The Effect of Internal Marketing on the Performance of Employee and the Mediating Role of Organizational Commitment

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An Introduction to
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Dr. Gregory T. Papanikos
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Athens Institute for Education and Research
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Abstract

The purpose of this study was to investigate the effect of internal marketing on the performance of employee and the mediating role of organizational commitment. Data collected through the questionnaires from the administrators of 19 private hospitals in 6 provinces. In order to test the hypothesis correlation and regression analysis were conducted. The results of the research clearly show that there are significant relationships between internal marketing practices and employee performance and organizational commitment. Besides, organizational commitment has a partial mediating role. Consequently, the research is supposed to contribute greatly to the literature and administrators facing customer in need of different services resulting from changing time and values in terms of organizational commitment and effective applications of internal marketing that increase employee performance.

Keywords: Internal marketing, organizational commitment, employee performance, marketing management

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1. Introduction

As a result of the changing medical environment, hospitals are encountering increasing competitive pressure. Therefore, organizations seeking for obtaining sustainable competitive advantages against competitors, have begun to accept their own employees as internal customer in accordance with the customer based idea. Employees, as internal customers, have a crucial role in the maintenance of organizational activities in such a manner to get the advantage of competition. Employees will have organizational commitment if their wishes and requirements are supplied and in return their performance will increase, which will contribute to realize the organization objectives. Therefore, internal marketing applications should be taken into consideration in order to increase organizational commitment levels and job performances of employees.

2. Internal Marketing

The roots of internal marketing are well established through the works of Berry (1980, 1981, 1983) and Grönroos (1981, 1983). Berry (1981) pioneered the term internal marketing and originally defined it 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’. Since this time authors, practitioners, and researchers in this area have developed different definitions in order to explain their version of this idea. Some authors defined internal marketing as a method that organisations use successfully to hire, maintain and motivate employees to provide better service to customers. (Kotler, 1991; Mucuk, 2010). Also, internal marketing is defined as ‘a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer-orientated employees’. (Rafiq & Ahmed, 2000; Tek, 1999). The existence of three separate yet closely intertwined strands of theoretical development of the IM conceptualization, namely an employee satisfaction phase, a customer orientation phase, and a strategy implementation/change management phase. (Rafiq & Ahmed, 2000). External customer satisfaction cannot be achieved without the fundamental contribution of the customer contact employees who provide the service. (Bouranta & Mavridoglou; Ferrel & Hartline, 2005). Therefore, it is important for a firm to understand their employees just as much as their customers (Yu & Barnes, 2010; Caruana & Callewa, 1998; Ewing & Caruana, 1999; Shekary et al. 2012). The main objective of the internal marketing function is to obtain motivated and customer conscious personnel at every level (Ewing & Caruana, 1999; Caruana & Callewa, 1998)
3. Employee Performance

The concept of ‘performance’ is defined variously according to different approaches. Performance is a good, service or an idea performed to fulfil the duties and realize the objective in a way to take care of the job criteria in determined before (Pugh, 1991). Performance, effecting the payment and reward of the employee (Rousseau & McLean P., 1993; Kaplan & Atkinson, 1998), is the degree of reaching the aims of the individuals and organizations (Pugh, 1990). Campell, stating that performance is not only the result of the activity but also the activity itself, describes performance as the behaviours evaluable in term of the contribution level to organizational objectives and in favour of organizational objectives (Suliman, 2001). Job performance consist of employee activities as a apart of the duty (Borman & Motowidlo, 1993). The socio-analitical point of view explains that people reveal job performance as a result of motivation to overcome and succeed a duty (Hogan & Shelton, 1998). Rose stated that performance measurement is a powerful behavioural tool, since it communicates to the employee, what is important and what matters for the achievement of the organisation’s goal” (Rose, 1995).

