

## **Prevalence of Internal Marketing as Strategy Implementation Tool in Selected Ethiopian Commercial Banks**

**Tewahido Tafese (MBA)<sup>1</sup>, Mesfin Lemma (PhD)<sup>2</sup>**

### **Abstract**

*Strategy implementation requires, among others, internal marketing so as to treat employees as a customer and the job as a product using marketing like approach. The objective of the study is examining adoption and implementation of internal marketing practices as a strategic tool to implement the formulated strategy and to see the impact of internal marketing on enhancing employee attitude, organizational commitment and customer orientation in four last entrants of the Ethiopian banking industry. A quantitative, descriptive and correlational research approach is used to find out the appropriate answers of the research questions. Considering the mean score of the measurement variables, employees of the banks perceived that though the banks have a very good internal communication, they are very weak in internal information generation and the responsiveness to internal market which resulted in weak internal marketing practice. The banks found to have low commitment, engagement and low attitude to their organization. The customer orientation of the banks is also found to be weak. This shows that internal marketing has not been communicated and established amongst employees in the way that enable employees to have commitment and positive attitude to their organization to develop customer orientation as well. Based on the regression analysis, the major findings of this study is that internal marketing practice have a positive impact on enhancing employee attitude, organizational commitment and customer orientation of the banking sector. The researchers suggested that managers need to focus on internal marketing programs to achieve and sustain a strategic objective in the market. Managers should also involve the empowerment practice to increase motivation, consider that the human power is the greatest resource, and concentrate on trying to instill a customer orientation amongst their employees.*

**Key words:** Customer orientation, employee attitude, internal marketing, organizational commitment, strategy implementation

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<sup>1</sup>Manager, Import Trade Service Division, Zemen Bank, Ethiopia

<sup>2</sup>Associate professor at International Leadership Institute, Ethiopia

## **1. Introduction**

### **1.1 Background of the Study**

In the current legal and economic environment, commercial banks face challenges coming out of national bank regulation, increasing competition and new technology. This situation forces companies to work on preparation of strategic plan and management of its implementation. Effective strategy implementation requires proper communication and aligning employees' competency development plans, and their personal goals and incentives, with strategic objectives (Kaplan and Norton, 2005).

Customer satisfaction plays an important role in enhancing customer loyalty. The low level of responsiveness and empathy to customers observed in sample of Ethiopian private banks indicates inferior performance of these banks in those dimensions of service quality (Shanka, 2012). In an endeavor to satisfy customers, especially in marketing of service, focusing on employee is vital since what the customer buys is the labor of the employee (Rafiq and Ahmed, 2000). As every other resource is managed and handled by the human resource, treating employee as a customer will help harness employees' effort towards the execution of the strategy. Therefore, one can say that internal marketing is the main tool in strategic management.

The increasingly competitive and regulated business environment faced by the Ethiopian banking industry presuppose the importance of formulating and implementing strategy that can enable banks win customer loyalty and meet objective. Fulfilling employee needs enhances employee motivation and retention, and as a result of higher degree of employee satisfaction,

there is a higher possibility of generating external satisfaction and loyalty leading to the achievement of organizational objective (Mishra, 2010).

Ethiopian service sectors including banks are using the common Marketing communication mix elements viz. advertising and personal selling which are found to be moderately effective in providing information, creating awareness, and changing attitude where as ineffective in building company image and enforcing brand loyalty (Potluri, 2008). Besides, inferior performance is observed in Ethiopian commercial banks in some important dimensions of service quality like responsiveness and empathy to customers (Shanka, 2012). This may be due to lack of internal marketing within the bank system. Therefore, investigating the extent to which selected private commercial banks are using internal marketing approach as a tool for execution of their strategic plan and its impact on the satisfaction of employees and customer needs is of interest to the researchers. Thus, this paper tried to answer the following research questions.

1. What is the extent of use of internal marketing practices among the selected banks?
2. What is the effect of internal marketing practices on employee's attitude, organizational commitment and customer orientation which is assumed to lead to successful implementation of strategic plan among the selected banks?

## **1.2. Objectives of the Study**

The main purpose of this research is to make efforts to examine the extent of adoption and implementation of Internal marketing concept and practices as a strategic tool to implement the formulated strategy in selected Ethiopian commercial banks. Furthermore, the specific objectives of the study are to

examine the effect of internal marketing practices on employee's attitude, organizational commitment and customer orientation.

### **1.3. Research Hypotheses**

In light of the objectives articulated above, the following hypotheses are investigated:

Hypothesis 1:  $H_0: r = 0$ . IMP doesn't have a positive impact on employee's attitude.

$H_1: r \neq 0$ . IMP must have a positive impact on employee's attitude.

Hypothesis 2:  $H_0: r = 0$ . IMP doesn't have a positive impact on organizational commitments.

$H_1: r \neq 0$ . IMP must have a positive impact on organizational commitments.

Hypothesis 3:  $H_0: r = 0$ . IMP doesn't have a positive impact on customer orientation.

$H_1: r \neq 0$ . IMP must have a positive impact on customer orientation.

