

THE EFFECT OF INTERNAL MARKETING ON EMPLOYEE PERFORMANCE AND THE MEDIATING ROLE OF EMPLOYEE COMMITMENT: AN EMPIRICAL STUDY ON HOTELS IN BANGLADESH

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Abstract

It is expected that committed employees perform better in their tasks and therefore deliver better services, which affects employee performance positively and contributes to achieve employee satisfaction. Internal marketing is a key strategy to enhance employee commitment, which ultimately increases employee performance. The purpose of this study is to investigate the effect of internal marketing on employee performance and the mediating role of employee commitment among selected hotels in Bangladesh. The study targeted a total of 280 employees from different hotels in Bangladesh and use primary data which was largely quantitative, collected by the use of questionnaires. The descriptive analyses were conducted by using Amos SPSS 24. Findings reveal that internal marketing significantly increase the employee performance; whereas, employee commitment has a mediating effect on both internal marketing and employee performance.

Key Words: *Internal Marketing, Employee Commitment, Employee Performance.*

Introduction

In the past, most hotels have lacked marketing concepts, particularly the concept of internal customers. Eldeen and El-Said (2011) suggest that in order to enhance employees' job satisfaction, hotel management should strengthen internal marketing activities for employees. These activities would promote employee's job involvement and job satisfaction, which would be helpful in achieving employees' organizational commitment. As a result, the concept of internal marketing can become a concrete strategy for improving the quality of service in hotel operations. By providing exceptional service, hotel employees can enhance the image of the hotel and the level of perceived and authentic service quality. Hospitality managers could benefit by adapting strategies to engage and retain highly effective, devoted, and satisfied employees on the one hand, and to implement internal marketing principles on the other. The more the managers allocate their resources towards internal marketing implementation, the higher the probability of the organization's success. (Eldeen & El-Said, 2011). Now a days internal marketing has been recognized as a strategy for market orientation. The related studies in this ground reveal that internal marketing

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activities improve organization's competitiveness through influence and creating of motivation in employees and enhance competences (Ahmed & Rafiq, 2004). Generally, it can be said that implementation of internal marketing in service organizations will equip these organizations with capabilities and competencies that will result in customer satisfaction while enjoying of environmental opportunities. In contrast with previous researches in the field of internal marketing, this research tries to study and develop the framework for the effect of internal marketing on employee commitment in hotel industry and also mechanism of such relation through employee performance empirically. The satisfaction of internal customers is important to the success of a service firm (Gremler et al., 1994). One of the important consequences of internal marketing is to increase the employee commitment of the organization (Tansuhaj et al., 1991). This in turn should result in increased job performance and lower turnover of staff (Jenkins and Thomlinson, 1992). Thereby it facilitates the interactive process.

As humans are the key issue in the service process, many organizations realize that employees are the significant key factor related to the growth of their organizations. Previous studies have identified that the employee is directly related to organization performance, thus many scholars have undertaken research to develop employee performance through several aspects. According to Costley and Todd (1987, p.13) —people work for money, but they also work for more than money. Most employees want to be proud of their organizations, to have a good relationship with other employees and managers, and to believe that they have worthwhile jobs. Most previous studies of employee commitment have focused on the commitment of the employee to their organization (Cohen, 2006). Moreover, employee commitment is found to have positive outcomes for the hospitality industry. Because of the diverse characteristics of labor, many hotels try to understand the motivations of their employees in term of increasing employee commitment to the organization and customer service (Davidson 2003). In this study the researcher tries to investigate the relationship among the internal marketing, employee performance, and employee commitment of selected hotels in different parts of Bangladesh. More specifically, the study sought to examine the effect of internal marketing on employee performance among the different hotels in Bangladesh; as well as the effect of employee commitment on employee performance too and to establish the mediating role of employee commitment with internal marketing and employee performance among the hotels in Bangladesh.