4. Organizational Commitment

Organizational commitment is defined as an employee’s identification with and involvement in the organization (Mowday et al., 1979). Individuals with high organizational commitment are characterised by a strong belief in, and acceptance of, the organisation’s goals and values, and a willingness to exert considerable effort on behalf of the organisation (Porter et al., 1974; Angel & Perry, 1981). Organizational commitment is a psychical link between employee and organization which decreases the probability of voluntarily leave of individual from organization (Shekary, 2012). Commitment have consisted of two separate concepts such as behavioral and attitudinal components which are related to each other at the same time. Attitudinal commitment focuses on the process by which people come to think about their relationship with the organization. In many ways it can be thought of as a mind set in which individuals consider the extent to which their own values and goals are congruent with those of the organization. Behavioral commitment, on the other hand, relates to the process by which individuals become locked into a certain organization and how they deal with this problem. (Meyer & Allen, 1991)

Meyer & Allen (1991) constructed their three-dimensional commitment based on observing similarities and differences in organizational uni-dimensional concepts. Commitment as conceptualized above will be referred to, here after, as affective, continuance and normative commitment, respectively. Common to these three approaches, commitment is a psychological state that (a) characterizes the employee’s relationship with the organization, (b) has implications for the decision to continue or discontinue membership in the organization. Affective commitment refers to the employee’s emotinal
attachment to, identification with and involvement in the organization. Employees with a strong affective commitment continue employment with the organization because they want to do so. Continuance commitment refers to an awareness of the costs associated with leaving the organization. Employees having continuance commitment remain because they need to do so. Finally, normative commitment reflects a feeling of obligation to continue employment. Employees with a high level of normative commitment feel that they ought to remain with the organization (Meyer & Allen, 1991)

In the internal marketing literature, researchers have shown that internal marketing practices can affect job and customer satisfaction, employee performance, turnover intentions, loyalty, services quality, organizational commitment, communication management with a clear strategy based on research and evaluation, retention of skilled people in the organisation, relationships with the management team who share the objectives. (Greene et al., 1994; Harrell & Fars, 1995; Rafiq & Ahmed, 1995, 2000, 2003; Joseph, 1996; Caruan & Calleya, 1998; Varey & Lewis, 1999; Ewing & Caruana, 1999; Ballantyne, 2000; Doukakis, 2002; Lings, 2004, 2005, 2009; Doukakis & Kitchen, 2004; Keller et al., 2006; Gounaris, 2006, 2008; Markens & Gronholdt, 2006; Dündar & Fırlar, 2006; Varinli, 2006; İnal et al., 2008; Tsai & Wu, 2008; Chang & Chang, 2008; Candan & Çekmecelioğlu, 2009; Yu & Barnes, 2010; Lombard, 2010; Mishra, 2010; Karimi et al., 2011; Abzari, 2011; Aburoub et al., 2011; Iliopoulos & Priporas, 2011; Kameswari & Rajyalakshmi, 2012; Shekary et al., 2012). Therefore, the researches have proved the importance of internal marketing. Our study differs from the previous studies which focus on the effect of internal marketing on above mentioned factors, in a way that we also examined the mediating role of organizational commitment on the relationship between internal marketing and employee performance.

5. Methodology

5.1. Research Aim
The aim of this study is to explore the relationship between internal marketing and employee performance, while examining this relationship to reveal the mediating role of organizational commitment. We develop several hypotheses regarding the relationship among internal marketing practices and employee performance and organizational commitment. Than we test our hypotheses with correlation and regression analysis, using data collected from 130 employees working at the managerial level in private hospitals in 6 privances. Research hypotheses are as following:

H₁: Internal marketing has an impact on employee performance.
H₂: Internal marketing has an impact on organizational commitment.
H₃: Organizational commitment has an impact on employee performance.
H₄: Organizational commitment has a mediating role in the impact of internal marketing on employee performance.
5.2. Research Model
In accordance with the aim of exploring the mediating role of organizational commitment in the impact of internal marketing on employee performance, the research model has been developed as shown in figure 1.

![Research Model Diagram]

5.3. Sample and Data Collection
The population of the current study consists of 171 employees working at the managerial level in the 19 private hospitals in 6 provinces in Turkey. Although the survey aimed to reach the whole population, only 130 employees working at the managerial level in those firms returned the usable questionnaires (141 returned questionnaires from 19 private hospitals but 12 questionnaires aren’t included because of missing answers). The return rate is approximately 76% (130/171). 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 some managerial positions of 19 private hospitals in 6 provinces. Subsequently, a pilot study was also carried out with the sample representing the target population.