## **2. Literature Review**

### **2.1. The Nature of Strategy Implementation**

As Wheelen and Hunger (2012) put it, strategy implementation will take the involvement of a much more diverse set of people than those who formulate it and therefore every operational manager down to the first-line supervisor and every employee are involved in some way in the implementation strategies. David (2011:145) put the nature of strategy implementation in the following way:

“Strategy implementation is managing forces during the action; Strategy implementation focuses on efficiency; Strategy implementation is primarily an operational process; Strategy implementation requires special motivation and leadership skills; Strategy implementation requires coordination among many individuals.”

It is thus obvious that strategy implementation is a key challenge for today’s organizations. The article (Strategy implementation, n.d) listed some basic causes for strategy implementation failure. Some of them are poor coordination within management, lack of understanding of the strategy and lack of enthusiasm among employees, managers’ styles and tactics which undermines employee enthusiasm about the strategy. The most significant aspect of the obstacles listed above is the fact that it consists predominantly stumbling blocks within the human system.

Successful strategy implementation hinges upon managers’ ability to motivate employees, which is more of an art than a science and the challenge of implementation is to stimulate managers and employees throughout an organization to work with pride and enthusiasm toward achieving stated objectives (David, 2011). Jooste & Fourie (2009) states that strategy implementation is more likely to be effective with a participative style of managerial behavior. Employees should be invited to participate in the process of change and in the details of transition; besides, as implicit resistance efforts such as loss of motivation to work are more subtle and more difficult to recognize.

## 2.2. Related Theories

### 2.2.1. The Resource-Based View (RBV)

RBV is one of the substantial theories of strategic management. It suggests that the resources possessed by a firm are the primary determinants of its performance. Managing strategically, according to the RBV, involves developing and exploiting a firm's unique resources and capabilities, and continually maintaining and strengthening those resources (Akio, 2005). The Resource-Based View approach to competitive advantage contends that internal resources are more important for a firm than external factors in achieving and sustaining competitive advantage (David, 2011). David also said that internal resources can be grouped into three categories: physical resources, human resources, and organizational resources.

According to (Penrose, 1959) cited in (Akio, 2005), it is never resources per se that are the inputs in the production process, but only the 'services' that the resource can render. Penrose further explained that, the services gained from resources are determined by the way in which they are used and exactly the same resources when used in different ways provide a different service. The way we handle this resource determines the effectiveness of handling other resources (Martí and María, 2003). Within the strategic management literature, the RBV has helped to put "people" (or a firm's human resources) on the radar screen and unarguably, significant attention in the strategy literature within the RBV paradigm has focused on knowledge competence and the skills of the employees who comprise the competence (Wright, Dunford, and Snell, 2001). Thus while the external opportunity set is almost the same for every firm, the competence they acquire from resources makes each firm different.

### **2.2.2. Social Exchange and Psychological Contract**

The relationship between an employer and employee is typically guided by formal agreements, but there is another contract that can be even more important called the psychological contract which is the informal understanding of the relationship between an employer and employee. By nature, psychological contract is generally unspoken and dependent on the interpretation of all parties (Shruthi and Hemanth, 2012). Managing this part of the agreement is relatively difficult as dealing with varied nature the interpretation involved. Work and pay are factors mostly visible and agreed by both sides and are the small part of the total employee employer relationship and is the tip of the iceberg. A violation occurs when one party in a relationship perceives another to have failed to fulfill promised obligations since contracts emerge under assumptions of good faith and fair dealing (MacNeil, 1985) cited in (Shruthi and Hemanth, 2012). Therefore, the leadership of the organization should make sure that such negative perception should either be avoided or highly minimized. This can be done through proper maintenance of internal business environment.

### **2.3. Internal Marketing**

Marketing is defined as an exchange process and as a result of the same, any exchange between two parties, be it church and its members, politician and voters, and employer and employee, business and its customers can theoretically be brought under the marketing umbrella (Kotler, 1967). It's clear that organizations should increase their focus on meeting customer needs. Internal marketing can simply be defined as viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the

organization (Berry and Parasuraman, 1991) cited in (Saad, Ahmed, and Rafiq, 2002). Rafiq and Ahmed (2000), widely defines Internal marketing as a planned effort using marketing like approach to overcome organizational resistance to change and to align , motivate and inter-functionally coordinate and integrate employees toward the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer oriented employees.

Internal marketing, in its currently accepted concept, is a philosophy for managing the organization's human resources based on a marketing perspective (George and Grönroos, 1989) cited in (Saad et. al, 2002). The growing strategic importance of internal marketing in business management is well documented. The definition by Rafiq and Ahmed constitutes the five elements of internal marketing they have indicated in their important work on the concept in 2000. The five elements are: Employee motivation and satisfaction, Customer orientation and satisfaction, Inter-functional coordination and integration, Marketing like approach, and Implementation of specific corporate or functional strategies.

As we have seen in RBV of strategic management literature, these elements tuned towards handling the most important resource- the work force. One can see that participative style of leadership, motivation, effective communication and coordination, developing sound organizational climate conducive to change, which are suggested by strategic management literatures can be fulfilled through the above mentioned elements. Rafiq and Ahmed have also determined three stages of developing the internal marketing in institution, as reviewed below:

- i. Employees satisfaction stage: which is characterized by focusing on employee's motivation and satisfaction, to improve services quality to customers
- ii. Customer orientation stage: this begins by focusing on importance of interaction between employees and customers based on customer's needs and requirements.
- iii. Strategic application and change management; this stage concentrated on the notion that internal marketing is the motive or the engine to implement organization strategy. It focuses on employees' involvement in objectives and strategies setting.

