

# **Effects of Internal Marketing on Organizational Performance in Ethio Telecom, Head Office Addis Ababa, Ethiopia**

*A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)*

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## ***Abstract***

*Internal marketing stress the importance of the Marketing concept, internally, within the firm, by focusing on the employees and providing a source of competitive advantage. Empowered and satisfied employees will provide excellent service and highly contribute for the success of a business. This research examined the effects of internal marketing on organizational performance at Ethio telecom at Addis Ababa. To achieve the objectives of this study descriptive survey and explanatory research design was used. Data was collected through questionnaire from a sample of 293 employees that were selected using simple random sampling method. The data collected from the questionnaire were analyzed using statistical tools such as mean, standard deviation, correlation, and multiple regression analysis. The results of this study indicate that, internal marketing practice dimensions such as (motivation, training, empowerment, and communication) have positive and significant relationship with organizational performance. The finding of the study indicates also that employees were moderately satisfied with the internal marketing dimension and organizational performance. The results also indicate that, the four internal marketing dimensions (motivation, training, empowerment, and communication) have positive and significant effect on organizational performance. Furthermore, the aforementioned internal marketing dimensions significantly contribute 49.2% to organizational performance. Based on the findings of the study, the researcher forwards sound recommendations which have to be done before, during and after assessment of internal marketing.*

***Key Terms: Internal Marketing and Organizational Performance***

## DECLARATION

I declare that the research Report entitled “**Effects of Internal Marketing on Organizational Performance in Ethio Telecom, Head Office**” Submitted to Research and Postgraduate Studies’ Office of Business and Economics College is Original and it has not been Submitted Previously in part or full to any university.

Tiruye Melaku Asfaw/ID EM0107/10

Date: April, 2019

## **CERTIFICATE**

We certify that the Research Report entitled “ **Effects of Internal Marketing on Organizational Performance in Ethio Telecom, Head Office** ” was done by Mrs. **Tiruye Melaku Asfaw** for the partial fulfillment of Master’s Degree under our Supervision.

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# TABLE OF CONTENTS

|                                |                              |
|--------------------------------|------------------------------|
| <b>ABSTRACT</b> .....          | ERROR! BOOKMARK NOT DEFINED. |
| <b>DECLARATION</b> .....       | ERROR! BOOKMARK NOT DEFINED. |
| <b>CERTIFICATE</b> .....       | <b>III</b>                   |
| <b>ACKNOWLEDGEMENT</b> .....   | ERROR! BOOKMARK NOT DEFINED. |
| <b>TABLE OF CONTENTS</b> ..... | <b>V</b>                     |
| <b>LIST OF TABLES</b> .....    | ERROR! BOOKMARK NOT DEFINED. |
| <b>LIST OF FIGURE</b> .....    | <a href="#"><u>XIII</u></a>  |

## CHAPTER ONE: INTRODUCTION

|   |   |
|---|---|
| 1.1 Background of the Study.....        | 1 |
| 1.2 Background of the Organization..... | 3 |
| 1.3 Statement of the Problem.....       | 4 |
| 1.4 Objectives of the Study.....        | 5 |
| 1.5 Significance of the Study.....      | 6 |
| 1.6 Scope of the Study.....             | 7 |
| 1.7 Limitation of the study.....        | 7 |
| 1.8 Organization of the Paper.....      | 8 |

## CHAPTER TWO: REVIEW OF LITERATURES

|  |    |
|--|----|
| 2.1 Theoretical Literature   |    |
| 2.1.1 Concept and definition of internal marketing .....                           | 9  |
| 2.1.2 Theories of internal marketing .....   | 10 |
| 2.1.3 Development Meaning and Evolution of<br>the Internal Marketing Concept ..... | 11 |
| 2.2 Empirical Literature .....   | 12 |

|  |    |
|--|----|
| 2.2.1 Empirical study .....              | 30 |
| 2.3.2 Summary of literature review ..... | 31 |
| 2.3.3 Conceptual framework .....         | 32 |

### **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

|  |    |
|--|----|
| 3.1 Research Design .....                              | 34 |
| 3.2 Sources of Data & Data Collection Techniques ..... | 35 |
| 3.3 Target Population & Sampling Methods .....         | 35 |
| 3.4 Method of Data Analysis & Presentation .....       | 36 |

### **CHAPTER FOUR: RESULT AND DISCUSSION**

|                                  |    |
|----------------------------------|----|
| 4.1 Reliability of data .....    | 42 |
| 4.2 Descriptive statistics ..... | 44 |
| 4.3 Assumption of testing .....  | 52 |
| 4.4 Inferential Analysis .....   | 56 |
| 4.5 Discussion result .....      | 62 |

### **CHAPTER FIVE: SUMMERY, CONCLUSION & RECOMMENDATION**

|                           |    |
|---------------------------|----|
| 5.1 Summery .....         | 65 |
| 5.2 Conclusions .....     | 67 |
| 5.3 Recommendations ..... | 69 |

| <b>List of tables</b>   | <b>Pages</b> |
|---|--------------|
| Table 4.1: Reliability data .....                                   | 43           |
| Table 4.2: KMO and Bartlett's Test .....                            | 44           |
| Table 4.3: Demographic Characteristics .....                        | 45           |
| Table 4.4: Respondent perception on Motivation.....                 | 46           |
| Table 4.5: Respondent perception on Training .....                  | 47           |
| Table 4.6: Respondent perception on Communication .....             | 48           |
| Table 4.7: Respondent perception on Empowerment .....               | 49           |
| Table 4.8: Respondent perception on organizational performance..... | 49           |
| Table 4.9: co linearity statics.....                                | 51           |
| Table 4.10: Normality of the Distribution .....                     | 53           |
| Table 4.11: Correlation Analysis .....                              | 54           |
| Table 4.12: Model summary .....                                     | 55           |
| Table 4.13: Analysis of Variance.....                               | 56           |
| Table 4.14: Regression Coefficients.....                            | 56           |
| Table 4.15: Hypothesis Testing.....                                 | 58           |



| <b>List of Figures</b>            | <b>Pages</b> |
|-----------------------------------|--------------|
| Figure 4.3.2. Linearity test..... | 52           |
| Figure 4.3.3. Normality test..... | 53           |

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter would contain introductory part of the entire study. It provides some insights about the ground and assumptions where the study is conducted. It states background of the study, statement of the problem, basic research questions, objectives of the study, research hypothesis, significance of the study, scope of the study, definition of key terms, and organizations of the study. Accordingly, it begins with background of the study.

### **1.1 Background of the study**

The idea of satisfied employees for the benefit of satisfied customers is developed through the concept of internal marketing. According to Berry (1981), the concept of internal marketing is based on viewing employees as internal customers, and jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization.

Marketing is one of the number of factors that contribute to firm's performance. Hence, isolating marketing's contribution is important and part of the methodological challenge of working in this part of field. Kotler (1999) argued that, in the future, marketing has the main responsibility for achieving profitable revenue growth for the company. Jaakkola (2010) noted that, cost-efficiency does not provide long-term competitive advantage for companies; whereas marketing, when well conducted, does. Especially in the field of strategic marketing, benefits are still largely waiting for realization.

Internal marketing stress the importance of the Marketing concept, internally, within the firm, by focusing on the employees and providing a source of competitive advantage (Panigyrakis and Theodoridis, 2009). Empowered and satisfied employees would provide excellent service and highly contribute for the success of a business. According to Hossein and Sima (2012), internal marketing perspective hold that, by treating both employees and customers with the same total

dedication to satisfy their needs, the organization can inspire employees to do extra work beyond the call of duty and help to build and sustain a great organization. Proper handling of employees can motivate and make the working force go beyond expectation.

According to Abhay (2014) internal marketing is not the same as managing human resource instead it seeks to develop human potential so that organizational and individual goals are fulfilled. Human resource should be seen as a basic capital for any business organization and need to be used and utilized wisely. Varey (2002) view Internal marketing as continuous training to enhance the service providers' knowledge of their services and capabilities, their awareness of market opportunities and their marketing skills.

Berry and Parasuraman (1991) defined internal marketing 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 firm. Kotler (1991) also described goal of internal marketing as to hire, train and motivate employees so that they serve their customers well. There for developing the human resource would benefit the employee to be knowledgeable and the organization competitive.

Nowadays, companies are faced with increasing competitive pressure, unpredictable market changes and dynamically changing regulations (Roth et al., 2013). In a global world of business, organizations look towards some of the many options available in the form of opportunities and strategies to deal with the challenges that would deny them the chance of being market leaders. According to Mundia (2015), organizations are adopting various strategies to ensure they remain competitive in the market. Enhancing logistics service capabilities would help to reduce the internal costs and improve competitiveness in the market and around the world (Boonpattarakon, 2012).

Firms adopt different strategies to enhance their performance. According to Bagshaw (2017), logistics management can be one of those strategies crucial for firms to obtain higher performance. Realizing the importance of logistics management was critical for competitive advantage because operational performance had a positive impact on companies' financial performance (Tilokavichai et al., 2012). A key determinant of business performance nowadays is

the role of the “logistics function” in ensuring the smooth flow of materials, products and information throughout a company's supply chains (Kilasi, 2013).

Considering the role of marketing which is core of any business organization, this paper mainly focused on assessing existing internal marketing practices and its effect on organizational performance in Ethio telecom. Even if Ethio telecom, as service technology provider company might be somehow supply driven, it is marketing which plays the pivotal role in terms of translating the technology in to affordable, tangible, targeted and reliable products and services. Finally, this study is expected to serve as an input to Ethio telecom in putting the actual internal marketing practices and its effect on organizational performance in an increasingly dynamic telecom environment.

## **1.2 Back ground of the organization**

Telecommunications service was introduced in Ethiopia by Emperor Menelik II in 1894 when the construction of the telephone line from Harar to the capital city, Addis Ababa, was commenced. Then the interurban network continued to expand satisfactorily in all other directions from the capital. Many important centers in the Empire were interconnected by lines, thus facilitating long distance communication with the assistants or operators at intermediate stations frequently acting as verbal human repeaters between the distant calling parties

Vision: To be a world-class telecom service provider

Mission: Connect Ethiopia through state of the art telecom services, provide high quality, innovative and affordable telecom products and services that enhance the development of our nation and ensure high customer satisfaction, build reputable brand known for its customers' consideration, build its managerial capability and man power talent that enables Ethio telecom to operate at international level, support community and environmental development

(<http://www.ethiotelecom.et/about-us/> accessed date 2019).

### 1.3 Statement of the Problem

The effect of strategic marketing on business performance remains elusive, even despite an established research tradition (Hooley, Greenley, Cadogan, & Fahy, 2005; Matsuno, Mentzer, & Özsomer, 2002). This may be due to the fact that the outcomes of strategic marketing are subject to many internal and external influences, making the identification of cause-and-effect linkages very hard (Bonoma & Clark, 1988). Some researchers (e.g. Jaakkola, *et al.* 2010) studied this issue by examining the relationships of the four key marketing concepts in three European “engineering countries”, and tested the generality versus context-specific of strategic marketing’s performance impact.

The importance of the employees' role has led service organizations to adopt internal marketing and hence, treat their employees as internal customers (Mishra, 2010). Internal marketing process of attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs. Internal marketing aims to improve customer consciousness by changing beliefs of the front line employees (Ahmed & Rafiq, 2003).

Empirical studies were conducted on understanding the internal marketing practice of different firms such as hotels, brewery, export, banks and the telecom industry in different country and even in Ethiopia in most of the situation the study characteristics of the firms differ from Ethio telecom mainly because Ethio telecom is a monopoly company and the environment the firms operate is not the same. There are researches made by analyzing practices of internal marketing but it is rather focused on understanding the perception of the customers on the practices and not the company. In this regard rather than just putting the perception of the customers might not help evaluate the practice accurately as Ethio telecom customer don’t have reference to compare the practice against another employee. However, doing it from the internal perspective allows to show their challenges in the implementation of the internal marketing practice, which would play significant role in terms of identifying mitigations for the gaps. Thus, this study would fill that gap and ensure on understanding the recent practice and challenges has elapsed since the latest among aforementioned research would be done.

The researcher also goes beyond such literature to reveal what researches have been undertaken under the context of the Ethiopia. Hence, as far as the efforts and knowledge of the researcher, there appears to be very limited work on the effect of internal marketing on organizational performance in Ethio telecom. However, we can count the efforts undertaken by the study of Samuel (2013) and Christina (2012) which examined the effectiveness of the marketing strategy in relation with the organizational performance in the case of banking industry. Hence from this, we can easily infer that there is high level of theoretical gap under this subject matter due to limitation of research undertaken within our academic studies.