5.4. Measures
To be able to investigate the relationship between internal marketing and employee performance and mediating role of organizational commitment, a survey was developed and conducted in private hospitals in 6 provinces. The questionnaire consists of two parts: (a) the first part was related to the internal marketing, organizational commitment and employee performance (b) the second part was related to the demographics of the respondents. The first part has 26 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, were used 11-item scale developed by Money and Foreman with reliability alpha of 0.913. Organizational commitment was measured using the 11-item scale developed by Allen and Meyer with reliability alpha of 0.703. Employee performance was measured using the 4-item scale developed by Mahoney,
Jerdee and Carroll with reliability alpha of 0.805. The collected data was analyzed using SPSS 18 package program. The results of the primary data and the discussions based on the above given analyses were given in the section below.

6. Analyses and Results

6.1. Characteristics of the Respondents
Demographic characteristics of managers are shown Table 1.

Table 1. Characteristics of the respondents

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>n</th>
<th>%</th>
<th>Age</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>27</td>
<td>20.80</td>
<td>21-30</td>
<td>44</td>
<td>33.80</td>
</tr>
<tr>
<td>Secondary</td>
<td>18</td>
<td>13.80</td>
<td>31-40</td>
<td>53</td>
<td>40.80</td>
</tr>
<tr>
<td>Ass./Bachelor’s Univ. Degrees</td>
<td>56</td>
<td>43.10</td>
<td>41-50</td>
<td>23</td>
<td>17.70</td>
</tr>
<tr>
<td>Master’s /Doctorate Degrees</td>
<td>29</td>
<td>22.30</td>
<td>51+</td>
<td>10</td>
<td>7.70</td>
</tr>
<tr>
<td>TOTAL</td>
<td>130</td>
<td>100</td>
<td>TOTAL</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Experience In Sector</th>
<th>n</th>
<th>%</th>
<th>Exp. In Firm</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>20</td>
<td>15.40</td>
<td>1</td>
<td>12</td>
<td>9.20</td>
</tr>
<tr>
<td>6-10</td>
<td>44</td>
<td>33.80</td>
<td>1-5</td>
<td>74</td>
<td>56.90</td>
</tr>
<tr>
<td>11-20</td>
<td>38</td>
<td>29.20</td>
<td>6-10</td>
<td>28</td>
<td>21.50</td>
</tr>
<tr>
<td>21+</td>
<td>28</td>
<td>21.50</td>
<td>10+</td>
<td>16</td>
<td>12.60</td>
</tr>
<tr>
<td>TOTAL</td>
<td>130</td>
<td>100</td>
<td>TOTAL</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>61</td>
<td>46.92</td>
</tr>
<tr>
<td>Male</td>
<td>69</td>
<td>53.08</td>
</tr>
<tr>
<td>TOTAL</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>

6.2. Reliability of Scales
The data had to be evaluated in term of validity and reliability, before testing the hypothesis is creadted in accordance with the aim of study. Hence, the reliability and validity analyzes were carried out before testing the research hypothesis scale reliability was determined by the method of internal consistency. ‘Alpha coefficient’ is the imğlementation of internal consistency method. The most common method used to test the validity of the scale is alpha and its ranges between zero and one. Reliabilities of all the items, whose value is recommended above 0.70 by Hair et al. (1998), provides enough evidence of the reliability of the scales used. The 11-item of internal marketing scale had the reliability of 0,913. The 4-item employee performance scale had the reliability of 0,805 and 11-item organizational commitment scale had the reliability of 0,703 (Table 2).
Table 2. Reliability of scales

<table>
<thead>
<tr>
<th>Scales adapted from</th>
<th>Cronbach α of this study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal marketing</td>
<td>0.913</td>
</tr>
<tr>
<td>Employee performance</td>
<td>0.805</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>0.703</td>
</tr>
</tbody>
</table>

6.3. *Mean, Standard Deviations and Correlation value of Research Variables*

Mean, standard deviation and correlation were computed for each of the variables (internal marketing, employee performance, organizational commitment). These descriptive statistics are included in Tables 3.