As Strategy implementation is the administration and execution of the strategic plan, most of the activities of strategy implementation involve the above elements as a tool. Thus, one can understand that, the work of Internal marketing is not only focusing on employee's motivation and achieving their satisfaction but also on importance of interaction among employees and between employees and customers based on customer's needs and requirements as an the engine to implement organization strategy. Employment security, extensive training, higher-than-industry-average salary, empowerment and communication are indicated as elements of internal marketing (Farias, 2010). The importance of communications as a motivational device within the internal marketing campaign has also been identified by several authors (Lings and Roger F, 1998).

#### **2.4. Empirical Literature**

The benefit that an organization can draw from application of internal marketing tools is evidenced by many research works. Kotler (1967) identified internal marketing as a building of customer orientation through

education and motivation of primary level employees. Customer orientation means to provide long-term, thoughtful services from the perspective of the customer's needs and pursue an idea of customer value maximization with commitment to improve customer satisfaction (Chang, 2006; Lee, 2011) cited in (Liao, 2013).

Mohammadi, Hashemi, and Moradi (2012) on their study made to see the effects of internal marketing on customer orientation in food & drug distribution companies of Kermanshah province in Iran, confirms that there is a significantly positive relationship between internal marketing and customer orientation within distribution companies. They also confirm in their study that there is a significantly positive correlation between internal marketing and organization commitment. Liao (2013) confirmed based on the statistical analysis on KARS Company that internal marketing helped staff job satisfaction, organizational commitment and internal service quality, which will lead to customer-orientation.

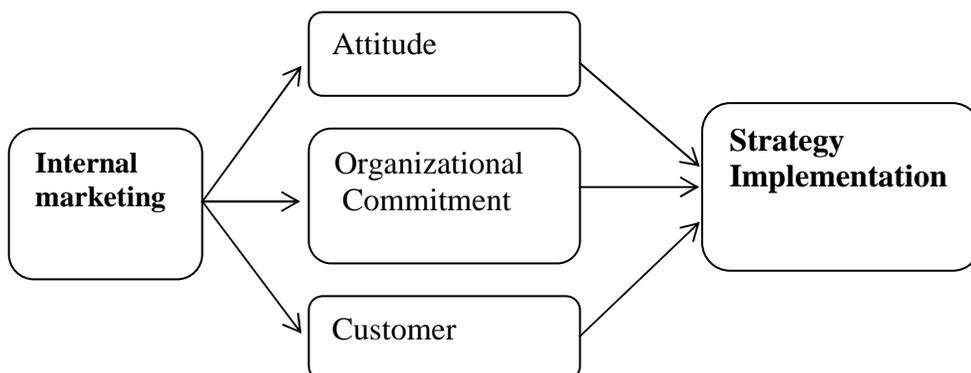
In his empirical study on gaming industry, Schaap (2006) confirms with almost absolute certainty that the better an employee understands the objectives of the company's current strategic plan, the more committed that employee will be to the success of the company's strategic plan. There also exists a positive relationship between companies having success in achieving their financial and/or strategic performance targets, and a senior-level leader's style of leadership being inspirational to others. Isfahani, Yarali, and Kazemi (2012) confirms the direct, positive and strong effect of internal marketing components on staff happiness in the Case study made on Influence of Internal Marketing on Employee Happiness: Nilou Tile Company, Isfahan.

Shamma, (n.d), in the case study exploring internal marketing application in Egypt indicates that the followings are some of the internal marketing tools implemented by organizations who have successfully applied internal marketing. rewards, extensive training, career development, open communication and employment security, the employee of the year competition, one of the highest compensation, empowering employees to think of ways to realize this mission, considers their employees as co-owners, employees are given the chance to question top management through their annual “management pay up day”, has an internal communications function, financial loans, discounts in special outlets, educational assistance, an internal corporate communications channel, where any employee can send any complaint or report unethical practices anonymously. Further, employees can present new ideas on products and services, send complaints and concerns.

While reviewing prior research works, to the knowledge of the researchers, on the extent of use and positive effect of internal marketing in motivating employees for strategy implementation in Ethiopian commercial banks is nonexistent. Therefore, this study will fill the knowledge gap in this regard.

## **2.5. Conceptual Framework**

Being a philosophy of managing the organization’s human resources based on a marketing perspective, the prevalence of planned and properly implemented internal marketing can positively affect the motivation, organizational commitment and customer orientation of a service giving organization which resulted in efficient implementation of the formulated organizational strategy.



**Figure 1. Conceptual Framework of the Study**

### **3. Methodology**

#### **3.1 Research Design & Source of Data**

Here, as attempts were made to describe and explain conditions of the present, a quantitative, descriptive approach is adopted. A correlational research approach is also used to find answers for the research questions concerning the relationship between internal marketing and other constructs. The research is also observational in investigating the extent of adaptation of internal marketing. The data were gathered from sample of employees of selected banks as a source.