In addition, even if Ethio telecom is a monopoly public enterprise and do not encounter stiff market competition, government expects the company to avail full range of coherent telecom products and service for all the public and to curb recurrent quality of service problems. This requires the company to be efficient and effective in its operation and therefore logistic can play an important role in company's performance through the planning, implementation and control of processes linked to physical flows, and the integration of processes along the supply chain. However, there has not been a study conducted about the effect of internal marketing practice on Ethio telecom organizational performance and this study therefore would address this gap by answering the following research objective in terms of training, empowerment, communication, and motivation.

## **1.4 Objective of the study**

It consists general objective and specific objectives

### **1.4.1 General objective of the study**

The general objective of this research is to Identify and find out the effect of internal marketing on organizational performance the case of Ethio telecom.

### **1.4.2 Specific Objective of the study**

1. To examine the effect of training on organizational performance Ethio Telecom.
2. To examine the effect of communication on organizational performance of Ethio Telecom.
3. To examine the effect of empowerment on organizational performance of Ethio Telecom.
4. To examine the effect of motivation on organizational performance of Ethio Telecom.

### **1.4.3 Basic Research Questions**

To fill these gaps, this study would address the following basic research questions:

1. What is the effect of training on organizational performance of Ethio Telecom?
2. What is the effect of communication on organizational performance of Ethio Telecom?
3. What is the effect of empowerment on organizational performance of Ethio Telecom?
4. What is the effect of motivation on organizational performance of Ethio Telecom?

### **1.4.4 Research Hypothesis**

**H1:** There is a positive and significant effect of training on organizational performance.

**H2:** There is a positive and significant effect of communication on organizational performance.

**H3:** There is a positive and significant effect of empowerment on organizational performance.

**H4:** There is a positive and significant effect of motivation on organizational performance.

## **1.5 Significance of the study**

The study would be a significant input for service sector regarding the best service with respect to their employees in crafting their internal marketing strategies so as to enhance organizational performance of their staff. And, it informs some information to the management how the existing internal marketing strategies of the organization links with organizational performance. At the simplest context, the most basic way of achieving organizational performance is to treat employees as customers as well. Finally, the researcher would aims to provide an understanding

in terms of the elements of internal marketing and the extent to which each of them explains organizational performance. The study would also serve as a reference for future related researches in the area. In addition to its contribution for the wider body of knowledge in marketing.

## **1.6 Scope of the study**

The scope of the study would cover how the internal marketing practice in the Ethio telecom to achieve its stated goals that aligned with target markets, positioning, segmenting and the marketing mixes to satisfy customer requirements. The researcher believed that it is rational to choose Ethio telecom as center for this research since the Ethio telecom provide undue consideration to internal marketing and in line with this, the organization formulated and implemented three different strategies although it failed to maintain the speculated organizational performance.

The study tried to apply both descriptive and explanatory research design. It used descriptive methods in order to systematically describing issues under the subject matters and also tried to describe beliefs and opinions of different employees of the Ethio telecom that mainly involved in internal marketing of the Ethio telecom. In line with the other method, explanatory research design, the researchers need to examine the relationship among the independent variables and dependent variable under both models of the research.

With regards with the conceptual scope, the study would focus on evaluating the internal marketing of the organization through the four internal marketing dimensions. Further, its try to evaluate the major components of the internal marketing, i.e., training, communication, empowerment and motivation used as an independent variables and dependent variable which is organizational performance would be used as dependent variable.

The study would delimited to the marketing strategy practices by the Ethio telecom side with capturing the opinions of employees since the researchers believed that the major facts and options to answer the research questions can be extracted from this group. In line with the research instruments, the research delimited to first hand data captured through administering



closed end questionnaires. Finally, as such a longitudinal design would afford greater insight into this in the future. Therefore, the study focus on cross sectional study design may limit the extent to which the findings can be generalized.

## **1.7 Limitation of the study**

The main limitation of these studies is constraints of money and time. The finance and time resource needed for large sample size for these studies is inadequate. It also not likely the researcher would have time and due to COVID 19 disease its difficult to get the respondent, even if its risk to collect the resource from the their office.

## **1.8 Organization of the study**

The research paper consists of five chapters. The first chapter deals with introductory part contains background of the study, background of the organization, statement of the problem, research questions, objectives of the study, significance of the study, scope and limitation of the study and organization of the paper The second chapter reviews literatures related to the study. In this chapter various theoretical concepts and empirical review that relates with internal marketing and organizational performance issues had been discussed. The third chapter would be described the methodology in the study. Data analysis and interpretation of the research results, and discussions had been presented in the fourth Chapter. The fifth chapter would incorporate summary of findings, conclusions and recommendations.

## **CHAPTER TWO**

### **RELATED LITERATURE REVIEW**

#### **2.1 THEORETICAL LITERATURE**

##### **2.1.1 Concept and definition of internal marketing**

Internal marketing is one of the methods for human resources management which proposes the use of motivation, mobilization, co-opting and management of personnel to retain their services and serve external clients in ways that are constantly improving (Lings, 2004). Turkoz and Akyol (2008) believe that internal marketing stresses various plans that emphasize employee development and that a complete internal marketing program must necessarily include employee recruitment, training, encouragement, communication and retaining activities that lead to changes in employee attitudes and behavior. In other word, internal marketing is a company's human resources management activity for the successful hiring, training and encouraging of employees, and providing better services to clients (Kotler, 1990). George & Grönroos (1989) more clearly point out that internal marketing is a philosophy of managing human resources from the marketing perspectives. Internal marketing is a coordinated philosophy using a traditional marketing approach to motivate, train, and guide employees to implement change (Turkoz and Akyol, 2008). It is the philosophy of treating employees as customers and it is the strategy of shaping job-products to fit human needs (Berry & Parasuraman, 1991).

##### **2.1.2 Theories of internal marketing**

###### **2.1.2.1 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. This implies that the way we handle the resources matter most.

Applying this to the context of using human resources, which includes all employees' training, experience, intelligence, knowledge, skills, and abilities in an organization (considered as intangible assets), the way we handle this resource determines the effectiveness of handling other resources (Martí and María, 2003). Compared to tangible resources, intangible resources are a superior source of core competencies and the capacity to manage human intellect is fast becoming the critical executive skill of the age because intangible resources are less visible and more difficult for competitors to understand, purchase, imitate, or substitute (Hitt et. al, 2011).

Human being is one of the most important natural resource. In business, human being has got vital importance and without which nothing can happen. Many experts of HR called them as soul of business activities and mentioned in the asset side of balance sheet (Mane, 2010). Hence, every company has to think about this valuable resource which is also responsible for handling other resources and should work towards using it in a profitable way. 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. RBV literatures also stresses the importance of intangible resources (which are difficult

for competitors to acquire and imitate) as the key to sustainability and real source of competitive power.

#### **2.1.2.2 Social exchange and psychological contract**

The relationship between an employer and an 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. as Shruthi, and Hemanth explained, it represents the notion of 'relationship' or 'trust' or 'understanding' which can exist for one or a number of employees, instead of a tangible piece of paper or legal document which might be different from one employee to another. 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).

### **2.1.3 Theoretical Development Meaning and Evolution of the Internal Marketing Concept**

Internal marketing was originally defined as making internal products (jobs) available to satisfy the needs of internal market (employees) so that it satisfies organizational objectives (Berry, et.al., 1976). The authors go on to add that a firm has to successfully hire, train and motivate employees to serve external customers since the needs of external customers can be satisfied partly because the needs of the firm's internal customers (employees) are satisfied.

Marketing aimed at internal customers is called internal marketing (Gronroos, 2001). However, since then, there have been a number of definitions of internal marketing and there is no unifying notion (Rafiq & Ahmed, 1993). For instance, George (1977) and Berry (1980) state that in order

to keep external customers happy and satisfied the company's internal customers (employees) should be happy in their jobs. Internal marketing's goal is to hire, train and motivate employees so that they serve their customers well (Kotler, 1991), and to treat employees as customers (Berry & Parasuraman, 1991). A firm should be considered as a market and marketing inside the firm is internal marketing and therefore marketing tools that are used for external customers might be used for internal customers and the field of human resource management has started adopting appropriate marketing tools (Foreman & Money, 1995).

Internal marketing has also been defined as a marketing technique within an organization which creates and communicates corporate values (Hogg & Carter, 2000) and it should be considered as part of the broader market orientation concept which was originally developed for marketing to external customers, however, the same concept can also be used for marketing to internal customers (Naude, et.al., 2002). However, Rafiq and Ahmed (1993) take issue with the concept of the employee as customer since employees may sometimes be coerced to do things in the organization whereas external customers have the freedom to buy or not buy from competing firms. To this end, Rafiq and Ahmed (1991) define internal marketing as a "planned effort to overcome organizational resistance to change and to align, motivate and integrate employees towards the effective implementation of corporate and functional strategies".

The term internal marketing is used widely as a means of highlighting commitment to improving the effectiveness of the services offered by organizations' resources (Gilmore, 2003). Internal marketing is not a departmental function rather it is an organizational activity as the entire resources within the organization must be coordinated (Hogg and Carter, 2000).

The definitions reviewed within the literature highlight the ability possessed by internal marketing to improve service quality through an organizational effort. The definitions encountered within the literature can be categorized according to three perspectives: the internal customer, the development of a customer orientation and the theory of internal marketing as an implementation mechanism. Internal marketing has been defined as the approach employed by the organization to advocate the philosophies of customer and service orientation throughout the organization through the motivation of employees (Varey, 1994). In this context, the

organization attempts to install a set of values related to achieving a superior service climate within the employees' belief systems (Varey, 1994).

*Barnes* (1998) approaches internal marketing in a similar manner by defining it as actions taken by the organization to ensure that customers receive the highest standard of service in return for the employees' commitment to service quality. The organization cultivates employee commitment by encouraging the use of customer focused quality techniques (Ballantyne, 2003). In the context of customer orientation, internal marketing considers the attraction, retention and motivation of service-minded employees. The motivation of employees is not enough in itself; as the customer orientation must be communicated into the external marketplace through employee action (Rafiq and Ahmed, 2000). George (1990) illustrated that relational exchanges between employees within an organization should be considered as a prerequisite for successful exchanges with external markets. The satisfaction of the internal customer is of critical importance as satisfaction will ultimately affect the satisfaction of the external market (Ballantyne, 2003). Internal marketing is a technique implemented by the organization in an attempt to ensure the provision of excellent service.

#### **2.1.4 Importance of Internal Marketing**

Internal marketing aims to motivate and influence employees towards customer-consciousness and sales-mindedness using marketing-like techniques internally (Gronroos, 1982). The essential role of IM is to encourage and motivate employees towards the cross-functional implementation of organizational objectives (Rafiq & Ahmed, 1993). Through proper internal marketing programs, organizations can attract, recruit, and retain the right mix of employees in order to deliver superior value at all times (Collins, 1991). The major task of internal marketing is to successfully hire, train and motivate qualified employees in order to serve the customer well (Kotler, 2008).

Internal marketing is an important part of organizational development and change, moreover, if there is an absence of internal marketing in the given organization, management may face with resistant staff toward change processes and adaptation (Varey & Lewis, 1999). Thus, applying internal marketing, an organization can be able to develop an atmosphere and environment in

which workers are appreciated and susceptible to improve business performance and generate long term competitive advantage through the creation of strong organizational cultures. This can be generally attained through developing face-to-face, flexible, also efficient interaction between management and different groups within the given company instead of operating in a rather bureaucratic organization (Ahmed & Rafiq, 2003).

### **2.1.5 Measuring Internal Marketing**

It is necessary to measure effectiveness of internal marketing in order to ensure the internal marketing structure is followed through it after it is applied. The success of the internal marketing strategy can be measured as follows:

- Internal seminars delivered by management services to all staff outlining the skills within the department, its structure, the type of work undertaken and its client base;
- Improved integration, including the placement of a senior management services director within the offices of the other departments, close to the senior management team and business development staff;
- Increased involvement and appearances in pan discipline business development activities, key client business to business meetings and corporate hospitality events;
- Increased prominence by management services as leader for internal training and development programs;
- The development and issue of new departmental and work stream brochures

If businesses are willing to invest in such a through process, there is very little chance for it to fail, as it is 'ensuring that there is a sharing of knowledge, expertise, and skills across departments and that there is a process by which departments can be educated in the areas of work and skills of others, the opportunity for cross selling services is increased (Brown, 2002). In terms of the actual effectiveness of internal marketing, methods need to be followed through. Such methods, for example: which aim to motivate employees, demand a decentralization of the decision-making process and motivating personnel policy needs to be logical and just in its

nature. If there is an absence of such a policy, it is likely that internal marketing efforts become fruitless.