Table 3. Mean, standard deviation and correlation value of variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std.Dev.</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Marketing</td>
<td>3.8821</td>
<td>.60336</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Performance</td>
<td>4.3358</td>
<td>.47107</td>
<td>.328**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>3.7205</td>
<td>.52260</td>
<td>.288**</td>
<td>.306**</td>
<td>1</td>
</tr>
</tbody>
</table>

According to the responds, the employee performance mean was found out to the highest (4.33), while the means of internal marketing (3.88) and organizational commitment (3.72) were found to have close values.

In order to determine the relationships between variables correlation analysis was conducted. Correlation analyze, used to determine the strenght of the relationship between two variable, ranges from -1,00 to +1,00 (Nakip 2003: 244). Correlation analysis results show that a positive correlation between internal marketing and employee performance, relatively weak (.328**), a positive correlation between internal marketing and organizational commitment, relatively very weak (.288**) and a positive correlation between employee performance and organizational commitment, the relatively weak (.306**) were found significant at the 0.01 significance level.

6.4. *Regression Analysis*

In order to test our hypotheses, regression analysis was conducted. Regression analysis a statistical tool for the investigation of relationships between variables, is used to test the relationships between a dependent variable and one or more independent variable (Nakip, 2003).
Table 4. Results of Regression Analysis For the Hypothesis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>R</th>
<th>R²</th>
<th>F</th>
<th>Sig.f</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁: Internal marketing has an impact on employee performance</td>
<td>0.328</td>
<td>0.107</td>
<td>15.862</td>
<td>0.000</td>
</tr>
<tr>
<td>Variables</td>
<td>Beta</td>
<td>T</td>
<td>Sig.</td>
<td></td>
</tr>
<tr>
<td>Employee Performance</td>
<td>1.123</td>
<td>7.942</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Internal Marketing</td>
<td>0.256</td>
<td>3.983</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Regression Model Y= 1.126+.256 (Internal Marketing)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H₂: Internal marketing has an impact on organizational commitment.</td>
<td>0.288</td>
<td>0.083</td>
<td>11.971</td>
<td>0.001</td>
</tr>
<tr>
<td>Variables</td>
<td>Beta</td>
<td>T</td>
<td>Sig.</td>
<td></td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>1.175</td>
<td>11.015</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Internal Marketing</td>
<td>0.250</td>
<td>3.460</td>
<td>0.001</td>
<td></td>
</tr>
<tr>
<td>Regression Model Y=1.175+.250 (Internal Marketing)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H₃: Organizational commitment has an impact on employee performance.</td>
<td>0.306</td>
<td>0.093</td>
<td>13.609</td>
<td>0.000</td>
</tr>
<tr>
<td>Variables</td>
<td>Beta</td>
<td>T</td>
<td>Sig.</td>
<td></td>
</tr>
<tr>
<td>Employee Performance</td>
<td>1.036</td>
<td>5.932</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>0.276</td>
<td>3.689</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Regression Model Y=1.036+.276 (Organizational commitment)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

First, hypotheses were tested in term of statistical validity and significance. Anova analysis result show that F value for the first model was 15.862, For the second model it was 11.971 and for the third model the value was 13.609. Significance value for the first model was 0.000, for the second model it was 0.001 and for the third model p was 0.000. The models were proved to be significant and valid hypothesis because F value measuring the validity of the hypothesis was higher than ±1.96 and P measuring the significance of the hypothesis was lower than 0.05.

After analyzing the significance and validity of hypotheses for the three models, regression coefficients R, showing relationships between independent variables and the dependent variable and adjusted R², explaining the change of the independent variables on the dependent variables were investigated. The results of regression are shown in Table 4. The first stage model was statistically significant and the adjusted R² of the model was 0.107, which explains about %10 of the model. The second model and third model were statistically significant. The adjusted R² of the second model was 0.083, which explains about %08 (.083) of the model. The adjusted R² of the third model was 0.093, explaining %09 (0.093) of the model. In this case, it is possible to state that for three modelsthere was intermediate level of relationship between the independent variables and dependent variables. Since R is expected to have a value between 0 and 1. It is estimated that there was a strong relationship when R value is close to ‘1’ and a weak relationship when R value is close to “0”. On the other hand, research results of the validity of the hypothesis indicated that there was relationship between independent variables and
dependent variables according to Beta coefficients for three hypotheses. Therefore, hypotheses H₁, H₂ and H₃ are accepted.