#### **3.2 Data Gathering Tools and Sampling Technique**

The total number of banks in Addis Ababa is 19 in number. Among these, the study covered the cases of the last 4 banks which are the last entrant to the banking industry. These groups of banks include Abay Bank s.c, Addis International Bank s.c, Dehub Global bank s.c, and Enat Bank s.c.

Statistical population includes all the staff of the selected banks. Due to time and cost constraints, non-probability convenience sampling technique is used for primary data collection from the employees of selected banks. All the staff of the main branches' of the selected banks is used as a sample. From 54 staff of the main branches of the selected banks (the sample of the study), a total of 50 respondents were able to respond to the survey. Data is collected through closed ended questionnaires in the form of likert five scales ranging from strongly disagree (1) to strongly agree (5) is used. Questionnaire is used to collect data because it takes less time to fill up a questionnaire, Making Personal interview leads to high cost and time and the data gathered through questionnaire is easy to analyze.

### **3.3. Reliability**

Based on the literature review, the questionnaire consists of all variables of the constructs Internal marketing, Employee's attitude, Organizational Commitment and Customer orientation were prepared and measured on 5-point Likert scale ranging from "strongly agree" (coded 5) to "strongly disagree" (coded 1). All items were positively worded. The instrument coefficient alpha was computed separately for each dimension to measure the reliability and internal consistency. The Cronbach's alpha value of the whole instrument was 0.906. Nunnally (1967) recommends that the values of alpha ranging from  $\alpha = 0.50 - 0.60$  are considered to be sufficient (cited in Abdul-Halim and Che-Ha 2009). Only Attitude has  $\alpha = 0.643$ . Otherwise, Cronbach's values for all other constructs and the overall measurement of coefficient alpha are relatively high. Therefore, the values of Cronbach's alpha in this study indicate that the scales used in the instrument are adequate and suitable for the main study.

### **3.4. Measurement of Variables**

The researchers measured **internal marketing** by replicating the internal marketing orientation measurement by Lings and Greenley (2005) using three dimensions:

1. Internal Information Generation (formal and Informal).
2. Internal Communications.
3. Responsiveness to the Internal Market which involves responding to the information generated about the wants and needs of employees

Variables to measure organizational commitment and customer orientation are adopted from the works of (Kyriazopoulos, Panagiotis., Yannacopoulos, Denis., Spyridakos, Athanasios., Siskos, Yannis and Grigoroudis, Evangelos, 2007) and (Camp, 1993). Five- point Likert-type scale measuring instrument is developed to measure the variables under each constructs. The measurement is conducted on the following research constructs: Internal marketing, using 26 variables, Employee attitude, using 6 variables, Organizational commitment, using 7 variables, and Customer orientation, using 9 variables.

### **3.5. Method of Data Analysis**

In order to ascertain the quality of the questionnaires used in the research, the researchers conducted a reliability check. After collecting the data, the mean and standard deviation for each variable were computed and the researchers used mean score for each of the dimensions of internal marketing, Attitude, organizational commitment & customer orientation to see their prevalence. Pearson's Correlation analysis is also used to find out the relationship between the research variables. The research is directed

towards testing the hypothesis indicated on chapter one of this paper. The researchers used descriptive correlations, and regressions to test the strength of associations between the studied variables. The Statistical Package for Social Science (SPSS) software (Version 20.0) is employed to analyze the data collected from the actual survey.

#### **4. Results and Discussion**

##### **4.1. Respondents' Characteristics**

From 54 staff of the main branches of the selected banks, a total of 50 respondents were able to respond to the survey. The response rate was 93%. Summarizes characteristics of the respondents show that majority of the respondents were of age 20-30 years making 52%, followed by 31-40 years making 30%. Those who are aged 41-50 make 16% and only 2% of are above 50 years of age. The results showed that 82% of the respondents were below the age of 41 years hence a bigger number of youth involved in work. We can also see employees holding a professional position as the highest number of respondents with a percentage of 42% followed by clerical employees making 36% . Managers and supervisors constitute 22% of the respondents.

Majority the respondents (50%) have been working in the banking industry for 6 years and above. 26 % from 6 years to 10 Years and 24 % above 11 Years. This provides an extra layer of assurance that they are aware of the way their institutions operate, their culture and philosophy in relation to the banking industry. Besides, the majority being young and professional, the employees are believed to be more sensitive and reactive for the kind of treatment they receive from the management.

The diversity of opinions is believed to be entertained since the sample is well composed of different sexes, organizational status, service years and professional levels. 72% of the respondents are BA holders. Diploma holders and second degree holders are also part of the respondents in proportion of 20.8% and 6.2 % respectively.

#### 4.2. The Prevalence of Internal Marketing and other Measuring Constructs

The mean score of the measurement variables are used to measure the four constructs. As shown in table 5, the mean and standard deviation of the internal marketing dimensions indicates that employees of the banks perceived that the banks consider internal communication as very important ( $M= 4.7$ ,  $SD= 0.889$ ). On the other hand, banks are very weak in internal information generation ( $M= 2.588$ ,  $SD= 0.714$ ) and the responsiveness to internal market ( $M= 2.632$ ,  $SD= 0.509$ ) which are the vital part of internal marketing. Likewise, as we can see in table 6, the overall prevalence of internal marketing in the banks is very weak ( $M= 2.724$ ,  $SD= 0.453$ ).