### **2.1.6 Phases of IM concept development**

A careful examination of the literature over the last 20 years indicates 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 and Ahmed, 1995).

#### **Phase 1: Employee motivation and satisfaction**

In the early developmental phase, the majority of the literature on internal marketing focused upon the issue of employee motivation and satisfaction. The major reason behind this was the fact that the roots of the internal marketing concept lie in efforts to improve service quality. Not being automatons, individuals exhibit inconsistencies in the performance of service tasks and as a consequence cause variation in the level of delivered service quality. The problem of “variability” focused organizational efforts on getting employees to deliver consistently high quality service. The overall effect of this was to bring to the fore the issue of employee motivation and satisfaction Viewing employees as internal customers.

As Berrys (1981) defined internal marketing is 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 Viewing their job offerings as products and their employees as customer forces managers have to devote the same care to their jobs as they devote to the purchasers of their services (Sasser and Arbeit, 1976).

The focus on employee satisfaction within these new approaches to employee management can largely be attributed to the fact that in the marketing of services much of what customers buy is labor, or human acts of performance. Consequently, attraction of the best personnel, their retention and motivation becomes of critical importance (Thompson. 1978; Sasser and Arbeit, 1976). Attraction, retention and motivation of high quality staff is especially critical in situations where the quality of the service is the only real differentiating factor between competitors.



Infused with this logic, the challenge of creating satisfied employees and hence customer satisfaction received a vigorous impetus. The fundamental tool for achieving employee satisfaction is the treatment of employees as customers.

## **Phase 2: Customer orientation**

The second major step in the development of the IM concept was undertaken by Grönroos (1981) whose starting point was the concern that because contact employees in services become involved in what he termed “interactive marketing” it is essential that they are responsive to customers’ needs. Grönroos recognized that not only do buyer-seller interactions have an impact on purchasing and repeat purchasing decisions but also, crucially, those buyer-seller interactions provide a marketing opportunity for the organization. To take advantage of these opportunities requires customer-oriented and sales-minded personnel. Hence, the object of the IM is to “get motivated and customer conscious employees” (Grönroos, 1981). In this view, it is not sufficient that employees are motivated to perform better (as in the approach of Berry and his followers), but they must also be “sales” minded. Furthermore, effective service also requires effective co-ordination between contact staff and backroom support staff. Grönroos also views the IM concept as a means of integrating the different functions that are vital to the customer relations of service companies (Grönroos, 1981). Grönroos extended his original definition of IM in 1985 as a method of motivating personnel towards customer consciousness and sales mindedness, to include the use of marketing-like activities in this pursuit: holding that an organizations internal market of employees can be influenced most effectively and hence motivated to customer-consciousness, market orientation and sales-mindedness by a marketing-like internal approach and by applying marketing-like activities internally (Grönroos, 1985). The addition of marketing-like techniques (George, 1990) similarly accepts this position by asserting that IM holds that employees are “best motivated for service-mindedness and customer oriented behavior by an active marketing-like approach, where marketing-like activities are used internally”. The addition of marketing-like techniques internally, moves Grönroos’ definition closer to that of Berry’s (1981) definition, in that both sets of approaches stress the need to motivate employees, and advocate the use of “marketing-like” techniques to do it. However, the critical difference between Grönroos’ approach and that of Berry and collaborators is that employees are not treated as customers, as is the case in the latter conceptualization. Additionally, Grönroos’ conceptualization focuses attention on creating customer orientation in employees through a

process of influencing, rather than satisfying and motivating employees. Phase 3: Strategy implementation and change management.

A vehicle for strategy implementation: The beginning of the third phase is marked by insights drawn from a number of authors who explicitly began to recognize the role of IM as a vehicle for strategy implementation. Winter (1985) was one of the earliest to bring to prominence the potential role of IM as a technique for managing employees towards the achievement of organizational goals. Winter emphasizes that the role of IM is that of: Aligning, educating and motivating staff towards institutional objectives. The process by which personnel understand and recognize not only the value of the program but their place in it. This emphasis appears to have implanted the initial notions of IM as an implementation mechanism. The development of IM as an implementation vehicle was also aided by the growing belief that IM had potential as a cross-functional integration mechanism within the organization. In this phase the role of IM as an implementation tool/methodology is made more explicit. Initially, this viewpoint appeared in the context of services marketing in the works of Flipo (1986), and Tansuhaj. (1987). Later it was generalized to any type of marketing strategy by Piercy and Morgan (1991). These extensions led to IM being advocated as a general tool for the implementation of any organizational strategy whether internal or external. In due course, IM has come to be seen as a mechanism for reducing departmental isolation (Martin, 1992), reducing inter-functional friction, and overcoming resistance to change (Darling and Taylor, 1989; Rafiq and Ahmed, 1993). This has led to a widening of IM applications to any type of organization, not merely to services. For example, Harrell and Fors (1992) apply the concept to manufacturing firms, and Ahmed and Rafiq (1995) propose it as a change management implementation methodology suitable for a wide range of contexts. The discussion of the third phase suggests that the scope of IM activity is much wider than motivation of employees towards customer consciousness. For instance, it can also be used to motivate non-contact employees towards behaving in a manner that enhances the service for end-customers.

### 2.1.7 Internal Marketing Mix

The internal marketing mix concept implies that a number of elements are under the control of management and are combined and integrated to get the required response from the target market. The application of the internal marketing mix is structured around the extended marketing mix (Ahmed & Rafiq, 2002:28 and Piercy & Morgan, 1991:85).

- **The price** - This element is concerned with what the organization is asking their internal customers to "pay" when they buy into the product and the marketing plan. It may include the sacrifice of other projects that compete with the internal marketing plan and the psychological cost of adopting different key values and changing the way jobs are done. If the marketing plan were to be implemented successfully, the price to be paid by different parts of the internal market place could not be ignored as a major source of barriers and obstacles.

- **The product** - Strategically, the product is the marketing strategies and the marketing plan in which they are contained. The product to be "sold" is those values, attitudes and behaviors that are needed to make the marketing plan work. At the tactical level, the product could include new performance measures and new ways of handling customers. The product can also be used to refer to services and training courses provided by the Human Resource Department. At a fundamental level, the product is the job. Managers should concentrate on explaining (Ahmed & Rafiq, 2002).

- **Promotion** - The most tangible element of the internal marketing mix is the communications media used to inform and to persuade, and to work on the attitudes of the key personnel in the internal market place. Motivating employees and influencing their attitudes is an important aspect of internal marketing. It is crucial to get the internal communications strategies right.

- **Distribution** - This element is concerned with the physical and social technical venues at which the organization sells its product and manages its communications: meetings, committees, training sessions, seminars, written reports, and informal Communications. Piercy and Morgan (1991) feel that the real distribution channel lies in human resource management and the lining

up of training, evaluating and reward systems and recruitment behind marketing strategies so that the culture of the company becomes the distribution channel for internal marketing strategies.

- **People** - The employees of the organization represent people in the internal marketing mix. The emphasis is on developing the role that people play in service delivery (Woodruffe, 1995). Internally, employees are customers to whom the organization must deliver value, while externally they are a value-adding component of the product offering. The employee represents both a potentially valuable resource of the organization as well as a valuable component of the external value proposition (Varey & Lewis, 2000).

- **Process** - It involves the procedures, tasks schedules, mechanisms, activities and routines that are used in the organization (Buttle, 1996). Stone. (2000:138) define a process as a structured way of handling a series of connected tasks.

- **Physical evidence** - It includes the physical facilities, surroundings and environment in which the service is performed.

### **2.1.8 Challenges of Internal Marketing**

The problem of the concept of Internal Marketing were the job product “sold” to internal customers may be unwanted by them and that unlike in the external market, employees rarely have a choice in terms of product offered and may even be coerced into accepting these (Ahmed & Rafiq, 2003). In addition, the financial implication of having satisfied employees may be substantial and that not all organizations were prepared to invest so heavily in an idea that may only bring results in the long term. For example, in order to satisfy employees, salaries may need to be increased, working environment rebuilt and training heavily invested in; with in return on investment only being shown in the long term (Papasolomou & Vrontis, 2006).

### 2.1.9 Dimension of Internal Marketing

Scholars have given various variables on the dimension of internal marketing. Below are dimension of internal marketing used by different scholars.

- Tsai and Tang (2008): Service training programs, Performance incentives, and Vision for service excellence
- Gounaris (2006): Selection, Training and development, Incentive systems or Empowerment
- Rafiq and Ahmed (1993): Employee motivation and satisfaction; Customer orientation and Customer satisfaction; Inter-functional coordination and integration; Marketing-like approach; and Implementation of specific corporate or functional strategies.
- Bansal, Mendelson, and Sharma (2001): Employment assurance; Broad training; Abundant salary determined according to organizational performance; Information sharing; Employee empowerment, and Reducing differences in rank.
- Parasuraman, Zeithaml & Berry (1991): Compete for talent; offer a vision and provide a purpose to equip employees with skills and knowledge of their roles; bring people together as a team; leverage the freedom factor; nurture achievement through measurements and rewards; and base job design decisions on research
- Varey & Lewis (1999): Dissemination of information from all internal groups; Development of competence, and Development of incentive and motivation systems.
- Ahmed & Rafiq (2003): Strategic rewards; Internal communications; Training and development; Organizational structure; senior leadership; Physical environment; Staffing; Selection and succession; Inter-functional coordination; Incentive systems; Empowerment; and Operational/process changes.

Internal Marketing can be explained by the above stated dimensions, even if it was recommendable to analyze internal marketing using all the dimensions, for the purpose of this study, three dimensions which were the most repeatedly stated by the scholars were selected assuming the most common ones can explain internal marketing well enough.

### **2.1.9.1 Training**

Training and development are usually linked together but practically it is different. Training, with its focus on excellence, relates to the knowledge, skills, and attitude that people need to do their current job in its current form, with its current level of responsibility. Development, with its focus on growth, relates to the knowledge, skills, and attitude people need to do their next job or a different form of their current job, usually with greater responsibility. Most successful organizations will strike a balance between training and development, ensuring that they have people who are very capable of carrying out their current jobs, while also preparing them to take on new tasks and new responsibilities. The psychologist Maslow, (1954) & the theorist Herzberg, (1966) both recognized the importance of development in motivating people. Self-esteem and self-actualization were at the top of Maslow's hierarchy of human needs, while Herzberg identified Responsibility, advancement, achievement, recognition and the work itself all as motivating factors. Training and development will help people to achieve and to grow and are therefore, powerful forces in motivating people and ensuring that they remain with the organization. (George Green, 2009).

Participants' expressions of their IM experiences frequently resonate with the notion of employee training across the entire protocol. There is a general perception that employee training is one of the ways through which IM is effective in ensuring employee development across different organizational contexts. Training is perceived as crucial to getting employees to understand their individual responsibilities and that of other colleagues within the organization. As well as providing employees with the opportunity to develop individual competencies by having an overall idea of the entire business as well as the needs of their external customers. Training as an aspect of the IM experience that emerges within the context of an ongoing activity are instances where employees are continuously provided with information, skills and knowledge. (Anosike, 2008)

### **2.1.9.2 Communication**

Thus, organizational communication is a complex and continuous process through which organizational members create, maintain, and exchange information in the organization. Two

important issues need to be addressed with this definition. First, it is important to note that all organizational members participate in this process. Communication is not the sole responsibility or privilege of managers. Even if managers create and send most of the messages, their subordinates and peers create meaning from those messages. Second, while the process is said to be transactional in which all parties enact both sender and receiver roles to create mutual and shared meanings of messages, shared meaning is not always achieved in organizational settings. Internal communication appears prominently, and in different facets across the entire interview protocol as amongst the array of elements that encompass the experiential structure of IM. It is perceived as one of the important ways of engaging and involving employees in the activities of the organization. Tools, such as, “webcast”, “emails”, “PowerPoint”, “intranet”, “staff e-bulletin” and “videos” were frequently used to characterize the trans-situated features of internal communication as an aspect IM experience. The above-mentioned tools are used to communicate internally at both interpersonal and interdepartmental levels, as well as between departments within the same organization across geographical borders. Other facets through which internal communication emerges as part of IM experiences managers attempting to promote the company’s new products and services to employees as well as setting the agenda for the day’s business (Anosike, 2008).