THEORITICAL FRAMEWORK

Internal Marketing and Employee Commitment

Kelemen and Pappasolomou-Doukakis (2004) established the fact that firms can satisfy external customers effectively, if there is successful exchange with its employees (Lu et al, 2007). Some scholars have also found an extrinsic link between the satisfaction of internal employees and that of external customers (Palmatier et al, 2006; Heskett et al, 2008). At the heart of the internal marketing concept is the notion that employees

represent an internal market within an organization (Ahmed and Rafiq, 2003; Lu et al, 2007). This internal market can be regarded as a segment of employees that needs to be informed, developed, and motivated in order to elicit their commitment to organizational goals (Papasolomou, 2006). As a result of its perceived benefits, there has been an increased interest among marketing scholars and practitioners alike, seeking to understand the antecedents of employee commitment (Mishra et al., 2010; Ting, 2011). For instance, Chang and Chang (2009) found that internal marketing was positively related to job commitment of nurses in Taiwan. However, an extensive review of the extant literature suggests a dearth of research linking internal marketing practices and employee commitment especially in the financial services industry. Moreover, the reviews also revealed that marketing scholars have not been consistent with the conceptualization of the dimensions of internal marketing. For instance, Chang and Chang (2009) conceptualized internal marketing into employee-oriented measures, internal communication and external activities.

Employee Commitment and Employee Performance

Studies emanating from the human resources management literature (Rashid et al, 2003; Lu et al, 2007; Yiing and Ahmad, 2009) show that having committed employees in organizations leads to better employee performance because employees with greater commitment to their organizations perform better on their jobs as compared to those who have lower commitment. Similarly, other scholars also found that commitment of employees to the organization leads to job satisfaction (Lings, 2004; Lings and Greenley, 2007) and organizational citizen behavior (Farzad et al, 2008). Before this, Caruana and Calleya (1998) urged management in organizations to build a sustainable personnel base that is strongly committed and has intentions of staying with the organization into the foreseeable future.

Kanter (1968) describe affective commitment as the attachment of an individual's found of affectivity and emotion to the group. An individual who is affectively committed or emotionally attached to the organization, believe in the goal and values of the organization, works hard for the organization and intend to stay with the organization (Mowday et al.,1982). Somers (1993) suggest that continuance commitment develops when an individual recognizes that he or she lose investments, and/or perceives that there are no alternatives or other course of action. Normative commitment develops on the basis of earlier experiences influenced by, for example family-based experiences or cultural experiences (Allen & Meyer, 1997). Normative commitment can increase through beliefs that the employees have that employers provide more than they can give. The normative aspect develops as individuals' perception of their moral obligation to remain with a specific organization, irrespective of how much status improvement or fulfillment the organization gives the individual over the years (March & Mannari 1977). So normative commitment/obligation seen as a result of the receipt of benefits, and/or acceptance of the terms of a psychological contract.

Internal Marketing, Employee Commitment, and Employee Performance

A number of scholarly works have linked the concept of internal marketing with employee commitment and performance. According to Ting (2011), the logic behind internal marketing is that, by satisfying the needs of internal customers, they would be committed to reciprocate and deliver the quality of service desired to satisfy external customers. Chang and Chang (2009) observes that fulfilling employee needs enhances employee motivation and retention, and as a consequence, the higher the degree of employee satisfaction, the higher their commitment towards the organization and ultimately the more efficient the service delivery. Later, a customer-centric view also emerged in the literature on internal marketing.

In an empirical study Tansuhaj, Randall, and McCullough (2010) found out that through improved job satisfaction, internal marketing enhances employee performance. Ahmed et al. (2012) revealed a positive relationship between the Internal marketing practices and employee performance. Hwang and Chi's (2005) research on international hotels in Taiwan also support internal marketing's positive impact on employee performance. Chang and Chang (2007) in their study on hospitals observe that internal marketing has a positive influence on employee performance. Gounaris (2008) in his study on observes that employee job satisfaction is partially a function of internal-marketing actions like empowerment, participative decision making and informality of communication.

Iliopoulos and Priporas (2011) also observe a positive effect of internal marketing on employee performance in their study on hospital staff. Al-Hawary et al. (2013) with their study on banks in Jordan empirically proved that internal marketing practices were positively correlated with employee performance. Aamir Ali Chughtai & Sohail Zafar (2006) examined the influence of employee commitment on turnover intentions and on job performance. Rajendran Muthuveloo and Raduan Che Rose (2005) study explores that employee commitment, leads to positive organizational outcomes. Komal Khalid Bhatti, Samina Nawab (2011) said that job satisfaction has the highest impact on high employees' commitment and productivity. Paunonen et al. (2011) examined facts of a positive correlation between employee commitment and job performance, Low commitment has also been associated with low levels of morale (DeCotti & Summers, 2010) non-committed employees may depict the organization in negative terms to outsiders thereby inhibiting the organization's ability to recruit high-quality employees (Mowday et al., 2009) and decreased measures of altruism and compliance (Schappe, 2008).

