

THE EFFECT OF INTERNAL MARKETING ON ORGANIZATIONAL COMMITMENT: AN EMPIRICAL STUDY IN BANKING SECTOR IN YEMEN

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Abstract: This study aimed to examine the influence of internal marketing on organizational commitment among Yemeni banks. The study adopted internal marketing factors comprised of different dimensions namely vision, development, rewards, empowerment and internal communication as the independent variable. Meanwhile, the dependent variable comprised of different dimensions of organizational commitment including normative commitment, affective commitment and continuance commitment. The study employed a survey questionnaire for data collection, distributed to 407 Yemeni banks. Data obtained was analyzed through the use of descriptive statistics and exploratory factor analysis. Additionally, the structural equation modeling was used for the data analysis. The obtained results showed that internal marketing significantly affected organizational commitment with the path coefficient value being 0.928, indicating that the employees' organizational commitment among the banks is impacted by the internal marketing provided by the banks. With regards to the model fit, its examination showed that the value of fit statistics (CFI=0.99, GFI=0.98 and RMSEA=0.042), based on the results, internal marketing has a positive impact on organizational commitment at ($p=0.026$ $p<0.01$), indicating that the study hypothesis is supported. Lastly, the study contributed to the internal marketing factors and its positive impact on organizational commitment among Yemeni banks.

Key words: internal marketing, organizational commitment, banking sector, Yemen

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Introduction

The banking industry is a major component in developing businesses, industries and countries. The environment of the sector is rife with high competition with global financial markets, urging successful banks perception of employees resources, who are critical capabilities to the organizations rather than merely individuals that provide banking services. More specifically, Hogg (1996) revealed that internal marketing could facilitate employee commitment, where traditional internal communication initiatives were not able to do. The next factor that has been extensively studied is organizational commitment and this has been

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highlighted in management literature (Allen and Meyer, 1990; Buchanan, 1974; Finegan, 2000; Shore and Wayne, 1993). Organizational factor is significant in services organizations, particularly banks (Malik and Awan, 2011) and it has been deemed to an important organizational variable as employees who are committed constitute a crucial resource of the organization (Downs et al., 1996).

In a related study, Bouranta and Mavridoglou (2005) revealed that empirical studies dedicated to internal marketing are still few and far between and this is because of the few models that explain the significance of internal marketing in the context of service organizations. To further compound the matter, there are only a few studies in this caliber conducted in Yemen, with most of them focused on the factors that contribute to banking profitability (Baha, 2013). In a more recent study, Yemeni banks are characterized by weaknesses linked to marketing because of lacklustre management, particularly in light of interpersonal and technical skills (Al-Jaradi, 2014).

Furthermore, bank managers are still ignorant of the actual importance of internal marketing although some of them do carry out internal marketing activities in their companies (Hasen, 2014). Realistically speaking, Yemeni banks have been employing internal marketing methods but they lack the awareness of its strengths, thereby employing it in an inconsistent and un-strategic way. By considering these interconnected factors and the gap that exists in studies focused on the Yemeni context, the researcher is encouraged to conduct an exploration of the internal marketing and organizational commitment among Yemeni banks' employees.

Literature Review

Internal Marketing

Internal marketing refers to a management strategy that views employees as customers and jobs as products. It meets the satisfaction of internal customers' demands and needs by using internal products so that qualified employees can be attracted, developed, motivated and retained (Berry and Parasuraman, 1991).

In the past three and a half decades, the examination of the internal marketing concept has failed to reach a consensus on a single universal definition. In this study, internal marketing is defined as a set of practices that the Yemeni banks employ to view employees as internal customers through the facilitation of the bank's vision, development, rewards empowerment and internal communication Berry and Parasuraman (1991). Vision, according to Foreman and Money (1995) constitutes the short and long-term goals presented to the employees, while development is the strategic investment of the organization in employee training. Moving on to reward, it is the system developed for encouraging behaviors, actions and achievements that help achieve the organization's business goals (Hale, 1998). Empowerment is the provision of autonomy to the employees to complete their task-related activities (Bowen and Lawler, 1992), and lastly, internal

communication is the sharing of ideas to facilitate organizational progress and development (Gilmore and Carson, 1995).