### **2.1.9.3 Motivation of employee**

Motivation at work can take place in two ways of reward:

**1. Intrinsic reward** – this is derived from the content of the job. It can be described as the process of motivation by the work itself in so far as it satisfies people’s needs or at least leads them to expect that their goals will be achieved. Intrinsic motivation is self-generated in that People seek the type of work that satisfies them, but management can enhance this process through its values as well as empowerment, development and job design policies and practices. The factors affecting intrinsic motivation include responsibility (feeling the work motivation and financial and non-financial rewards is important and having control over one’s own resources), freedom to act, scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement. The concepts of empowerment and engagement are strongly influenced by this aspect of motivation.

**2. Extrinsic reward** – this is what is done to and for people to motivate them. It arises when management provides such rewards as increased pay, praise, or promotion. When the motivating impact of pay-for-performance schemes is discussed, this is the type of motivation to which people are referring. The extrinsic motivators can have an immediate and powerful effect, but this will not necessarily last for long. The intrinsic motivators, which are concerned with the quality of working life and indeed work/life balance, are likely to have a deeper and longer-term effect because they are inherent in individuals and not imposed from outside, although they may be encouraged by the organization (Armstrong & Murlis, 5th,ed, Page 60).

Motivation is the processes that account for an individual's intensity, direction, and persistence of effort toward attaining a goal. While in general motivation is concerned with effort toward any goal. Increasing motivation, commitment and engagement levels are key organizational aspects nowadays. The development of compensation policies has an important role in motivating workforce to deliver high levels of performance, discretionary effort and contribution. The process of motivation usually starts with someone recognizing an unsatisfied need. Then a goal is established to be reached and that way to satisfy the need. Rewards and incentives can be established for people to better accomplish the given goal. The social context will also affect the motivation level. This context consists of organizational values and culture but it also includes leaderships and management as well as the influence of the group or team in which a person works.

#### **2.1.9.4 Empowerment**

Empowerment refers to the practice of enabling an individual to think, behave, take action, control work and make decisions in autonomous ways (Samen & Alshurideh :2012).Through empowerment, employees can make faster decisions which in turn increase productivity, enhance the service experience and improve overall performance (Ueno,2010).

Accordingly, empowerment has received significant attention from scholars due to its impact on organizational effectiveness and competitive advantage in the service industry. Hamborstad and Perry (2011) argue that empowerment should be directed toward enriching employees with the abilities and skills to fulfill customers' requests and needs. When this is done, customer satisfaction can be obtained and linked to organizational success. Consequently, service



organizations and practitioners should make more and better efforts toward providing customer-contact employees with enough empowerment by increasing their information, training, knowledge, and trust.

Many organizations have discovered that to be truly responsive to customer needs, providers need to be empowered to accommodate customer requests and to recover on the spot when things go wrong. Zeithal and Bitner (1996), argue that while the key to empowerment is giving employees authority to make decisions on customer's behalf, it is insufficient when exercised solely. Employees need the knowledge and tools to be able to make these decisions and they need incentives to encourage them to make the right decisions. Flexibility, quick decisions and authority given to staff characterize an empowered organization.

### **2.1.10 Organizational Performance**

Organizational performance Organizations has an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Thus, many economists consider organizations and institutions similar to an engine in determining the economic, social and political progress. Precisely for this reason, in the last 22 years, there were 6 Nobel prizes awarded to researchers who have focused on the analysis of organizations and institutions. Continuous performance is the focus of any organization because only through performance organizations are able to grow and progress. Thus, organizational performance is one of the most important variables in the management research and arguably the most important indicator of the organizational performance.

Although the concept of organizational performance is very common in the academic literature, its definition is difficult because of its many meanings. For this reason, there isn't a universally accepted definition of this concept. In the '50s organizational performance was defined as the extent to which organizations, viewed as a social system fulfilled their objectives (Georgopoulos & Tannenbaum, 1957).

Performance evaluation during this time was focused on work, people and organizational structure. Later in the 60s and 70s, organizations have begun to explore new ways to evaluate

their performance so performance was defined as an organization's ability to exploit its environment for accessing and using the limited resources (Yuchtman & Seashore, 1967). The years 80s and 90s were marked by the realization that the identification of organizational objectives is more complex than initially considered. Managers began to understand that an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency).

Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebans & Euske 2006 after Kaplan & Norton, 1992).

Performance is dynamic, requiring judgment and interpretation. *f* Performance may be illustrated by using a causal model that describes how current actions may affect future results.

Performance may be understood differently depending on the person involved in the assessment of the organizational performance (e.g. performance can be understood differently from a person within the organization compared to one from outside).

To define the concept of performance is necessary to know its elements characteristic to each area of responsibility.

To report an organization's performance level, it is necessary to be able to quantify the results.

The discipline of management that is closely related with the appraisal of organizational performance is the human resources. Nevertheless, other departments have evaluation score cards that respective managers use to review in assessing employee outputs and efficiency.

The management of organizational performance can help a company ascertain that it is realizing minimum allowable standards that are necessary for continued existence. These could be standards pertaining to environmental safety or legal provisions. Management of appraisals of the company also communicates a clear message of expectation to the employees. As such, employees are conscious of not only their duties and responsibilities, but of performance standards the employers expect them to deliver.

Stakeholders are also informed of the company's sense of direction; such stakeholders include current and prospective shareholders, concerned government authorities and clients or customers.

Management of organization performance can be a system for the acknowledgement and appreciation of the hard work and outstanding behavior of excellent employees. Appreciating and rewarding excellent employee behavior can be an incentive or a source of motivation for other employees to improve on their delivery and output.

Clear as the benefits of management are, there exist two performance management precepts. The first is the tactical management of performance and the other is conservative management system. The tactical system which is purely strategic is also intrinsically reactionary and depends on market or environment settings and conditions. The tactical management system is triggered whenever there are drastic changes in the organizational surroundings and the business needs to readjust its activities in the wake of environmental changes. The conservative performance management system on the contrary is a continuous system that is carried out at predetermined regular intervals to self-regulate the firm. The regulation could be a quarterly, bi-annual or yearly process, planned to coincide with specific but organization-wide release of statements, for example production output statements, fiscal position reports or profit announcements (Carton & Hofer, 2006).

### **2.1.11 Organizational Performance Measurement**

Many measures of performance may be more relevant to some sectors than others. When measuring organizational performance, the choice of measures should be informed by the sector and business-specific context (Page et al, 2006). Measurement of organizational performance is not without its challenges. Measures based on accountancy are to some extent, open to manipulation and therefore may be difficult to compare over time, or between organizations. Many measures do not necessarily capture the quality of a product or service and where part-time work is frequent and to be comparable, measures need to take into account hours worked (Page et al, 2006). Page and others developed a set of ‘core’ measures of organizational performance that have general application, to enable benchmarking and comparison across sectors. The ‘core’ set of measures include:

1. Productivity: Productivity could be measured using Net added value per hour worked or Net added value per worker. However, this measure would be affected by investments other than those in skills and training, for example in capital.

2. Profitability: Return on assets is a useful measure of profitability, and measures how well a company is using its assets to generate earnings. However, values can vary substantially between companies and between sectors and therefore for wider benchmarking purposes profit per employee may be more effective.

3. Quality: Manufacturing organizations could estimate quality using the Number of defects in a given number of products. More generally, customer satisfaction could be used exactly how customer satisfaction is measured is likely to vary from organization to organization. 4. Innovation: Sales (N) from new or adapted products or services is a measure that could be used to benchmark innovation across sectors and which takes some account of the success of the innovation. 5. Staff performance: Employees' performance is appraised against preset standards.

## **2.1.12 Factors Affecting Organizational Performance**

In this uncertain economic and social climate there are many factors that affect the organizational performance. The most essential factors affecting organizational performance are Leadership, Motivation, Organizational Culture and Knowledge Management.

### **1. Leadership**

Leadership is the prime factor affecting the success or failure of organizations. It is the process in which one individual exerts influence over others. Leadership is a process that enables a person to influence others to achieve a goal and directs an organization to become rational and consistent. In organizations where there is faith in the leaders, employees would look towards the leaders for almost everything. During drastic change in times, employees would be perceive leadership as supportive, concerned and committed to their welfare, while at the same time recognizing that tough decisions need to be made. True leadership states that leadership skills can be mastered by people who wish to become leaders. The two very important components of effective leadership: One is belief and confidence in leadership, which is an indicator of employee satisfaction in the organization. The second is effective communication by

the leadership in making the employees understand the business strategy, helping them understand and contribute to the achievement of the organization's business objectives and sharing information about organization with the employees for their benefit and guidance.

## **2. Motivation**

Motivation is a catalyst to move individuals toward goals. Motivation is the processes that account for an individual's intensity, direction, and persistence of effort toward attaining a goal. Motivation may be defined more formally as a psychological or internal process initiated by some need, which leads to the activity which will satisfy that need. Motivational factors differ from person to person. According to Abraham Maslow there are five levels of human needs which need to fulfill for individuals at work. According to this theory the needs are structured into a hierarchy which starts at the lowest level of need when it is fully met, would a worker be motivated by the opportunity of having the next need up in the hierarchy satisfied. According to Herzberg (1987) there are two main factors of motivation:

Contextual factors and Descriptive factors . Contextual factors are factors like salaries, working conditions, organization strategy etc. Descriptive factors are threats, opportunities, competences, sense of belonging etc. Motivation factors that are affective and effective in one employee or in a group of employees may not be affective or effective in others. This is an area where study and feedback will have to be carried out.

For example, as per the chief executive officer of Starbucks Corporation, Howard Schultz the secret for the success of Starbucks is its employees. The best way to be sustainable is to accumulate the experience of the employees and give them chances of promotion. Mr Schultz feels privileged about the values and spirit of Starbucks employees. In order to have consistent organizational performance it is important to have perfect education and training policy in place. Due to the organizational structure being interactive in nature at Starbucks the employees get ingrained into their jobs to motivate themselves and achieve a new level of performance.

### **3. Organizational Culture**

Since the past 25 years the concept of organizational culture has been widely accepted to understand human systems. It is a valuable analytical tool in its own right. Organizational Culture is the totality of beliefs, customs, traditions and values shared by the members of the organization. Each aspect of organizational culture can be seen as an important environmental condition affecting the systems and its subsystems.

The culture of a group can be defined as a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

The nature of the organizational culture decides the degree to which the desired results from the employees are obtained. The individual perceptions of the members of the organization determine the various types of organizational culture, individuals with realm of universal truths and are broad enough to accommodate any variety of circumstance. The primary components of organizational culture are:

Primary value of the organization

Existing management styles and systems.

These components contribute to the degree to which the desired result from the employees is obtained. The direction in which the organizations move in the future is highly determined by the value system to which the employees support directly or indirectly or by their behavior. A strong organizational culture contributes to the better performance of the employees. The behavior of the employees is an analytical tool to determine an effective organizational culture which includes a system of informal rules. Culture helps the organization to achieve the desired goals. The organizational culture acts as a motivating factor to enhance their own and organizational performance.

For example, several years ago Hewlett Packard faced huge problems which encouraged it to change its organizational culture. In Hewlett Packard they introduced program in which the staff had to formulate three personal and professional goals each year. The members of staff those meet these set goals were acknowledged and were sent early to be their respected families. After

the introduction of this program it was observed that despite the fact that the staff was working less hours there was no loss in productivity and the staff retention rate had also increased. The program was graded by the extent was its implementation in managerial personal lives and how they modeled it. Hence, HP succeeded in making changes in its organizational structure to be a competitive advantage.

#### **4. Knowledge Management**

Knowledge management is a concept in which an organization deliberately gathers, organizes shares and analyses its knowledge in terms of resources, documents and people skills. As a result of technology advancement the way we access and embodies information has changed; in the current scenario many organizations have knowledge management frameworks in place. Knowledge Management has become a treasurable business tool; its complexity is often vexing and as a field, will still be under development for a long time to come. Knowledge management will be integrated into the basket of effective management tools. The objective of Knowledge Management is to build and exploit intellectual capital in an effective and profitable manner.

#### **2.1.12 Empirical studies**

A firm can differentiate itself in various ways, such as offering innovative features, launching effective promotion, providing superior service, developing a strong brand name, and so on (Li & Zhou, 2010). Hence, by delivering customer oriented service on of the impact gain is acquiring competitive advantage which very hard to copy by other competitors.

