Studying the effect of internal marketing perception on job satisfaction and employee commitment

Mohammad Zargaran¹, Sohel Sarmadsaidi², Hasan Esmailpour²

¹- Masters student, Department of Management executive, arak Branch, Islamic Azad University, arak, Iran
²- Faculty member of Department of Business Administration, Central Tehran Branch, Islamic Azad University, Tehran, Iran

*Corresponding Author email: zargaran25@yahoo.com

ABSTRACT: This study has been done in order to investigate the effect of internal marketing on job satisfaction and employee’s commitment and their effects on customer-orientation of employees in the branches of Mellat Bank in Hamadan, as a service organization. In this research, we used a questionnaire for data collection and experts’ opinion and LISREL software for its validity test. Also, we used Structural Equation method of LISREL & SPSS Software for data analysis. The total population consisted of 285 persons. 170 questionnaires were distributed randomly between them while all of them returned questionnaires. Finally, we found a significant positive relationship in all hypotheses.

Key words: internal marketing, job satisfaction, employee commitment

INTRODUCTION

Recently, new changes have led to rapid developments of services so as to provide quality service while customer satisfaction is one of the important challenges of this century in service organizations. Studies show that employees' satisfaction in company leads to customer satisfaction (Gorgani, 2010). So leading companies are trying to increase their profitability through “satisfying important factors for the customer in the best way they can”. The critical factor for service organizations is to gain sustainable competitive advantages of competent and service-oriented employees (human capital) that play an important role in organization success (Mishra, 2010).

Problem Statement

In constantly changing and competitive world of today, more companies are looking for ways to enhance their competitive advantage. One of these ways is to improve the service delivery to customers. Establishing and maintaining long-term value of the company depend heavily on realization of employee expectations (Hillman and Keim, 2001). More important is that a company is able to maintain highly skilled staff while achieving a sustainable competitive advantage and “Company’s Social Responsibility”, Lado & Wilson 1994, Wright et al 1995. For example, Cheung said that “Company’s Social Responsibility” is a useful strategy for effective management of human resources through improved organizational trust, job satisfaction and customer-orientation (Chiang, 2010). According to this, management could induce a positive attitude towards work, encourage greater productivity and improve customer interactions through meeting staff’s expectations from the activities of the company Tuzzolino & Armandi, 1981 (Ki Lee et al, 2013).

To better understand the content, we consider a summary of key definitions together with essential points in research.

Internal Marketing

Internal Marketing is about providing an internal market in organization by employees. The members of this market should be trained, rewarded and motivated to meet the needs and demands of external customers. Dukakis and Kitchen 2004. Internal marketing activities by staff will result in modification of internal communications and increasing customer knowledge and insight (Hogg et al, 1998) (Abbasi & Salehi, 2012).

Organizational Commitment

Organizational commitment, as a psychological concept, is defined as the ability to identify people and their involvement in an organization that is reflected as follows (Sabzeae, 2012). A strong belief in the organization's goals and values.
Willingness to exert extra effort for the organization.
The desire to maintain organizational membership, Porter et al. 1974
Employees with higher commitment will prevail better on negative attitudes and behaviors, such as leaving work and time-wasting. In practice, three factors of commitment structure such as Affective, Normative and Continuance are accepted widely by Allen & Meyer 1996, Glati et al. 2006, Meyer et al. 2002, Paul & Meyer 2004 (Luo & Marnburg, 2013).

**Job Satisfaction**
The basic definition of job satisfaction refers to "a pleasurable or positive emotional state resulting from the evaluation of job or job experience" (Lake, 1976). Generally, employees with more customer-orientation (Lee et al., in press) provide better services to the customers and will receive higher levels of customer satisfaction. Hesketh et al. 1994 (Ki Lee et al., 2013).

Job satisfaction is resulted from job-related aspects such as payment, promotion opportunities, supervisor, co-workers and workplace factors such as supervisors’ style, policies and procedures, belonging to the working group, the working conditions and fringe benefit. Undoubtedly, job satisfaction is one of the most widely studied subjects in organizational research, Spector 1997 (Hofmans et al., 2013).
In general, the literature shows that job satisfaction is an important prerequisite for improving customer satisfaction. (Jung & Yoon, 2013)

**Job Satisfaction and its relationship with Organizational Commitment**
Satisfaction and commitment are highly interrelated (but with different attitudes). They are distinctive distinction in the customer-orientation as an effective response to organization as a whole (in organizational commitment), while job satisfaction is a response to job specific procedures (Williams & Hazer, 1986).