Organizational Commitment

In organizational commitment, the major issue lies in the lack of agreement among scholars concerning its definition. To begin with, Mathieu and Zajac (1990) defined the organizational commitment concept as the involvement of the individual's attachment, identification and contribution to the organization, while Sagie (1998) described it as being influenced by organizational factors such as, leadership, culture, norms and organizational values. Also, organizational commitment was summarized by Ko et al. (1997) as loyalty to the organization. Similar to that, Miller and Lee (2001) perceived it to be loyalty to the organization along with the development of the employees' aims, purpose and infrastructure. In essence, literature provides two approaches to organizational commitment, which are commitment as an attitude and commitment as behavior (Mowday et al., 1982). Commitment as an attitude concentrates is a process of the relationship between individuals and the organization, where the individual perceives that level to which his values and goals are consistent with those of the organization. On the other hand, commitment as behavior is a process of the entrenchment of the individual in the organization. Based on the study conducted by Becker (1960) cited in Meyer and Allen (1991), another organizational commitment exists, which is continuance commitment. This dimension concerns the less effective and calculative employees' consideration of the costs that could result in their continuous commitment, like pension and security provided by the organization. In the present study, organizational commitment refers to the belief of the employees in and their acknowledgement of the organizational (banks) goals and values, and their tendency to give their all on behalf of the organization (Meyer and Allen, 1997).

Relationship between Internal Marketing and Organizational Commitment

The major element in internal marketing is that the employee perceives that management considers his needs and is responsible for them. Internal marketing leads to improved employees' commitment to the organization (Gronroos, 1985; Tansuhaj et al., 1991). In addition to this outcome, internal marketing also results in higher job performance and decreased turnover among employees (Jenkins and Thomlinson, 1992; Mathieu and Zajac, 1990; Schlesinger and Heskett, 1991). In a related study, a significant relationship was found between internal marketing and organizational commitment by Caruana and Calleya (1998) among managers of retail banks, with the relationship being highly significance with the affective dimension of the organizational commitment. They urged for further in-depth examination of the concept in light of the development and explanation of the differences that exists between it and constructs that are referred to as aspects of human resource management. Moreover, internal marketing directly affects

organizational commitment as evidenced by Ting (2011). In his study, he adopted training, support, communication and motivation to gauge internal marketing and they all loaded highly on internal marketing.

Hence, training, support, communication and motivation could be used to improve the organizational commitment among teachers. In the context of Thailand, Chotechuong and Vesdapunt (2015) found internal marketing to have a significant and positive direct effect on the organizational commitment of the insurance industry's agents. Moreover, the authors noted that committed agents provide superior services and are committed to their employment in the company. It is evident from the above discussed studies and their findings that majority of the authors examined the relationship between internal marketing and organizational commitment of employees. More specifically, Shekary et al. (2012) examined the award system, empathy, supervisor support, appraisal method and empowerment as factors of internal marketing, and their findings showed that internal marketing positively and directly affected organizational commitment, which was consistent with a previous study Abzari et al. (2011). On the basis of the literature review conducted of past relevant studies, the following research questions are developed;

- 1) *Is the hypothesized full structural model of the impact of internal marketing on organizational commitment validated, and does it fit the data?*
- 2) *Is there a significant relationship between internal marketing and organizational commitment?*

Conceptual Framework

On the basis of the study hypothesis, the study developed the following conceptual framework (see Figure 1) to indicate the relationships among the variables (dependent and independent).