The other effect of customer orientation is its contribution to organization innovation differentiation. A customer oriented firm can anticipate its customers' changing needs and respond to them through continuous innovation from its external focus on collecting, analyzing, and disseminating information about customers (Zhou, Brown & Dev., 2009). The competitors and customers of an innovative company perceive the company as being able to utilize the latest technology and introduce new goods or services at an early stage (Gebauer, 2009).

Customer orientation also has a positive impact on market differentiation by creating customer satisfaction. A market differentiation occurs when a firm creates a unique image in the market

and achieves customer satisfaction and loyalty through meeting customers' particular needs and desires (Miller, 1987). A customer-oriented firm is able to make its market offerings more differentiate by adjusting its marketing mix through the knowledge of the customers' needs and desires (Li & Zhou, 2010). In order to distinguish a firm from its competitors, provides a competitive marketing tool, and to be the most preferred firm for a certain given market segment are through the development of marketing mix strategy (Akdag & Zineldin, 2011). Such as, good services, effective processes, qualified staff members, convenient locations, customized and personal solution, which does not imply most up-to-date service for customers. Monetary rewards of individual skills is an important aspect of doing do not cause organizational commitment, rather employee business today and employee development will likely commitment with organization rely upon the opportunities grow in the future. The benefits of employee given by the employer to conduct important, meaningful development extend beyond the actual skills gained and challenging work. (Meyer & Allen, 1977).

In the case study conducted on Employee's Belief regarding training benefit and Organizational commitment by (Amir, 2013), there is significant positive relationship between employee This study explored the relationship of organizational perception of training benefits and organizational commitment and employees' perception of training commitment.

In the case study conducted on Employee's Belief regarding training benefit and Organizational commitment by (Amir, 2013), there is significant positive relationship between employee This study explored the relationship of organizational perception of training benefits and organizational commitment and employees' perception of training commitment.

Both motivation and organizational commitment are psychological states, based on internalized values, external rewards, and moral involvement. Both have been described as energizing forces with implications for behavior (Meyer & Becker & Vandenberghe, 2004).

Nsour (2013) in his study proved that there is no statistical relationship between internal marketing and both of recruiting appropriate employees and retaining the best employees. On the contrary study results proved the positive relationships between internal marketing and internal service quality (employee's motivation, employee's capabilities development and effective support system) in Saudi public hospitals working in Riyadh. Olorunleke & Akinyele (2012)



indicated that “inter-functional coordination and integration”, training and motivation have positive effects on the organizational commitment of employees among Nigerian banks. Ramos (2015) attempted to establish the relationship between banks’ internal marketing dimensions, namely: job satisfaction, understanding and differentiation, training, inter-functional coordination and integration and motivation, and employees’ organizational commitment. The study revealed that job satisfaction and understanding and differentiation were significantly correlated to employees’ organizational commitment. The study of Tsai (2014) showed there is a significant positive correlation was found between the existence of a „learning organization“, internal marketing, and organizational commitment. The study also indicated that internal marketing was a mediator between creating a learning organization and organizational commitment.

Abzari. (2011) obtained results of the questionnaire's data analysis; it has been determined that internal marketing affects organizational commitment directly and indirectly through market orientation. It means that factors of internal marketing influence market orientation directly and then market orientation affects organizational commitment. Effects of these factors are significant on organizational commitment directly. Farzad. (2008) the purpose of this research was to investigate the effects of internal marketing criteria on organizational commitment of employees among Iranian state-owned banks. A questionnaire survey of managers established that “inter-functional coordination and integration”, training and motivation have positive effects on organizational commitment of employees.

Vazifehdoost. (2012) confirmed that internal marketing, organizational commitment and market orientation have positive direct and indirect effects on bank’s both market performance (customer satisfaction and customer loyalty) and financial performance. The study introduced a new perspective of the interactions that take place between marketing, organizational behavior concepts which affect market and financial performance.

Markwei (2014) showed that retention policy, training, motivation, empowerment and communication have positive significant relationship with internal marketing. The study suggested that service providing firms must develop internal marketing as a distinct field of marketing because satisfied customer can be achieved if employees are satisfied. Sadeghloo.

(2014) confirmed in their study that there is significant positive correlation between internal marketing and organizational commitment in sports and youth offices staff. It is also recommended that sport managers by using proper internal marketing operations promote employee skills and commitment.

The study conducted by Ghorbani and Mostafavi (2013) indicated that Internal Marketing has a positive effect on organizational citizenship behavior, Organizational citizenship behavior has a positive effect on service quality and Internal Marketing has a positive and direct effect on service quality. Tsai and Wu (2012) the results of study showed a positive correlation between organizational commitment and internal marketing, and the age, professional title and seniority will influence staff's perception on organizational commitment and internal marketing. The study made by Ghoniem and El-Tabie (2014) developed a list of eleven internal marketing practices that can be helpful for organizations when developing a comprehensive internal marketing program. Data analysis showed significant relationships between the research variables. Findings indicated that internal marketing has a significant effect on the bank performance via customer loyalty. It is recommended that more attention be directed towards enhancing employees' performance through the adoption of the internal marketing strategy to attract and retain external customer patronage.

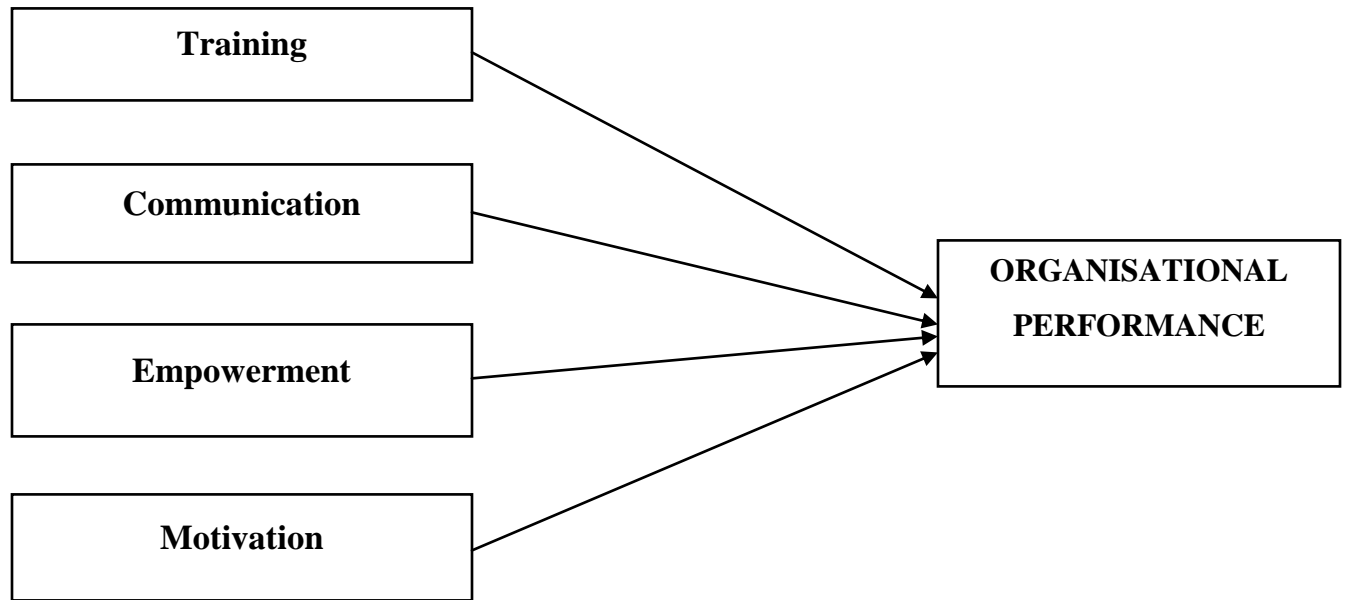
## **Summary of literature review**

Edward (2014) indicates that 1) there is a positive and significant relationship between training and employee satisfaction. That mean any increase in the number of training programs will be followed by increase in employee satisfaction. 2) There is a positive and significant relationship between motivation and employee satisfaction. That's mean any increase in motivation programmer will be followed by increase in employee satisfaction. 3) There is a positive and significant relationship between empowerment and employee satisfaction. That mean any increase in empowerment opportunities will be followed by increase in customer satisfaction. 4) There is a positive and significant relationship between communication and employee satisfaction. That mean any increase in communication will be followed by increase in employee satisfaction. In a study made at insurance industry of Ghana. A study made by Wail & Khaled (2014) found that internal marketing showed a high level of communicating polices and work

related information to customer service employees. This would enhance the employees' knowledge, and defiantly would be improve their customer-oriented behavior. However, some employee's complaint of the lack of training courses and external sponsor events, in Yemeni's banking industry. A study made by Zakaria, Hussin, Noordin & Sawal (2011) shows that 1) there was no significant relationship between employees' perception on transparency of reward practice and employees' performances 2) there was no significant relationship between employees' perception on fairness of reward practice and employees' performance and 3) there was no significant relationship between employees' perception on controllability of reward practice and employees' performances in a study made at TOYOTA 3S Centre SP Selatan, Kedah in 2009. Referring to the reviewed empirical researches above, which revealed that internal marketing elements namely empowerment, training, reward and internal communication (independent variables) do affect employee performance (dependent variable). Thus the researcher develops a hypothesis to find out if there exist relationship between the dependent variable and independent variables.

### **2.3 Conceptual framework of the study**

In this conceptual framework, it is tries to show the effect of all the variables. It is illustrating a clear picture of variables used in the thesis, their effects, impact, and changes. It will help the reader understanding the concept in a short and precise figure. This conceptual framework is showing the crux of the whole thesis and making the subject clearer. This model will help in providing a greater understanding of the mechanisms by which antecedents of internal marketing are linked to organizational performance. In line with these theoretical reviews, the model is developed based on the literature review. The following model of internal marketing (see Figure 1) will be tested in the current study. It is in this context, that the effect of internal marketing on organizational performance in Ethio telecom will be investigated.



## **CHAPTER THREE**

### **Introduction**

The purpose of this research is to examine the effect of Internal marketing as a strategic tool to implement the formulated strategy and see the effect of these internal marketing practices on organizational performance. This chapter deals with the research design and methodology of the study. It includes the research design, source of data, data collection instruments, sampling techniques and methods of data analysis, and ethical consideration of the study.

### **3.1 Research Design**

According to Singh, (2006), research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidence, analyzing the evidences and reporting the findings. There are different types of scientific research. Namely exploratory research, Descriptive research and Explanatory research (Bhattacharjee, 2012). Accordingly, this research is would be used both descriptive and explanatory type of research design in order to explain the relationship between the internal marketing variables and organizational performance, assess the effect relationship between independent variables and dependent variable in the Ethio telecom.

### **3.2 Research Approach**

According to John, (2014) Research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. The selection of a research approach is also based on the nature of the research problem or issue being addressed, the researchers' personal experiences, and the audiences for the study. There are three basic approaches to research (a) qualitative (b) quantitative (c) mixed methods. According to Christensen, (1985) noted that quantitative survey is the most appropriate one to use if the purpose of an investigation is to describe the degree of relationship which exists between the variables. Accordingly, this research would be employ quantitative research

approach. Hence, it would be examined and measure the relationship between internal marketing and the dependent variable organizational performance in relation to Ethio telecom.

### 3.3 Data type and source

There are two types of data sources; primary and secondary data source. Primary data source is information source that needs to be gathered from the original source (close ended questionnaire) in the other hand secondary data source is the one used from already available or from source that has been collected for another purpose. The data source used in this study is both primary and secondary data source. Therefore, the primary data would be collected from the employees of Ethio telecom. The secondary data also would be collected from books, journals, articles obtained from the library.

### 3.4 Target population and sample size

The purpose of this case study is to analyze the Effects of internal marketing on organizational performance in Ethio telecom. This study is conducted at Ethio telecom. As of end of 2018 the company has a thousands of employee throughout the country. So, the populations of this study are employees working in head office of Ethio telecom. Bearing in mind entirely staffs of Ethio telecom under this study is tough and uncontrollable from widens point of view. In addition to that the rationale for the head office staffs were chosen due to the proximity of the researcher and also because a larger focus has been laid by the institutions in these area in terms of branches and client base. Therefore, this study is focused on head office of the Ethio telecom. Therefore, the total numbers of employees in Ethio telecom Head office (1,100 employees). The researchers used Yamane (1967) provides a simplified formula to calculate sample sizes. Assumptions: A 95% confidence level, and  $e = \pm 5\%$

$$n = \frac{N}{1+N(e)^2}$$
$$n = \frac{1,100}{1+1,100(0.05)^2}$$

$n$  (required sample size) = 293 respondents will be taken

**Where**

$n$  = the sample size

$N$  = the population size

$1$  = designates the probability of the event occurring.