**Table 1. Mean and Standard Deviation of IMP Variables**

IMP Variable	N	Mean	Std. Deviation
Internal communication	50	4.7520	.88922
Internal info. Generation	50	2.5880	.71418
Responsiveness to internal Marketing	50	2.6320	.50888
<b>Valid N (list wise)</b>	50		

According to the observed data, the employees in the selected banks seem to have weak commitment and engagement and low attitude to their

organization. The customer orientation of the banks is also found to be weak.

**Table 2. Mean and Standard Deviation of Study Constructs**

Study Construct	N	Mean	Std. Deviation
Attitude	50	2.9634	.64444
customer orientation	50	2.9136	.58264
internal marketing practice	50	2.7240	.45340
Organizational commitment	50	2.7430	.72501
<b>Valid N (list wise)</b>	50		

#### 4.3. Pearson Correlation Test

Table 3 below summarizes the descriptive statistics and analysis results. The sign of the Pearson correlation coefficient indicates the direction of the relationship, and its absolute value indicates the strength. In this study, correlation coefficients represent the nature of the relationship between constructs, whereby a coefficient of above 0.8 represents a strong relationship, a coefficient of between 0.5 and 0.8 represent a moderate relationship, and a coefficient below 0.5 represent a weak relationship (Devore & Peck, 1993). The Correlation analysis results show that there is a positive and significant correlation among the constructs. The correlation between internal marketing and customer orientation is relatively weak ( $r = 0.408$ ,  $n = 50$ ,  $p \leq 0.01$ ) however it is positive and significant; a positive moderate correlation exists between internal marketing and organizational commitment ( $r = 0.536$ ,  $n = 50$ ,  $p \leq 0.01$ ) and a positive moderate correlation is found between internal marketing and employee attitude ( $r = 0.519$ ,  $n = 50$ ,  $p \leq 0.01$ ). The results indicate that internal marketing has a significant positive correlation with employee attitude, organizational

commitment and customer orientation. We can also see that internal marketing practices have relatively strong correlation with organizational commitment and employee attitude.

**Table 3. Correlation (Zero order matrix N=50)**

	Internal Marketing	Employee Attitude	Organizational Commitment	Customer Orientation
Internal Marketing	1.00			
Employee Attitude	.519**	1.00		
Organizational Commitment	.536**	.579**	1.00	
Customer Orientation	.408**	.584**	.579**	1.00

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.4. Hypothesis Testing

##### 4.4.1. Regression Analysis

In the model, IMP is used as independent (explanatory) variable while employee's attitude, organizational commitment and customer orientation are used as dependent (regressed) variables. As a result, the hypotheses indicated in 1.3 were formulated. Each hypothesis developed was tested through regression analysis to explore the relationship between the predictor variable (internal marketing) and other dependent variables through the following model.

$$Y_1 = \beta_{01} + \beta_1 X + \varepsilon_1$$

$$Y_2 = \beta_{02} + \beta_2 X + \varepsilon_2$$

$$Y_3 = \beta_{03} + \beta_3 X + \varepsilon_3$$

Where:

$Y_1$ ,  $Y_2$  and  $Y_3$  represent the mean scores obtained for employee attitude, organizational commitment and customer orientation respectively on the criterion variables and  $X$  is predictor variable which is internal marketing.

- The parameters  $\beta_{01}$ ,  $\beta_{02}$ ,  $\beta_{03}$  and  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  are constants describing the functional relationship in the population.
- The values of  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  identifies the change along the  $Y$  scale expected for every unit changed in fixed values of  $X$ .
- The values of  $\beta_{01}$ ,  $\beta_{02}$ ,  $\beta_{03}$  identify the constant (the intercept or the place on the  $Y$  axis through which the straight line passes. It is the value of  $Y$  when  $X = 0$ .
- $\Sigma$  (Epsilon) represents an error component for each individual. The portion of  $Y$  score that cannot be accounted for by its systematic relationship with values of  $X$ .

The validity of regression analysis depends on certain assumptions which are usually made about the data and the model. The accuracy of the analysis and the conclusions derived from an analysis depends crucially on the validity of these assumptions (Chatterjee & Hadi, 2006) cited in (Daoud, 2013). The assumptions are indicated to be:

- The relationship between the predictor variable and the response variable is linear in nature (-the assumption of linearity).
- For each population denoted by values of variable  $X$ , the distribution of  $Y$  values is normal. For the current data, what this means is that for each theoretical value internal marketing the distribution for employee attitude, organizational commitment and customer orientation respectively is normally distributed.
- Independent variables do not interact with each other

- Independent variables are uncorrelated with each other (the assumption of absence of multicollinearity)
- The assumption of homoscedasticity (homogeneity of variance (errors)). For each population denoted by values of the variable X, the variances of these populations are equal. This assumption often goes by the name of homoscedasticity.

Following the above considerations suggested by different scholars a multiple regression analysis (standard and stepwise procedures) was conducted to identify the predictor (IV) which has the most significant contribution in achieving competitive advantage. The response variables (DVs) were regressed on the independent variable of internal marketing.