Multiple (Four-stage) regression analysis was conducted to explain the effect of internal marketing on employee performance and the mediating role of organizational commitment, proposed by Baron and Kenny (1986). According to this method, to establish mediation, the following conditions are required (Baron & Kenny, 1986):

1- The independent variable must have an affect on the mediator variable.
2- The independent variable must have an affect on the dependent variable
3- The mediator variable must have an affect on the dependent variable
4- When the mediator variable, whose effect was controlled and the independent variable were included in the regression analysis, regression coefficient (Beta value) of the independent variable on the dependent variable must decrease compared to the first equation and the mediator variable (organizational commitment) must have a significant effect on the dependent variable (employee performance). The first three requirement were accomplished to the former regression analysis. In order to see whether the fourth condition is supplied, multiple regression analysis was conducted for employee performance as the dependent variable, internal marketing and organizational commitment as independent variables. The results of regression are shown in Table 5.

**Tablo 5. Results of Regression Analysis For the Hypothesis**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance</td>
<td>.759</td>
<td>3.971</td>
<td>.000</td>
</tr>
<tr>
<td>Internal Marketing</td>
<td>.204</td>
<td>3.114</td>
<td>.002</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>.208</td>
<td>2.749</td>
<td>.007</td>
</tr>
</tbody>
</table>

Regression model \( Y = 0.759 + 0.204 \times \text{Internal Marketing} + 0.208 \times \text{Organizational Commitment} \)

First, hypotheses were tested in term of statistical validity and significance through ANOVA analysis. As a result, F value was 12,103 and the significance value p was 0.000. The hypothesis was statistically significant and valid because F value measuring the validity of the hypothesis was higher than ±1.96 and P measuring the significance of the hypothesis was lower than 0.05. After analyzing the significance and validity of hypotheses for the model, 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. The results of regression are shown in Table 5. R value was calculated 0.395 and adjusted \( R^2 \) was calculated 0.156 for hypothesis. Thus, it is possible to state that there was an intermediate level of relationship between the independent variables and the dependent variables, because R was expected to have the value ranging from 0 to 1. Also, it is supposed that there exists a strong relationship when R value is
close to ‘1’ and a weak relationship when it is close to ‘0’. Regression coefficient (Beta value) was examined between the independent variable (Internal marketing) and the dependent variable (employee performance) of \( H_1 \) and \( H_4 \) hypothesis to investigate the effect of mediator variable. Accordingly, beta coefficient of \( H_4 \) (.204) was found to be lower than beta coefficient of \( H_1 \) (.256). As a result, it is possible to state that organizational commitment have partial-mediation role in the relationship between internal marketing and employee performance.

7. Conclusion

Employees, as internal customers, have a crucial role in the maintenance of organizational activities in such a manner to get the advantage of competition. Employees will have organizational commitment if their wishes and requirements are supplied and in return their performance will increase, which will contribute to realize the organization objectives. Therefore, internal marketing applications should be taken into consideration in order to increase organizational commitment levels and job performances of employees.

Today internal marketing has been considered as a strategy for market orientation. Internal marketing factors and their influence on employee performance and organizational commitment have been tested in this research. Research results illustrate that all factors related to internal marketing have a significant effect on employee performance and organizational commitment. These results are similar to the results of previous researches.

The study was carried out in 19 private hospitals in 6 provinces. Our sample consisted of administrators; however, for further studies internal customer may be diversified in term of demographic and other factors. Additionally, a comparison between private and public hospitals in term of the effect of the internal marketing on the employee performance and organizational commitment. In conclusion, the research is supposed to contribute greatly to the literature and administrators facing customers in need of different services resulting from the changing era and values, in terms of organizational commitment and effective applications of internal marketing that increase employee performance.

References