From the above theoretical framework, the following hypotheses can be developed:

- **H1:** Internal marketing has a positive relationship with employee performance.
- **H2:** Internal marketing has a positive relationship with employee commitment.
- **H3:** Employee commitment has a relationship with positive employee performance

Research Model in accordance with the aim of exploring the mediating role of employee commitment in the impact of internal marketing on employee performance, the research model has been developed as shown in **figure 1**.

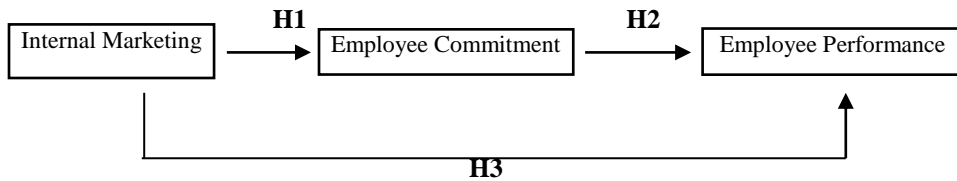


Figure1. The Hypothesized Proposed Model

METHODOLOGY

Research Design

Research design is the processes and methods used for data collection and analysis during the research (Burns & Bush, 2009). Research design decide what type of data required, from whom, and the way it is going to give answer for research question. In this research, quantitative research was applied. According to Aliaga & Gunderson (2006), quantitative research is the research collect and analyze numerical data with the use of mathematically based methods. It is conducted by asking people for opinions in a formatted method to make dependable statistics and facts.

Data collection

The samples of the study—employees of six hotels in Bangladesh (Dhaka, Sylhet and Cox's bazaar) — were chosen. Data were randomly collected from the employees of those hotels. The return rate is approximately 80% (280/350). In line with the aims, a questionnaire was developed including various types of questions. In order to prepare an appropriate questionnaire; first, the literature was reviewed, and an interview was conducted with those working at managerial positions in 6 hotels. Subsequently, a survey was conducted among the employees of those six hotels.

Scale Development

To be able to investigate the relationship between internal marketing and employee performance and mediating role of employee commitment, a survey was developed and conducted in 6 hotels. The questionnaire consists of two parts: (a) the first part was related to the internal marketing, employee commitment and employee performance (b) the second part was related to the demographics of the respondents. The first part has 39 statements on a five-point Likert type ordinal scale (1=strongly disagree and 5=strongly agree). The questionnaire was applied through the face to face interviews and the drop-collect survey. To measure internal marketing, 13-item scale were used, employee

commitment. was measured using the 11-item scale and Employee performance was measured using the 15-item scale. The language used here was simple so that it became easy for the researcher to communicate with all the customers, even those have minimum proper education. Questions are clear, answerable, unbiased, and appropriate to the hotel context. As suggested by Frazer and Lawley (2000), it is necessary to understand the words used in the questionnaire, so that it will motivate respondents to complete the questionnaires. The collected data was analyzed using SPSS Amos 24 package program. The results of the primary data and the discussions based on the above given analyses were given in the section below.

ANALYSES AND RESULTS

Characteristics of the Respondents

Demographic characteristics of employees are shown in Table 1.

Educational Level	n	%	Age	n	%
Primary	58	20.80	21-30	94	33.80
Secondary	39	13.80	31-40	114	40.80
Bachelor's University Degree	121	43.10	41-50	50	17.70
Master's degree	62	22.30	51+	22	7.70
Total	280	100	Total	280	100
Experience In Sector	n	%	Experience In Firm	n	%
1-5	43	15.40	-1	26	9.20
6-10	95	33.80	1-5	159	56.90
11-20	82	29.20	6-10	60	21.50
21+	60	21.50	10+	35	12.60
Total	280	100	Total	280	100
Gender	n	%			
Female	131	46.92			
Male	149	53.08			
Total	280	100			

Table 1. Characteristics of the respondents

Reliability of Scales

In this study reliability was firstly measured by using Cronbach's (1951) coefficient alpha and then using confirmatory factor analysis (CFA). With respect to Cronbach's coefficient alpha, Cronbach's coefficient alpha, **Table 1** shows that all the constructs were equal or exceed the suggested level of .70 (Nunnally, 1978). For using confirmatory factor analysis, CR and AVE were calculated from the CR formula and AVE formula given by Fornell and Larcker (1981). Bagozzi and Yi (1988) recommended that CR

should be equal to or greater than .60, and AVE should be equal to or greater than .50. Based on these assessments, measures used in this study were within the acceptable levels supporting the reliability of the constructs (see **Table 1**).