**Internal marketing Goal**
Internal marketing goal is to ensure satisfaction among employees of organization and to enhance quality of products and services in order to achieve external customer satisfaction; and this flows as a process from internal customers to external customers (Sazbeae, 2012).

**Conceptual model**
This study is about to investigate casual effects among internal marketing, job satisfaction, organizational commitment and customer-orientation, based on the proposed model, resulted from research hypotheses (Fig. 1). Finally, it analyses the conceptual model and research framework and tests hypotheses in the Bank.

![Figure 1. The conceptual Model (AbbasiandSalehi, 2012)](image)

**Hypotheses**
With regard to research background and exploring prior research, we can propose following hypotheses and test them:
Hypothesis H1: There is a significant relationship between perceptions of internal marketing and job satisfaction.
Hypothesis H2: There is a significant relationship between perceptions of internal marketing and organizational commitments.
Hypothesis H3: There is a significant relationship between job satisfaction and organizational commitments.
The following intermediate hypotheses could be extracted reviewing above topics. Intermediaries imply a causal hypothesis by which an intermediate is caused by an independent variable that in turn causes another dependent variable:
Hypothesis: Job satisfaction has an intermediary role between perceptions of internal marketing and organizational commitments.

**Statistical Population**

The population includes all front-office staff in Mellat Bank branches in the province of Hamadan. (Note that in this study front-office staff includes staff, experts, managers and heads of branches)

**RESEARCH METHODOLOGY AND TOOL**

This study is “applied” in terms of the nature and purpose and is “descriptive and survey” in terms of data collection methods. In fact, this research is conducted using both survey and documents. The combination of data collection tools includes books, dissertations and papers available on the Internet and a questionnaire. After verifying validity (through experts’ opinion) and reliability (Cronbach’s alpha), we found all the variables had high score while total alpha was 0.793. We distributed 170 questionnaires all of which were received and analysis were performed on them.

**The result of structural equation model based on confirmatory factor analysis**

Analysis of structural equation model requires attention to the following points:

- 2 sets of coefficients between latent variables are estimated in structural equations methodology. These coefficients are:
  - $\gamma$ Coefficients: Representing the correlation between an exogenous latent variable and an endogenous latent variable.
  - $\beta$ Coefficients: Representing the correlation between an endogenous latent variable and another endogenous latent variable.

The structural equation model uses the T-statistic to analyze the relationship between the variables. The positive $\gamma$ coefficient for the relationship between two variables indicates that there is a direct relationship between two variables.

**Table 1. Values of the test statistic (T) and the $\gamma$ coefficient**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>test statistic value (T)</th>
<th>$\gamma$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis # 1</td>
<td>2.39</td>
<td>0.37</td>
</tr>
<tr>
<td>Hypothesis # 2</td>
<td>2.42</td>
<td>0.39</td>
</tr>
<tr>
<td>Hypothesis # 3</td>
<td>4.48</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Statistical Analysis of Hypothesis # 1: There is a significant relationship between perceptions of internal marketing and job satisfaction.

Since the test statistics is $T=2.39$ that is greater than 1.96 in 0.05 significance level ($|t|>1.96$), $H_0$ is rejected and $H_1$ is accepted. This indicates that there is a significant relationship between these variables. Values of the test statistics (T) and the $\gamma$ coefficient are presented in Table 1.

Statistical Analysis of Hypothesis # 2: There is a significant relationship between perceptions of internal marketing and organizational commitments.

Since the test statistics is $T=2.42$ that is greater than 1.96 in 0.05 significance level ($|t|>1.96$), $H_0$ is rejected and $H_1$ is accepted. This indicates that there is a significant relationship between these variables. Values of the test statistics (T) and the $\gamma$ coefficient are presented in Table 1.

Statistical Analysis of Hypothesis # 3: There is a significant relationship between job satisfaction and organizational commitments.