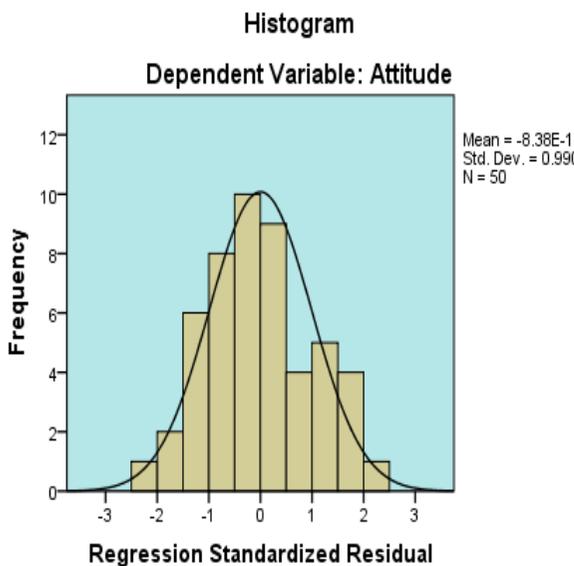


Figure 2. Normality test for DV attitude

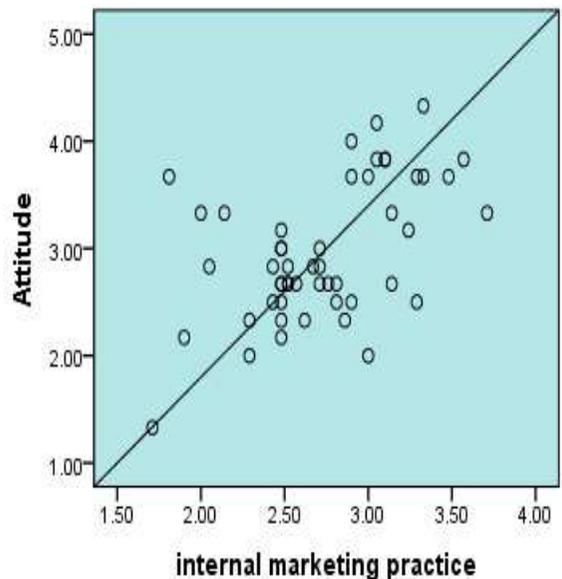


Figure 5. Linearity test for DV attitude

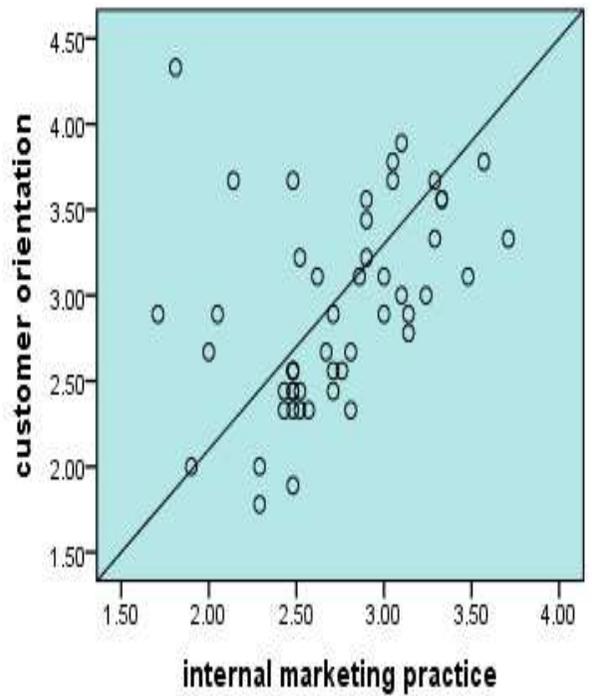
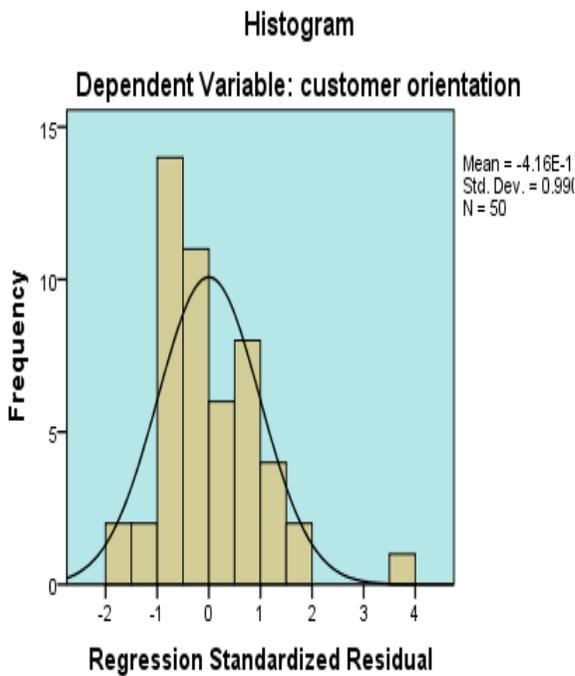


