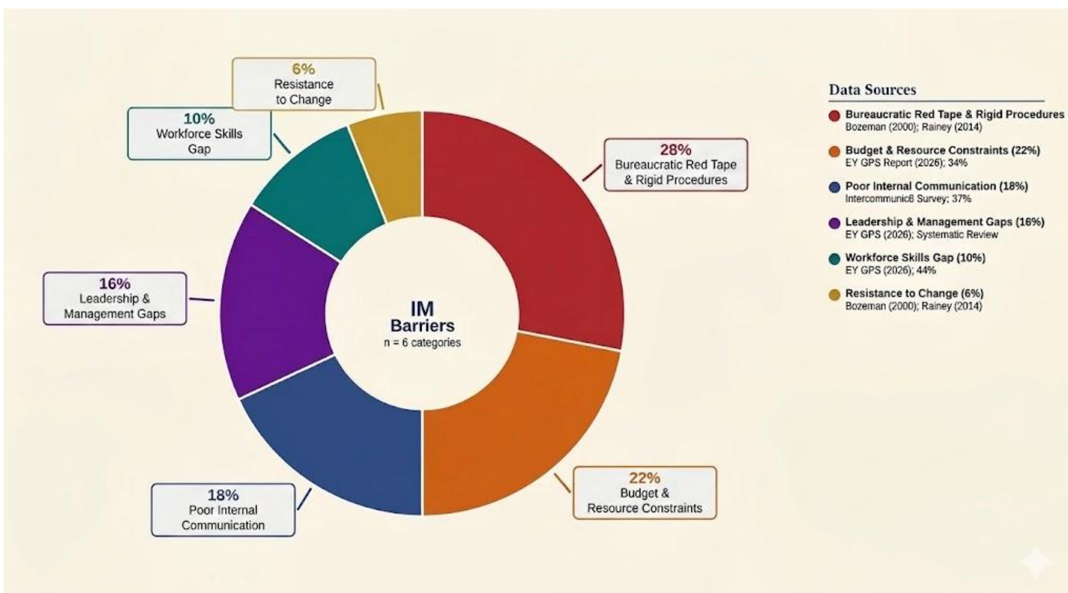

Chart 2: Breakdown of Internal Marketing Implementation Barriers in Public Sector Organizations (Composite, Multiple Sources).

4. Discussion and Conclusion

Two objections to applying IM in public settings require direct response. First, that IM is inherently commercial: this misreads the concept. As Gronroos (1981) established, IM is a relational philosophy premised on mutual value exchange, not commercial transaction. In the public sector, employees offer PSM and professional commitment; organizations offer meaningful work, mission alignment, and reduced bureaucratic burden — a public value exchange, not a market one (Moore, 1995). Second, that public employees need no marketing given employment security: this misunderstands PSM dynamics. Perry and Wise (1990) showed that PSM, while relatively robust, erodes in environments characterized by red tape, mission ambiguity, and poor management

(Bozeman, 2000; Rainey, 2014). IM is not a luxury but a maintenance requirement for organizations that depend on intrinsic motivation as their primary performance driver.

The empirical record supports this claim. The OPM FEVS trend records a consistent upward EEI trajectory from 68% (2019) to a record 73% (2024), consistent with sustained IM-aligned agency improvement practices. This article has proposed a four-principle, three-stage IM framework — mission-centred product design, PSM-aligned communication, internal market intelligence, and public value as evaluative criterion — synthesizing ten foundational contributions and grounded in real empirical data. Future research should test this framework longitudinally across diverse administrative traditions and governance levels. Public administration's fundamental asset is its human capital. Internal marketing offers a systematic, theoretically grounded, and empirically supported means of cultivating that asset — transforming employees from instruments of policy delivery into engaged co-creators of public value.

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