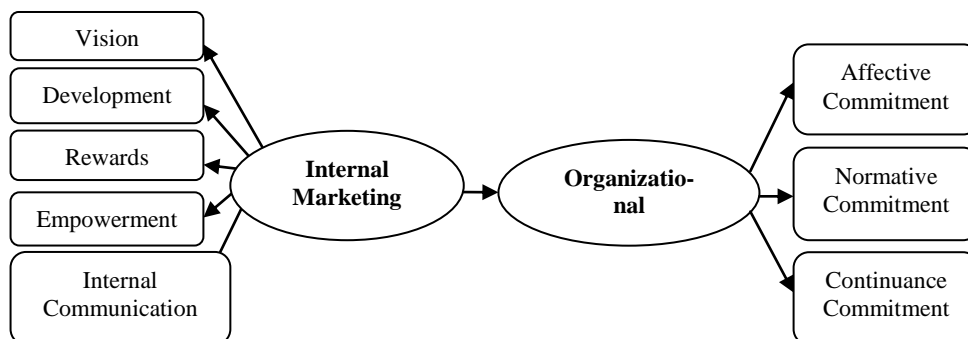


Figure 1. Conceptual framework

Research Methodology

The present study adopted the survey method as the major procedure for collecting data, the data collection started from beginning of July 2014 and ended in the end of November 2014, with the study population being the employees working in

eight banks, with a total number of 2452 (CBY, 2015). The respondents were chosen through stratified random sampling according to management level – those selected were conveniently available to contribute to the study. A sample size of 407 was achieved from a population size of 2452 employees, working in 8 banks with 48 branches. The internal marketing concept was measured by a 28 item scale adopted from Foreman and Money (1995), Ellinger and Cseh (2007), Hartline and Ferrell (1996) and Hon and Grunig (1999), whereas organizational commitment was measured through an 18-item scale adopted from Meyer and Allen (1997). The data obtained was exposed to analysis using structural equation modeling to examine whether or not the hypothesized relationship between internal marketing and organizational commitment is supported. Prior to the actual study, the researcher carried out a pilot study using a convenient sample of 50 respondents to confirm the reliability values of the variables. The obtained Cronbach Alpha reliability value for every measure obtained alpha values higher than 0.70.

Data Analysis

The internal marketing instrument consisted of 28 items measured on a 5-point Likert scale divided among the following dimensions; development was measured by 8 items, empowerment by 7 items, vision and internal communication by 8 items, and rewards by 5 items. All the items were included as all were related to the underlying factors. Specifically, the factor analysis considered internal marketing as a four-factor model, with the first-order latent variables being development, rewards and empowerment.

The internal coordination and convergence between vision and internal communication led to the consideration of both as one factor. Nevertheless, both factors (vision and internal communication) were analyzed individually on the basis of the past studies (Foreman and Money, 1995; Ellinger and Cseh, 2007; Hartline and Ferrell, 1996; Hon and Grunig, 1999).

The analysis also found the Bartlett Sphericity Test for internal marketing to be statistically significance at the following values (Approx. Chi-Square = 8185.638; $p=0.000$, <0.00), indicating that the relationships (multicollinearity) between the items were significant. The KMO value of sampling adequacy was excellent at 0.962. Therefore, the questionnaire items were all suitable and included in the further steps of factor analysis.

Moving on to organizational commitment, as mentioned 18 items were used to measure it using a 5-point Likert scale, 6 items measuring affective commitment, 6 items measuring normative commitment, and 6 items measuring continuance commitment. The organizational commitment components arose via EFA component analysis. In Allen and Meyer's (1997) study, the same three components were suggested (i.e., affective commitment, normative commitment and continuance commitment).

This study employed the EFA analysis of Varimax rotation on the data, after which 2 factors were extracted. On the basis of each item loadings under a specific factor,

the organizational commitment (affective commitment, normative commitment as one factor, and continuance commitment) was statistically significant (Approx. Chi-Square=4189.982; $p= 0.000, < 0.00$) supported the significant interrelationship between the items. Moreover, the KMO measure of sampling adequacy was 0.931, which is deemed to be very good and all items were deemed to be suitable for factor analysis.

Test of the Proposed Model

Following the testing of the entire constructs and their dimensions and items, with the inclusion of the Cronbach’s Alpha reliability test and the exploratory factor analysis (EFA), the constructs and their dimensions were deemed to be reliable and valid. Hence, a full structural model of internal marketing and its impact on organizational commitment was formulated. It is evident in Figure 2 that the hypothesized full structural model revealed the following values; Chi-square (χ^2) value of the baseline model was 32.725, and df was 10.