$e$  = the level of precision (Sampling error).

### **3.5 Sampling Technique**

Creswell (2003) asserted individual researchers have freedom of choice. They are “free” to choose the methods, techniques, and procedures of research that best meet their needs and purpose. Since the aim of this study is to get actual information about effects of internal marketing on organizational performance in Ethio telecom. This study is used probability sampling techniques in order to give equal opportunity for the target population.

Sampling is the process or technique of selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population. To carry out a study, one might bear in mind what size the sample should be, and whether the size is statistically justified and lastly, what method of sampling is to be used (Adams, 2007). Since the purpose of this study is to examine the effect of internal marketing of Ethio telecom, the target population of this study includes head office employees which exist in Addis Ababa. Accordingly, the total population of the study is estimated to be 1,100. After having the representative sample size, simple random sampling techniques are used for identification of respondents to the quantitative questionnaire. Since, simple random sampling is the most practical way of sampling to give every population equal chance to be representative sample for this study.

Simple random sampling is applied to select target of Ethio telecom in Addis Ababa Head office for the study. From the total of 1,100 in Head office, 293 employees would be selected on the assumption that they represent the company. That's after getting the list of the employees from Ethio telecom, I write the name of the employees on a piece of paper and I blind folded selected

293 employees out of the 1,100 employees. So that it's major concern is to get relevant data for the study and to give equal opportunity for the representatives of the population (Kothari, 2004).

### **3.6 Methods of data collection and procedure**

The questionnaire would be divided into two sections. The first section contained the demographic characteristics of the respondents would be requested to provide information about their gender, age, and education level. The second section of the questionnaire is designed to enable the student researcher to gather information about effects of internal marketing on organizational performance in Ethio telecom. Questionnaire is a set of questions that have structured questions in this case the questions contain close-ended questions type and responses to the question where measure on a five Likert rating scale such as: Strongly agree (SA) = 5; Agree (A) = 4; Neutral (N) = 3; Disagree (D) = 2; Strongly disagree (1). The use of Likert scale is to make it easier for respondent to answer the questions in a simple way.

### **3.7 Reliability and validity**

#### **Validity**

Validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested. (C.R. Kothari, 2004). It is important to make sure that the instrument that we develop to measure particular concept is indeed accurately measuring the variable and then in fact, we are actually measuring the concept that we set out to measure. Therefore, the content validity for this study would be addressed through the review of literature and adapting instrument used in the previous research. Moreover, the opinion of the experts and academicians in the field will be taken to ensure the validity of the instrument. So that it would be relevant and applicable to the objective of this study.

#### **Reliability**

Reliability is the degree to which an assessment tool produces stable and consistent results. (Colin Phelan, 2005). Reliability defined as the consistency of measurement or the degree to which an instrument measures the same way each time it is used under same condition with the



same subject. In order to ensure the reliability of the measured Cronbach's Alpha value is 0.70 or above, the measure had been taken as reliable.

### **3.8 Methods of data analysis**

The data obtained from the questionnaires would be coded, captured and edited. First collected raw data would be edited in order to discard the inappropriate data and retain the relevant ones. The questionnaires would be checked to make sure that the questions would be answered accurately and uniformly. Editing involves a critical examination of the completed questionnaire, in terms of compliance with the criteria for collecting meaningful data, and in order to deal with questionnaires that are not completed.

The next phase is the process of assigning numerical or other symbols. Coding involves designing numbers or other symbols to answers so that responses could be grouped in to limited number of classes and categories. This helps to reduce the response into a limited number of categories or classes and then the process of classification or arranging large volume of raw data into groups with common characteristics would be applied. Data having the common characteristics would be placed together, summarized in tabulation and tabulated for further analysis. In order to facilitate the interpretation of the study both descriptive and inferential statistics would be employee in analyzing the data. The Statistical Package for Social Sciences (SPSS version 16.0) had been used to analyze the results

#### **Descriptive Analysis**

First, descriptive statistics of the variable would calculated in line with Malhotra (2007), which states that using descriptive statistics method helps the researcher in picturing the existing situation and allows relevant information. In the descriptive analysis percentage, mean and standard deviation had been used the study. Frequency tables would be used to summarize the respondents profile in the form of frequency and percentages whereas the descriptive statistics such as mean and standard deviations of employee' answers to internal marketing and organizational performance scales had been calculated in order to determine employee' perceptions of internal marketing and organizational performance.

### **3.6.2 Inferential Analysis**

Inferential analysis had been used to generalize the results obtained from a random (probability) sample back to the population from which the sample had been drawn. This analysis is required only when a sample is drawn by a random procedure; and the response rate is high. According to Sekaran (2000), “inferential statistics allow researchers to infer from the data through analysis of the relationship between two variables; differences in a variable among different subgroups; and how several independent variables might explain the variance in independent variable.” The following inferential statistical methods would be used in this research.

#### **Multi co-linearity**

Multi co-linearity is a phenomenon in which two or more predictor variables in multiple regressions are highly correlated, meaning that one could be linearly predicted from the other. That's two or more explanatory variables in a multiple regression model are highly linearly related. The Variance Inflation Factor (VIF) and tolerance are the widely used measures of the degree of multi co-linearity. A tolerance of less than 0.10 and/or a VIF of 10 and above indicate multi co-linearity problem (O'Brien, 2007).

Multi co-linearity increases the standard errors of the coefficients. Increased standard errors in turn mean that coefficients for some independent variables might be found not significantly different from zero. In other words, by over inflating the standard errors, multi co-linearity makes some variables statistically insignificant when they should be significant (Belsley, 1991).

#### **Pearson Product Moment Correlation**

According to Stigler (1989), Pearson Product Moment Correlation is a measure of the linear correlation between two variables  $x$  and  $y$  giving a value between +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation. The sign of the coefficient tells us whether the relationship is positive or negative, whereas the numerical part of the coefficient indicates the magnitude of the correlation. The closer the correlation coefficient to 1 or -1 the greater the relationship between the variables.

To ascertain whether a statistically significant relationship exists between internal marketing and organizational performance the Pearson Product Moment Correlation Coefficient would be used.

Pearson's Product Moment Correlation would be used to determine the following relationships for the sample respondents.

### **Multiple Regression Analysis**

The purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and dependent variable. Multiple regressions analysis takes into account the inter-correlations among all variables involved. In multiple regressions analysis more than one predictor is jointly regressed against the dependent variable (Cohen & Swerdlik, 2002). This method had been used to investigate the effects of internal marketing and organizational performance.

### **Regression Model Specification**

The model of multiple regressions on this study is built around the dependent variable which is organizational performance and the dimensions of the independent variables. Therefore the general formula used for the model was:

$$Y_i = \alpha + \beta x_i + e$$

The left hand variable  $Y_i$  denote the dependent variable organizational performance,  $\alpha$  is the intercept term which gives the mean or average effect on  $Y$  of all the variables excluded from the equation, although its interpretation is the average value of  $Y$  when the stated independent variables are set equal to zero;  $\beta$  is the coefficient of  $x$  variables (independent variables) which measures the change in the mean value of  $Y$ ; per unit change in their respective independent variables,  $x_i$  is the different independent variables and  $e$  is the error term. Finally, the above general least square model is converted to incorporate all the variables to test the hypothesis of the study as follows:

Organizational performance =  $f$  (Training, communication, empowerment, motivation)

$$OP = \alpha + \beta_1 TR + \beta_2 CC + \beta_3 EMP + \beta_3 MOT + e$$

Where

OP = Organizational performance

TR = Training

CC = Communication

EMP = Empowerment

MOT = Motivation

e = Error Term

### **3.9 Ethical consideration**

Permission was granted by the concerned authority of Ethio telecom to conduct the survey based on the support letter from my University. Each participant would be approached about participation in the study, in which they would have voluntary Participation. They had been informing about the study and willingly filled the questionnaire. There is no intentional unacknowledged use or incorporation of any other person's work in, or as a basis for, my thesis.

## **CHAPTER FOUR**

### **ANALYSIS AND DISCUSSION OF RESULTS**

#### **Introduction**

The results of the study are presented, analyzed, interpreted and discussed in detail in this chapter. First a reliability analysis to reveal the extent to which the scales used to measure the variables in the study is done. And then the responses gathered from the respondents are analyzed and interpreted accordingly. Finally, correlation analysis and regression analyses are carried out and also discussed in order to determine the relative importance of the variables and contribution to the model. The objective of this study was to investigate the following specific objective;

A total of two hundred ninety-three (293) questionnaires were distributed to the respondents of Ethio telecom staffs and out of these questionnaires a total of 270 questionnaires were successfully completed and returned. The total response rate was 92%. As a result, the analysis of this research was based on the number of questionnaires collected.

#### **4.1 Reliability and Validity result analysis**

The reliability of scale shows that how free the data is from random error. Therefore, it is always advisable to select that scale that is reliable. One of the most commonly used scales of reliability is internal consistency. Internal consistency refers to “the degree to which the items that make up the scales are all measuring the same underlying attributes (i.e. the extent to which the items “hang together”) Christopher, 2015). The Cronbach Alpha technique was applied to assess reliability of the measurement scales used in the study.

Table 4.1 Reliability of Data

| Variables                  | Cronbach's Alpha |
|----------------------------|------------------|
| Motivation                 | .783             |
| Training                   | .854             |
| Communication              | .754             |
| Empowerment                | .886             |
| Organizational performance | .830             |

Source: SPSS Result, 2020

The alpha value for the variables reliability of the instruments is measured. As a result a Cronbach's alpha for all is between .754 and .886 which shows that the instruments in the study are greater than the guideline of 0.70, so it could be concluded that the measurements could be applied for analyses with acceptable reliability.

### Validity Analysis

After computation of the correlation matrix as per Kaiser suggested, the samples considered barely adequate if the value of Kaiser-Meyer-Olkin (KMO) is greater 0.60 (Julie, 2005). Interpretations of KMO of variables based on the Kaiser-Meyer-Olkin Measure of Sampling Adequacy are: in the 0.90 as marvelous, in the 0.80's as meritorious, in the 0.70's as middling, in the 0.60's as mediocre, below 0.50 as unacceptable (Kaiser, 1974 cited by Elshaday, 2015). Therefore, The Bartlett Sphericity test is used to verify the adequacy of the variables for the further implementation of factor analysis. If the test shows statistically significant differences in the level of significance 0.000, it means that the variables are not independent from each other and further analysis of the effects makes sense. In our example, the significance level is 0.000, and therefore the factor analysis is appropriate. The Kaiser Meyer Olkin (KMO, hereinafter) measure of sample adequacy checks the relationship power between the variables. We can talk about strong relationship if the value of KMO is 0.80 or more, but in social data a slightly lower connectivity (at least 0.50) is also acceptable. In our case, the KMO value is 0.759 and therefore the factor analysis is still justified.

**Table 4.2: KMO and Bartlett's Test**

|  |                    |          |
|--|--------------------|----------|
|  |                    |          |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                    | .759     |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square | 8861.268 |
|  | Df                 | 271      |
|  | Sig.               | .000     |

Source: SPSS result, 2020

## 4.2.Descriptive Statistics

### 4.2.1 Descriptive Analysis of Demographic Variables

It is important to provide demographic analysis of the respondents so that to have understanding of a general characteristic of the respondents for the overall study. Demographic analysis is done in order to describe the characteristics of the respondents. In this analysis, number of female and male respondents, their age range, educational level and their duration in Ethio telecom is analyzed.

**Table 4.3: Demographic Characteristics**

|        |              | Frequency  | Percent      |
|--------|--------------|------------|--------------|
| Gender | Male         | 164        | 61           |
|        | Female       | 106        | 39           |
|        | <b>Total</b> | <b>270</b> | <b>100.0</b> |
| Age    | 20-25        | 42         | 16           |
|        | 26-35        | 104        | 39           |
|        | 36-40        | 54         | 20           |
|        | 41- 54       | 38         | 14           |
|        | 55 and above | 22         | 8            |
|        | <b>Total</b> | <b>270</b> | <b>100.0</b> |
|        | Diploma      | 10         | 4            |

|                    |                  |            |              |
|--------------------|------------------|------------|--------------|
| Education Level    | Degree           | 240        | 88           |
|                    | Masters          | 20         | 8            |
|                    | <b>Total</b>     | <b>270</b> | <b>100.0</b> |
| Working Experience | Less than 3 year | 74         | 27           |
|                    | 3-5 year         | 51         | 19           |
|                    | 6-8 year         | 127        | 47           |
|                    | More than 8 yrs. | 18         | 7            |
|                    | <b>Total</b>     | <b>270</b> | <b>100.0</b> |

Source: SPSS Result, 2020

In the 4.3 table, the Gender specification of the respondents is presented. A total percent of male respondents was 61% and female respondents were 39%. This shows that male workers are more than female workers.