Since the test statistics is $T=4.48$ that is greater than 1.96 in 0.05 significance level ($|t|>1.96$), $H_0$ is rejected and $H_1$ is accepted. This indicates that there is a significant relationship between these variables. Values of the test statistic (T) and the $\gamma$ coefficient are presented in Table 1.

Statistical Analysis of Hypothesis # 4: Job satisfaction has an intermediary role between perceptions of internal marketing and organizational commitments.

In order to test the above hypothesis, we investigated regression equation of the relationship between perceptions of internal marketing and organizational commitments in various levels of job satisfaction.
As we could see in the above two equations, the determination coefficient and the regression coefficient corresponding to $V1$ are larger in model number 1. In explanation, we could say:

The relationship between perceptions of internal marketing and organizational commitment in both levels of employees with high and low job satisfaction is significant in the 0.05 significance level. But this relationship is stronger in the employees with high satisfaction. Existence of collinear model is confirmed, fitting the regression model (by SPSS software) with two independent variables of perceptions of internal marketing and job satisfaction and the dependent variable of organizational commitment. This means that there is an interaction between job satisfaction and perception of marketing variables in their influence on dependent variable of organizational commitment.

Table 3. Fitting the regression model for Hypothesis # 4

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardized Coefficients</th>
<th>$t$</th>
<th>$p$</th>
<th>Collinearity statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Beta</td>
</tr>
<tr>
<td>X1</td>
<td>0.421</td>
<td>33.21</td>
<td>0.000</td>
<td>0.8</td>
</tr>
<tr>
<td>X2</td>
<td>0.121</td>
<td>2.121</td>
<td>0.08</td>
<td>0.1</td>
</tr>
</tbody>
</table>

VIF value (tolerance of the model) is increased with X2 variable entered (job satisfaction) and this shows existence of collinearity in regression model.

CONCLUSION

So far little attention has been given to internal marketing and understanding its methods in Mellat Bank. This study examines the emergence and evolution of this field, and then explains the significance of this subject and its implementation in Mellat Bank. Analysis results shows that implementation of internal marketing plans in human resource management has an important impact on attraction, retention and job satisfaction of employee as internal customers of Mellat Bank. In addition, the staff can provide high quality services to external customers of the company only if they are seen as internal customers. In fact, with regard to the type of work being done by frontline staff, it would be better to increase job satisfaction of employees, who are interacting with external customers, through internal marketing. The results of this research show that creating conditions for increasing employees’ job satisfaction can play a major role in the effectiveness of internal marketing on customer-centric behavior of employees. These conditions include participation of employees in organization’s important decisions, clarification of organization goals for them, and review of employees’ payroll.
system. Also, we know that committed employees believe in hard working and are willing to allocate more time, more effort and most of their talent to their organization. On the other hand, the model designed by Live that has been used in Abbasi paper and our study has appropriate fitness and could be used in Mellat Bank. This implies the role of job satisfaction in achieving the objectives of this study and also shows that Mellat Bank will be more successful in achieving their goals if it increasingly looks for ways to enhance employees' job satisfaction. Indeed, top managers of Mellat Bank always try to increase physical capital in their organization and they have neglected the human capital that has critical role in achieving organization's goals. On the other hand, while the customer-oriented role of frontline employees in Mellat Bank is ignored, employees are discouraged from achieving the desired situation and eventually quit their jobs that lead to less customer-orientation.

**Practical Recommendations**

Change in staff managers’ attitudes towards the principle of participation and recognition of banking training effects on increasing the abilities of employees in professional workplace and its impact on interaction and cooperation of customers.

Providing good motivational factors for employees in order to improve their performance; factors such as appropriateness of wage, salary and rewards that employees get for their job, good distribution of welfare facilities in the organization, and fitness between employees’ promotion and their competencies.

Reviewing and identifying the skills required for personnel according to their duties, avoiding direct supervision of staff, eliminating job stress, and encouraging teleworking in order to avoid reducing incentives.

Reviewing and identifying the skills required for employees in order to plan staff training and identify strengths and weaknesses of employees.

Providing a safe workplace, making appropriate recommendations for employees' promotion, and reducing job stress and pressure in the workplace.

Collaborating and teamwork, leveraging employees’ comments and ideas in decision making and their cooperation for continuous improvement for doing organizational tasks, as an important motivational factor.

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