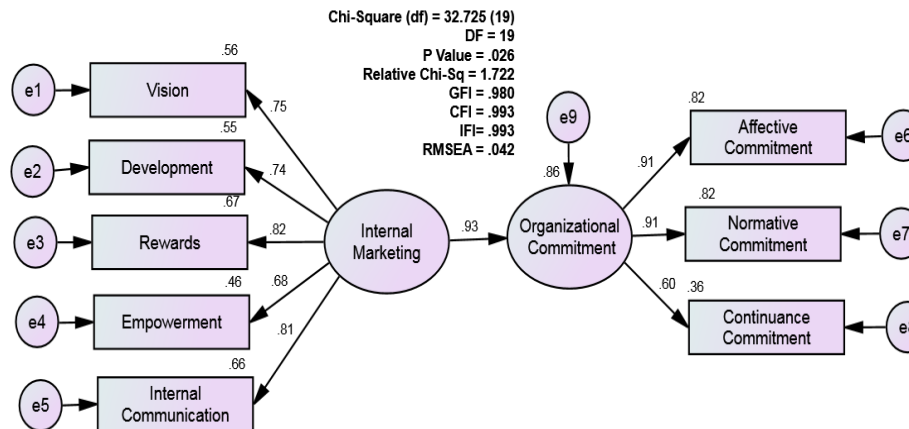


Figure 2. Baseline hypothesized full structural model impact of internal marketing on organizational commitment

Moreover, the Chi-square ratio was found to be at 1.722, which is lower than 3, GFI=0.980, which is higher than 0.90, and the required level of fit-indicators was CFI=0.993 and IFI=0.993, which are greater than 0.90, and lastly, RMSEA value=0.042, which is lower than 0.80. These values obtained of the hypothesized structural model met the necessary prerequisites of model-fit indicators indicating the acceptability of the model-fit.

Results

The results obtained showed that internal marketing impacts organizational commitment, with the path coefficient of internal marketing to organizational commitment being ($\beta=0.928$), which shows that for every increase in internal marketing by one unit, would contribute to 0.93 unit increase in organizational commitment. Based on the results, internal marketing has a positive and significantly impact on organizational commitment at ($p=0.026$, $p<0.01$), indicating that the study hypothesis is supported.

Table 1. CFA results of factor loadings, critical ratios, and significant p-values for full structural model

Variables		Regression β	S.E.	C.R.	P	H
OC	<-- IM	0.928	0.198	17.272	***	Supported
Vision	<-- IM	0.749				
Development	<-- IM	0.739	0.056	15.019	***	
Rewards	<-- IM	0.820	0.142	16.837	***	
Empowerment	<-- IM	0.679	0.056	13.685	***	
Internal Communication	<-- IM	0.815	0.082	16.721	***	
Affective Commitment	<-- OC	0.907				
Normative Commitment	<-- OC	0.906	0.030	27.123	***	
Continuance Commitment	<-- OC	0.598	0.016	13.542	***	

Discussion

The obtained results showed that internal marketing significantly affected organizational commitment with the path coefficient value being 0.928, indicating that the employees' organizational commitment among the banks is impacted by the internal marketing provided by the banks. This finding supports the findings of prior studies, particularly Abzari et al. (2011) who found that internal marketing has a direct impact on organizational commitment and an indirect one on the same through market orientation. In other words, they found internal marketing factors to directly influence market orientation, while market orientation significantly influenced employee commitment. Both factors significantly impacted organizational commitment, but the indirect impacts were not found to be significant. Along a similar line of study, Chotechuong and Vesdapunt (2015) revealed that internal marketing significantly and positively impacted the organizational commitment of agents employed by the Thai insurance industry – a finding that is aligned with that reported by Shekary et al. (2012). The latter

provided that internal marketing positively, directly and significantly affected organizational commitment.