As far as age of respondents is concerned, 16% of the respondents were in the range of 20-25 years; 39% of the respondents were in the range of 26-35 years; 20% are in the range of 36-40 years, 14% were in the range of 41-54 and 8% were above 55 years. This shows that most of Ethio telecom employees who are actively participating in the organization operation system are very young as compared to other age groups and the lowest number of the respondents are 55 and above.

With regard to educational level of respondents, diploma holders of the respondent represented 4% of the employees; first degree holders represented 88% of the employees; Master's Degree holders represented 8%. It can be said from the survey that, most of the organization employees were degree holders. The lowest number of respondents were diploma holders.

With regard to service years of respondents in the company, 27% of the respondents had less than 3 years of experience. 19% under 3-5 years experienced, 47% are 6-8 year experienced and 7% are more than 8 years respectively. From this we can understand that, most of the respondents are 6-8 years experienced whereas, more than 8 years experienced respondents are the lowest as compare to others.



### 4.2.2 Level of agreement on the internal marketing Variables and organizational performance

The descriptive statistics of mean scores and standard deviation of internal marketing variables are discussed in the below consequent tables in each category. The main reason of using descriptive statics was to demonstrate the average responses of respondents for each question that was included under each dimensions of the predictor variable and to reach the grand mean of each dimension. The interpretation was made based on adopted measurement scale intervals or range from Poonlar Batawee, 1987. Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor. Using this range, the study defines the opinion of the respondents reply for the questioner forwarded.

#### 1. Respondents Perception on Motivation

Table 4.4: mean and standard deviation of motivation

| Items of Motivation   | Mean  | SD    |
|---|-------|-------|
| When I do something extraordinary I know that I will receive some financial bonus/reward. | 4.16  | .479  |
| The incentive given to employees are motivating and on competitive basis.                 | 4.09  | .612  |
| I receive feedback from my supervisor on my job performance regularly.                    | 3.99  | .366  |
| The performance measurement reward system encourages employees to work hard.              | 3.90  | .474  |
| My income and the annual increment are based on periodic performance evaluation.          | 4.38  | .587  |
| My needs and wants are well understood by management.                                     | 4.10  | .379  |
| <b>Grand of Motivation</b>  | 4.103 | 0.482 |

Source: SPSS Result, 2020

The mean rating and the standard deviation of respondent's motivation is presented in the table above. The descriptive statistics or the means and standard deviations of the motivation variable is displayed in Table 4.4. As shown descriptively the mean or the average response of the respondents about their motivation in Ethio telecom was 4.10 (SD = .482). This indicates the

respondents had agreed with the activities of an act or process that gives a person a reason to do something in a particular way, or an explanation for the repeated behaviors, needs, and desires they observed in Ethio telecom. The standard deviation for motivation is .482. This standard deviation is low meaning that there are no extremes in the positive and negative score and this implies that there was no a variation of response among the respondents and this variation is acceptable and practice of motivation is good.

## 2. Respondents Perception on training

Table 4.5: mean and standard deviation of training

| Items of Training  | Mean          | SD            |
|--|---------------|---------------|
| Ethio telecom properly assesses the needs of employees                                 | 2.825         | 1.438         |
| I am well aware of the Ethio telecom Mission and vision statements and how I fit to it | 2.612         | 1.287         |
| There is a system in Ethio telecom that helps develop employees career                 | 3.662         | 1.179         |
| The training objectives of Ethio telecom are specific                                  | 3.112         | 1.262         |
| The training objectives of Ethio telecom are measurable                                | 3.187         | 1.032         |
| The training objectives of Ethio telecom are attainable                                | 3.150         | 1.159         |
| Ethio telecom uses different training methods  | 3.275         | 1.483         |
| All employees have a better knowledge about the customer service offering              | 3.125         | 1.306         |
| My knowledge, skill and experience fit to the job being performed day to day           | 4.05          | .548          |
| The training program in Ethio telecom is planned and systematic                        | 4.13          | .522          |
| <b>Grand mean of Training</b>  | <b>3.3128</b> | <b>1.1216</b> |

Source: SPSS Result, 2020

The mean rating and the standard deviation of respondents' evaluation of training attributes is presented in the above table. Respondents overall mean rating is 3.31 and the standard deviations ranges from .522 to 1.483. This shows that the respondent have average or moderate opinion on training provision of the company. Even though, the overall average mean of the respondents show the company provide training programs, they disagree with the availability of training for newly hired employees. Training employees at time of hiring in relation to the post they are

assigned would enable the employee to know the job before actually engaging in it and the employee would perform better.

### 3. Respondents Perception on Communication

Table 4.6: mean and standard deviation of communication

| Items of Communication   | Mean          | SD           |
|--|---------------|--------------|
| There is accurate and open flow of information in our department   | 3.437         | 1.189        |
| What I say about my job, the problem I face and the solution I suggest   | 3.612         | 1.174        |
| I can suggest improvement or come up with new ideas for work improvement to Ethio telecom management                 | 3.162         | 1.130        |
| Before any policy or procedure changes, my supervisor informs me about the change phase by phase                     | 3.300         | 1.315        |
| I feel like I am part of the organization because my ideas are given attention and considered valuable by management | 3.525         | 1.147        |
| I am satisfied with the communication I have with my supervisor and higher management.                               | 3.025         | 1.221        |
| <b>Grand mean of Communication</b>   | <b>3.3435</b> | <b>1.196</b> |

Source: SPSS Result, 2020

The mean rating and the standard deviation of respondent's communication is presented in the above table. The descriptive statistics or the means and standard deviations of the communication variable is displayed in Table 4.6 As shown descriptively the mean or the average response of the respondents about their communication in Ethio telecom was 3.34 (SD = 1.196). This indicates the respondents had moderately agreed with the activities of complex and continuous process through which organizational members create, maintain, and exchange information in the organization they observed in Ethio telecom. The standard deviation for communication is 1.19. This standard deviation is high meaning that there are extremes in the positive and negative score.

#### 4. Respondents Perception on Empowerment

Table 4.7: mean and standard deviation of empowerment

| Items of Empowerment   | Mean         | SD          |
|--|--------------|-------------|
| My supervisor allows me to use my own judgment in solving problems | 3.500        | 1.222       |
| My supervisor encourages me to take initiatives                    | 3.587        | 1.051       |
| My supervisor allows me a high degree of initiative                | 3.737        | 1.099       |
| My supervisor trusts me to exercise good Judgment                  | 3.400        | 1.308       |
| <b>Grand mean of Empowerment</b>                                   | <b>3.556</b> | <b>1.17</b> |

Source: SPSS Result, 2020

The mean rating and the standard deviation of respondent's evaluation of empowerment attributes is presented in the above table. Respondents overall mean rating is 3.55 and the standard deviations range from 1.05 to 1.30. This implies that the respondent has good opinion on empowerment activity of the company. Therefore most of the respondents are satisfied with the empowerment activity the company provide. Empowerment encourages employees to develop self-confidence and make important decision at time of need. The standard deviation for empowerment is 1.17. This standard deviation is high meaning that there are extremes in the positive and negative score.

#### 5. Respondents Perception on organizational performance

Table 4.8: mean and standard deviation of organizational performance

| Items of Organizational Performance  | Mean  | SD    |
|--|-------|-------|
| We are successful in minimizing cost of materials due to internal marketing practice             | 4.137 | 1.052 |
| We are successful in assuring quality of purchased materials due to internal marketing practice. | 4.050 | 1.017 |
| We are successful in assuring on-time delivery of ordered materials due                          | 4.112 | .9807 |

|   |        |         |
|---|--------|---------|
| to internal marketing practice.   |        |         |
| We are successful in assuring volume and mix flexibility due to internal marketing practice.                              | 3.212  | 1.299   |
| Internal customers are much satisfied with the achievements of our purchasing function due to internal marketing practice | 3.087  | 1.224   |
| <b>Grand mean of Organizational Performance</b>   | 3.7196 | 1.11454 |

Source: SPSS result, 2020

The mean rating and the standard deviation of respondent's organizational performance is presented in the table above. The descriptive statistics or the means and standard deviations of the organizational performance variable is displayed in Table 4.7. As shown descriptively the mean or the average response of the respondents about their organizational performance in Ethio telecom was 3.719 (SD = 1.114). This indicates the respondents had agreed with the activities of company ascertain that it is realizing minimum allowable standards that are necessary for continued existence they observed in Ethio telecom. The standard deviation for organizational performance is 1.11. This standard deviation is high meaning that there are extremes in the positive and negative score.

### 4.3 Assumption Testing Of Regression

When someone choose to analyze the data using linear regression, part of the process involves checking to make sure that the data that one wants to analyze can actually be analyzed using linear regression. Therefore, it is needed to do this because it is only appropriate to use linear regression if the required data "passes" three assumptions (Multi Co-linearity, linearity, and normality) that are required for linear regression to give a valid result. Let us look at whether the following assumptions are met or not. One can check assumptions using SPSS Statistics and linearity assumptions should be checked first, before moving into others assumptions.

#### 4.3.1 Multi-co-linearity test

Multi-co linearity is used to describe correlation among independent variables. If there is high correlation between two or more predictor variables, might cause problems when trying to draw

inferences about the relative contribution of each predictor variable to the success of the model (Pallant, 2005).

Multi-co linearity in this study was tested using Variance Inflation Factor (VIF) value and tolerance value. If tolerance value is closed to 1 and VIF value is around 1 and not more than 10, it can be concluded that there is not Multi-co linearity between independent variable in the regression model (Pallant, 2005). As shown in the table below, there is no Multi-co linearity in this study.

Table 4.9: Co-linearity statistics

|               | Co-linearity statistics |      |
|---------------|-------------------------|------|
| Model         | Tolerance               | VIF  |
| Motivation    | 0.555                   | 1.03 |
| Training      | 0.586                   | 1.05 |
| Communication | 0.734                   | 1.09 |
| Empowerment   | 0.534                   | 1.07 |

Source: SPSS Result, 2020

As shown in the table above, the Tolerance values for all the independent variables are within the acceptable level of greater than 0.1, the VIF values are also less than the cut of value of 10. If the VIF values of independent variables are beyond 10, then it is suggested that further investigation is required (Robert, 2006). As implied by the Tolerance and VIF values, in this particular case, multi co-linearity is not a problem.

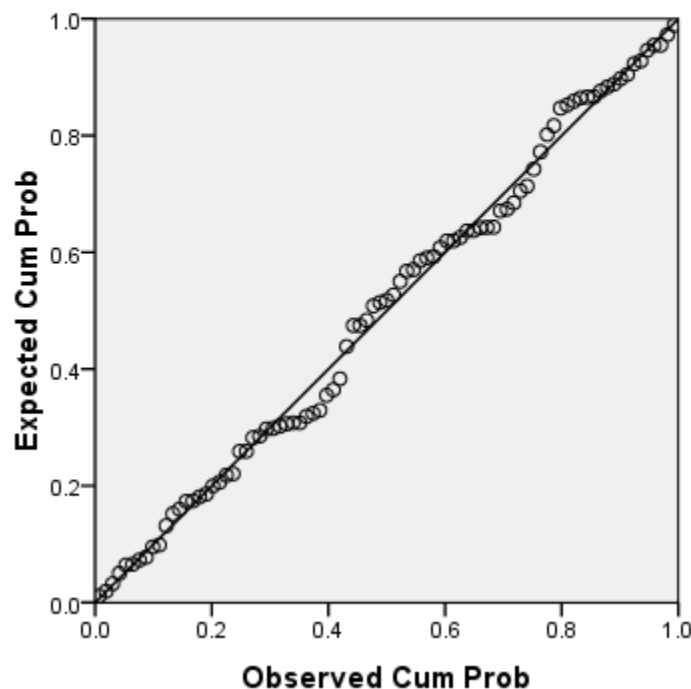
#### **4.3.2 Linear relationship/linearity test**

Organizational performance is assumed to be linearly related with internal marketing elements. Meaning that the dependent variable, organizational performance is assumed to be impacted with the changes in the independent variable, empowerment, training, communication and motivation. The relationship between the two variables should be linear. The scatter plot of scores should be a straight line (roughly), not a curve (Pallant, 2005). In line with this, the scatter

plots of this study shows that there is almost linear relationship between the variables. Therefore, the assumption of linearity is satisfied in the study.