Scales adapted from	Cronbach α	CR	AVE
Internal marketing	.75	.91	.54
Employee commitment	.72	.84	.50
Employee Performance	.74	.89	.51

Table 2. Reliability of scales

As Bagozzi (1980) argued, construct validity is a necessary prerequisite for theory testing. In this study, results obtained from goodness of-fit indices confirmed construct validity (Hsieh and Hiang, 2004).

Fit indices	Results
χ^2 (Chi-square)	147.995
P value	P=.000
Degree of freedom (df)	62
Chi-square/df	2.387
Goodness of fit index (GFI)	.922
Adjusted goodness of fit index (AGFI)	.886
Root-mean-square error of approximation (RMSEA)	.071
Tucker-Lewis index (TLI)	.930
Comparative fit index (CFI)	.945
Incremental fit index (IFI)	.945

Table 3: Modification indices of Constructed model

Table 3 shows the results developed from the estimation of the CFA model. The outcomes acquired from the estimation of the CFA model show that the overall chi-square for this model was 147.995 ($p < 0.000$) with 62 degrees of freedom (df). Five measures of fit were tested: the goodness of fit index (GFI= .922), the adjusted goodness of fit index (AGFI= .886), the comparative fit index (CFI = 0.945), the Tucker-Lewis fit index (TLI = 0.930), the incremental fit index (IFI = 0.945), and the root mean square error of approximation (RMSEA = 0.071).

Discussion

As this model showed the correlation between the constructs, structural equation modeling was used by applying the maximum likelihood (ML) method (Amos version 24.0). The relationships projected in the model were observed in **Table 4** and **Figure 2**.

Hypotheses Relationship	Estimate	t Value	P
H1 Internal Marketing → Employee Commitment	.102	2.954	.002**
H2 Employee Commitment → Employee Performance	.379	4.132	.000**
H3 Internal Marketing → Employee Performance	.509	9.561	.000**

Table 4: Results of hypotheses testing (Notes: ** indicates P<.05)

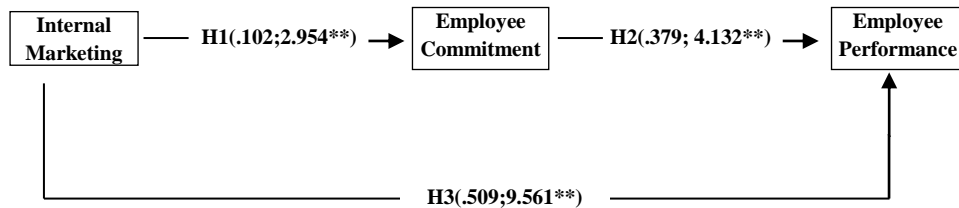


Figure 2: Hypothesized Final Model

H1: In this the research it is found that internal marketing influences employee commitment, approved the H1 (.102; 2.954, p = .002) (shown in **Table 4**), though the influence is very low but it may be varying from hotel to hotel and the amount of facilities that means the personal welfare they provide to their employees. From the findings, it is found that committed employees who are highly motivated to contribute their time and energy to the pursuit of organizational goals ought to be increasingly acknowledged as the primary asset available to an organization and be motivated to be productive in their commitment. As most of the hotels in Bangladesh still not concentrating on internal marketing theory, and provided minimum facilities to their employee, it’s difficult to get a good number of committed employees.

H2: The study further established a positive relationship between employee commitment and employee performance among selected hotels in Bangladesh n supported H2 (.379; 4.132, p = .000) (shown in **Table 4**). Rashid et al., (2003), Lu et al., (2007) and Yiing & Ahmad (2009) also show that having committed employees in organizations leads to better employee performance because employees with greater commitment to their

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