Figure 3. Normality test for DV Customer orientation

Figure 6. Linearity test for DV Customer orientation

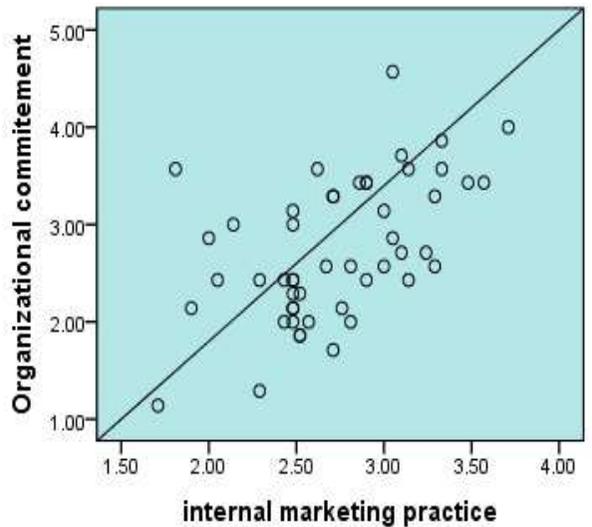
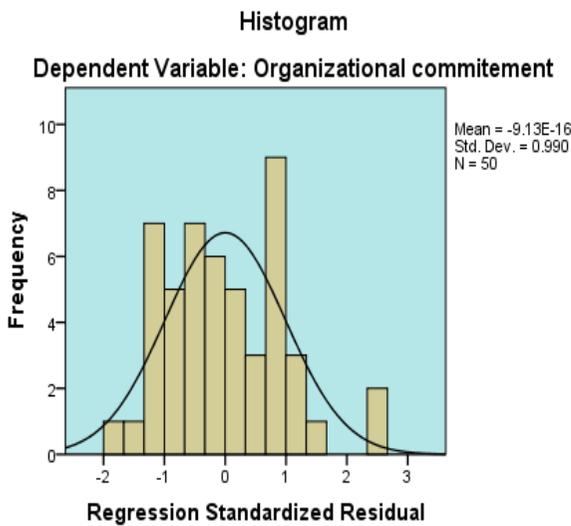


Figure 4. Normality test for DV Organizational commitment

Figure 7. Linearity test for DV Organizational commitment

Verifying assumptions in a simple linear regression often involves the use of graphical techniques. Some assumptions such as homoscedasticity and

independence of errors are often confirmed or disconfirmed through various types of residual analyses following the regression procedure. Other assumptions, such as linearity can be easily checked through scatter plot before one conducts the actual regression. In this regard, disregarding the outliers, attitude and internal marketing have more or less linear relationship.

The researchers see no reason to not proceed with the regression. We could see by visual test that these assumptions of normality, linearity, and homoscedasticity are moderately fulfilled when a scatter plot of the data is produced and also through an examination of residuals (normality of errors) (See the above figure 2-4). The scatter plot reveals a linear relationship between *DV and IV*: for a given value of *IV*, the predicted value of *DV* will fall on a line. As can be seen from the plot, the relationship between *X* and *Y* variables appears to be more or less linear, which satisfies the first assumption of linearity. One can also see that for each value of *X* the distributions of *Y* (i.e., the conditional distributions); though not identical or exactly normal by any means, do not appear to signal any major problems with normality or homoscedasticity. The plot further reveals that the variation in *DV* about the predicted value is about the same (can lie between parallel lines) regardless of the value of *IV* except some outliers which can be disregarded. Statistically, this is referred to as homoscedasticity (see figure 5-7). The assumption about independent variables is no more the worry of the researchers as there is only one independent variable.

Regression coefficients  $R$ , showing relationships between independent variables and the dependent variable and adjusted  $R^2$  explaining the change of the independent variables on the dependent variables were investigated.

**Table 4. Regression analysis of Constructs**

Constructs	Coefficients	Beta	t-value	p-value	$R^2$	Adjusted $R^2$
<b>Attitude</b>	.954	.519	4.206	.000	.269	.254
	.738					
<b>Organizational commitment</b>	.406	.536	4.404	.000	.288	.273
	.858					
<b>Customer orientation</b>	1.487	.408	3.092	.003	.166	.149
	.524					

*Source: Derived from Regression output of SPSS and ANOVA table.*

Table 4 above portrays that 26.9 percent of the observed variance in employees attitude is explained by internal marketing, also the values (beta = .519,  $p = .000$ , and  $t = 4.206$ ) supports that H1 is accepted, as there is a significant linear impact of internal marketing on employees attitude. Second measure of association is also predicted by observing the relationship of internal marketing and organizational commitment, where 28.8 percent of the observed variability in organizational commitment is explained by internal marketing with beta = .536,  $p = .000$ , and  $t = 4.404$ . These values also grant acceptance of H2. This regression table also depicts that 16.6 percent variability in customer orientation is explained by internal marketing with supporting values of beta = .408,  $t = 3.09$ , and  $p = .003$ , which puts H3 on safe side as well.