Conclusion

The present study, to the best of the researcher's knowledge is one of the few pioneering studies that empirically tested the relationship of internal marketing and organizational commitment in the Yemeni banks context. In practice, the study findings provide significant contributions and implications to practitioners and policy-makers. The study provides insight into the manner in which internal marketing can be invaluable in improving the organizational commitment level of the Yemeni banks employees.

The bank managers are recommended to lay down effective initiatives to develop their internal marketing, especially those that could facilitate and improve internal employees' communication, motivation, and enhance employees-management communication. The study recommends that banks managers and owners have to deploy actions and activities to reinforce employees' commitment to the organization in terms of a conducive environment prior to implementing a strategy for its enhancement. Bank managers should also ensure that employees' provide their feedback in terms of the benefits, incentives, trainings and rewards they are recipient of.

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WPLYW MARKETINGU WEWNĘTRZNEGO NA ZOBOWIĄZANIA ORGANIZACYJNE: EMPIRYCZNE STUDIUM W SEKTORZE BANKOWYM JEMENU

Streszczenie: Celem niniejszego opracowania było zbadanie wpływu wewnętrznego marketingu na organizacyjne zaangażowanie banków w Jemenie. W badaniu przyjęto wewnętrzne czynniki marketingowe składające się z różnych wymiarów, a mianowicie wizji, rozwoju, nagród, uprawnień i komunikacji wewnętrznej, jako niezależnej zmiennej. Tymczasem zmienna zależna składała się z różnych wymiarów zaangażowania organizacyjnego, w tym zaangażowania normatywnego, zaangażowania emocjonalnego i zobowiązania dotyczącego kontynuacji. W badaniu, w celu zgromadzenia danych, wykorzystano kwestionariusz ankiety, dystrybuowany do 407 banków w Jemenie. Uzyskane dane zostały przeanalizowane za pomocą statystyk opisowych i analizy czynników rozpoznawczych. Ponadto do analizy danych wykorzystano modelowanie równań strukturalnych. Uzyskane wyniki wykazały, że marketing wewnętrzny znacząco wpłynął na organizacyjne zaangażowanie, o wartości współczynnika ścieżki wynoszącej 0.928, co wskazuje na zaangażowanie organizacyjne pracowników wśród banków pod wpływem wewnętrznego marketingu oferowanego przez banki. Jeśli chodzi o modelowe dopasowanie w badaniu, analizując wartość dopasowanych statystyk w oparciu o wyniki (CFI = 0.99, GFI = 0.98 i RMSEA = 0.042) wykazano, że marketing wewnętrzny ma pozytywny wpływ na zaangażowanie organizacyjne ($p = 0,026$ $p < 0,01$), tym samym potwierdzając, że badana hipoteza jest poparta. Wreszcie badanie przyczyniło się do analizy wewnętrznych czynników marketingowych i pozytywnego wpływu na organizacyjne zaangażowanie banków w Jemenie.

Słowa kluczowe: marketing wewnętrzny, zobowiązania organizacji, sektor bankowy Jemenu

內部營銷對組織承諾的影響：YEMEN銀行部門的實證研究

摘要：本研究旨在探討內部營銷對也門銀行組織承諾的影響。該研究採用內部營銷因素，包括視覺，發展，獎勵，授權和內部溝通等不同維度，作為自變量。同時，因變量包括組織承諾的不同維度，包括規範性承諾，情感承諾和持續承諾。該研究採用了數據收集問卷調查問卷，分發給了也門407個銀行。通過使用描述性統計和探索性因素分析分析獲得的數據。此外，結構方程模型用於數據分析。獲得的結果表明，內部營銷對路徑係數值為0.928的組織承諾影響較大，說明銀行內部營銷對員工組織承諾的影響。對於模型擬合，其檢驗表明，基於結果，擬合統計量（CFI = .99, GFI = .98和RMSEA = 0.042）的價值對內部營銷具有積極影響（ $p = .026$ $p < .01$ ），表明研究假設得到了支持。最後，這項研究有助於內部營銷因素及其對也門銀行組織承諾的積極影響。

關鍵詞：內部營銷，組織承諾，也門銀行業。