The direction of the relationship is based on the sign of the  $\beta$  coefficient for the independent variable. Since all the coefficients are positive, there is a direct positive relationship between IMP and dependent variables. The

model indicates that the least-squares line touches the ordinate axis at a value of employee attitude = 0.954. This means that:

$$\hat{Y}_1 (\text{employee's attitude}) = 0.954 + 0.738(\text{Internal marketing practice})$$

The  $\beta$  coefficient (0.738) represents the amount of change in the dependent variable (employee attitude) for a one-unit average score change in the independent variable (internal marketing). In this case, for every one average score increase in the scale of IMP, we would predict that the magnitude of score of employee attitude would change 0.738. Accordingly the list-square estimators for the three equations are:

$$\hat{Y}_1 (\text{Attitude}) = 0.954 + 0.738(\text{IMP})$$

$$\hat{Y}_2 (\text{Orgcom}) = 0.406 + 0.858(\text{IMP})$$

$$\hat{Y}_3 (\text{Cust\_orinte}) = 1.487 + 0.524(\text{IMP})$$

#### 4.4.2. Discussions

##### **Internal Marketing and Employee Attitude**

This study suggested that internal marketing practice have an impact on enhancing employee attitude of the banking sector. The findings of the study are consistent with the previous studies which were confirmed by Isfahani, Yarali, and Kazemi (2012) about the direct, positive and strong effect of internal marketing components on staff happiness.

It is assumed that positive attitude towards work and greater organizational commitment increases job satisfaction which in return enhances performance of the individual (Linz, 2002). The meta-analysis done by Riketta, (2008) provides some support for effects of job attitudes on performance. This implies that the positive attitude which can be enhanced

by the application of internal marketing practice increases performance which is the other side of strategy implementation.

### **Internal marketing and organizational Commitment**

The results of the study revealed that internal marketing has a significant impact on organizational commitment. The findings of this study is consistent with the previous studies by Mohammadi, Hashemi, and Moradi, (2012) that confirms the existence of significantly positive correlation between internal marketing and organizational commitment. Commitment is an important consideration that emerges from the strategic management literature and these literatures support the view that commitment is strongly relevant to strategy implementation. Commitment clearly holds promise for explaining strategy implementation and demonstrates relatedness to motivation (Smith, 2009). Therefore, one can conclude that internal marketing is a means to facilitate implementation through increasing organizational commitment.

### **Internal marketing and customer orientation**

The results also supported that internal marketing has a significant impact on customer orientation. The findings of the study are consistent with the previous studies, which had confirmed that there is a significantly positive relationship between internal marketing and customer orientation within distribution companies (Mohammadi, Hashemi, and Moradi, 2012). Studies suggest that internal marketing can enhance the awareness of employees regarding their customers. Rafiq and Ahmed (2000), as he determines three stages of developing the internal marketing, put customer orientation in the

second stage emphasizing importance of interaction concept between employees and customers.

In service oriented business where customers are demanding, the link between a customer orientation and performance is stronger and the effect of a customer orientation on performance is Positive and significant and therefore customer orientation leads stronger firm performance (Zhou, K. Z, Brown J. R, Dev, C. S and Agarwal, S., 2007).

## **5. Conclusion and Recommendations**

### **5.1 Conclusion**

The major findings of this study is that internal marketing practice have a positive impact on enhancing employee attitude organizational commitment and customer orientation of the banking sector, Banks should work to have efficient Internal Communications system and became responsive to the need of the Internal Market.

The survey results indicated that the selected banks are not using the concepts of Internal Marketing as the employees of the banks perceived that despite consideration internal communication as very important, banks are very weak in internal information generation and the responsiveness to internal market which are the vital part of internal marketing. This weak prevalence of internal marketing leads employees in the selected banks to have weak commitment and engagement and low attitude to their organization. The customer orientation of the banks is also found to be weak. This shows that Internal Marketing has not been communicated and established amongst employees in the way that enable employees to have

commitment and engagement and high attitude to their organization and customer orientation.

## **5.2 Recommendations**

- After a detailed analysis of the study, the researchers suggested that managers need to focus on internal marketing programs to achieve and sustain a strategic objective in the market. This can be done through consideration internal communication as very important, internal information generation and the responsiveness to internal market.
- Response to internal market should emphasize on satisfying the needs and wants of their employees to attract and retain customers. This will help in implementation of strategic plan and improve performance of banks. It would be a great influence on the employees if the managers set an annual certificate of “the employee of the year” that would encourage them to do their best.
- Managers also have to communicate with their subordinates effectively in order to make them satisfied about their jobs. Hence, in order to achieve employees’ satisfaction managers have to make regular meetings with the employees to hear their opinions and feedbacks about the job and take what they say into consideration.
- Furthermore, managers and decision makers have to focus on developing the different skills in the employees and encourage them to be creative and discover their abilities by assigning them in training courses that suit each employee skills or his/her interest.
- Finally, giving the employees sense of achievement, providing them with new opportunities for advancement and promotions are key motivator that creates positive job attitudes as identified by Herzberg,

Mausner, & Snyderman, (1959). Managers should also concentrate on trying to instill a customer orientation amongst their employees by incorporating this element into employee incentive schemes.

### **5.3 Future Research**

Future research should apply the study's model on larger sample taken from different branches. The sample also included only the main branches in Addis Ababa so all the respondents of the questionnaire were only from one culture. But it would be a great accomplishment if a future a study tested respondents whom belonged to different cultures from outlying branches and included all the Government banks. This study took three dimensions of internal marketing, future research can adopt more and different dimensions such as; leadership, human resources management.

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