### Normal P-P Plot of Regression Standardized Residual

Dependent Variable: ORGANIZATIONAL PERFORMANCE



#### 4.3.3 Normality of distribution test

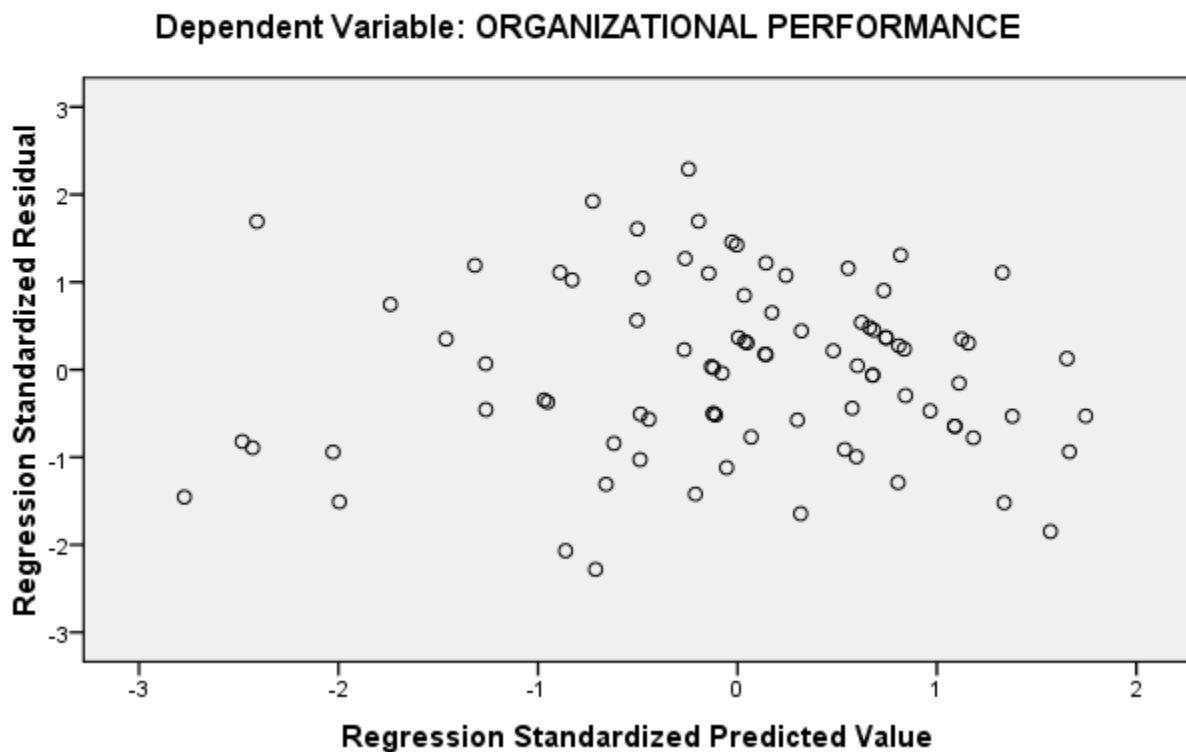
Normal distribution is detected based on skewness and kurtosis statistics. Skewness is a measure on the asymmetry of a distribution. Whereas, kurtosis measures the extent to which observations cluster around a central point. The acceptable range for normality for both statistics is between -1.0 and +1.0 (Pallant J., 2011). When we see the normality of the distribution of this study, as shown in the table below, all variables are within the acceptable range for normality (-1.0 to +1.0). The kurtosis statistics for all variables are also within the suggested range of normality (-1.0 to +1.0).

Table 4.10 - Normality of the Distribution

| Descriptive Statistics     |           |           |           |           |            |
|----------------------------|-----------|-----------|-----------|-----------|------------|
|                            | N         | Mean      | Skewness  | Kurtosis  |            |
|                            | Statistic | Statistic | Statistic | Statistic | Std. Error |
| Motivation                 | 270       | 3.5563    | -.748     | .226      | .532       |
| Training                   | 270       | 3.0917    | -.191     | -.284     | .532       |
| Communication              | 270       | 3.3781    | -.194     | -.516     | .532       |
| Empowerment                | 270       | 3.2375    | -.200     | -.424     | .532       |
| Organizational performance | 270       | 3.7200    | -.800     | .911      | .532       |
| Valid N(listwise)          | 270       |           |           |           |            |

Source: SPSS Result, 2020

### Scatterplot





## 4.4 Inferential Analysis

### 4.4.1 Correlation Analysis: relationship between the study variables

Correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). According to guidelines suggested by Field (2005) to interpret the strength of relationship between variables, the correlation coefficient(r) is as follows: if the correlation coefficient falls between 0.01 to 0.29, it is weak; 0.3 to 0.49 is moderate; and  $>0.5$  is strong relationship existed between variables. With the objectives to explore the relationship between the independent and dependent variable, a correlation analysis with Bivariate Pearson's correlation coefficient with a two tailed test of statistical significance at the level of 95% confidence and significance  $< 0.05$  was conducted over all the research variables i.e. between empowerment, training, communication and motivation (independent variables) with organizational performance (dependent variable).

The results of the test are disused below under each hypothesis of the research. Similarly, according to Singh (2006) for expressing the degree of relationship quantitatively between two sets of measures of variables, we usually take the help of an index that is known as coefficient of correlation. It is a kind of ratio which expresses the extent to which changes in one variable are accompanied with changes in the other variable. It involves no units and varies from -1 (indicating perfect negative correlation) to + 1 (indicating perfect positive correlation).

Table 4.11: Correlation Analysis

| Independent Variables |                     | Employee Turnover |
|-----------------------|---------------------|-------------------|
| Motivation            | Pearson Correlation | .631**            |
|                       | Sig.(2-tailed)      | .000              |
| Training              | Pearson Correlation | .507**            |
|                       | Sig.(2-tailed)      | .000              |
| Communication         | Pearson Correlation | .626**            |
|                       | Sig.(2-tailed)      | .000              |
| Empowerment           | Pearson Correlation | .483**            |

|  |                |      |
|--|----------------|------|
|  | Sig.(2-tailed) | .000 |
|--|----------------|------|

Source: SPSS Result, 2020

As shown in the table above, Pearson's correlation exhibits that there is a significant positive and strong relationship between motivation and organizational performance in Ethio telecom ( $r=.631^{**}$ ,  $p<0.01$ ). As shown in the table above, Pearson's correlation exhibits that there is a significant positive and strong relationship between training and organizational performance in Ethio telecom ( $r=.507^{**}$ ,  $p<0.01$ ), As shown in the table above, Pearson's correlation exhibits that there is a significant positive and strong relationship between communication and organizational performance in Ethio telecom ( $r=.626^{**}$ ,  $p<.01$ ), and As shown in the table above, Pearson's correlation exhibits that there is a significant positive and moderate relationship between empowerment and organizational performance in Ethio telecom ( $r=.631^{**}$ ,  $p<0.01$ ). This means that any improvement in any or all of the four independent variables (training, empowerment, communication and motivation) results in improvement in organizational performance. It is also true in the model which shows the relationship between internal marketing strategy and organizational performance of Ethio telecom.

#### 4.4.2 Regression Analysis

According to Pallant (2005), multiple regressions is not just one technique but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (usually continuous). In order to see contribution of internal marketing in affecting organizational performance, multiple linear regression analysis was employed. Organizational performance was used as the dependent variable while elements of internal marketing, empowerment, training, communication and motivation were used as the independent variables.

#### 4.4.3 Model Summary

Table 4.12: Model summary

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .701 <sup>a</sup> | .492     | .465              | .17920                     |

a. Predictors: (Constant),

b. Source: SPSS Result, 2020

The above regression model presents how much of the variance in the measure of organizational performance is explained by the underlying internal marketing elements. The model or the predictor variables have accounted for 49.2% of the variance in the dependent variable. The remaining 53.5% are explained by other variables out of this model.

#### 4.4.4 ANOVA

Table 4.13: Analysis of Variance

| Model      | Sum of Squares | Df  | Mean Square | F      | Sig.              |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 28.237         | 4   | 32.100      | 18.150 | .000 <sup>a</sup> |
| Residual   | 29.171         | 285 | .0701       |        |                   |
| Total      | 57.408         | 289 |             |        |                   |

Source: SPSS Result, 2020

Similarly, the above ANOVA table shows the overall significance/acceptability of the model from a statistical perspective. As p- value is (.000), which is less than  $p < 0.05$  this indicates that the variation explained by the model is not due to chance.

Table 4.14: Regression Coefficients

| Model         | Un standardized Coefficients |            | Standardized Coefficients | T     | Sig. | Co-linearity Statistics |       |
|---------------|------------------------------|------------|---------------------------|-------|------|-------------------------|-------|
|               | B                            | Std. Error | Beta                      |       |      | Tolerance               | VIF   |
| (Constant)    | -.165                        | .626       |                           | -.264 | .793 |                         |       |
| Empowerment   | .267                         | .123       | .253                      | 2.173 | .034 | .719                    | 1.392 |
| Training      | .017                         | .134       | .015                      | .126  | .005 | .639                    | 1.564 |
| Communication | .170                         | .099       | .198                      | 1.719 | .014 | .733                    | 1.365 |
| Motivation    | .457                         | .146       | .385                      | 3.142 | .003 | .646                    | 1.548 |

Source: SPSS Result, 2020

According to Table 4.14, the regression standardized coefficients for the four independent variables, i.e. empowerment, training, communication and motivation are 0.253, 0.150, 0.198 and 0.385 respectively. Their significance levels are 0.034, 0.005, 0.014 and 0.003 respectively. Of this all internal marketing variables significantly affect the dependent variable (organizational performance) as the p value is less than 0.05 the remaining three factors i.e. empowerment, training and communication and motivation has no significant effect on the dependent variable, since their p value is greater than 0.05.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$Y = 0.165 + 0.253X_1 + 0.015X_2 + 0.198X_3 + 0.385X_4 + e$$

#### 4.4.5 Hypotheses Testing

Hypothesis is based on standardized coefficients beta and p-value test whether the hypotheses are rejected or not. According to Henkel (1976), hypothesis testing is employed to test some assumption (hypothesis) that the researcher has about the given population against the sample from the population. The result of a significance test is a probability by which the researcher attach to a descriptive statistic calculated from a sample. This probability reflects how likely is that the statistic could have come from a sample drawn from the population specified in the hypothesis (Henkel, 1976).

**Ha2:** There is a positive and significant effect of empowerment on organizational performance.

**H02:** There is no a positive and significant effect of empowerment on organizational performance.

As shown in the table above, regression coefficient exhibits that there is a positive and significant effect of empowerment on organizational performance in Ethio telecom ( $r=0.253^{**}$ ,  $p<0.01$ ) which didn't support the null hypothesis of the research. Consequently, the null hypothesis is rejected but the alternative hypothesis of the research that "there is a positive and significant effect of empowerment on organizational performance in Ethio telecom is accepted.

**Ha3:** There is a positive and significant effect of training on organizational performance.

**H03:** There is no a positive and significant effect training on organizational performance.

As shown in the table above, regression coefficient exhibits that there is a positive and significant effect of training on organizational performance in Ethio telecom ( $r=.015^{**}$ ,  $p<0.01$ ) which didn't support the null hypothesis of the research. Consequently, the null hypothesis is rejected but the alternative hypothesis of the research that "There is a positive and significant effect of training on organizational performance in Ethio telecom is accepted.

**Ha1:** There is a positive and significant effect of communication on organizational performance.

**H01:** There is no a positive and significant effect communication on organizational performance.

As shown in the table above, regression coefficient exhibits that there is a positive and significant effect of communication on organizational performance in Ethio telecom ( $r=.198^{**}$ ,  $p<0.01$ ) which didn't support the null hypothesis of the research. Consequently, the null hypothesis is rejected but the alternative hypothesis of the research that "there is a positive and significant effect of communication on organizational performance in Ethio telecom is accepted.

Table 4.15: Hypothesis Testing

| Hypothesis   | Method     | Result    | Reason   |
|--|------------|-----------|----------|
| There is a positive and significant effect of empowerment on organizational performance.   | Regression | Supported | $P<0.05$ |
| There is a positive and significant effect of training on organizational performance.      | Regression | Supported | $P<0.05$ |
| There is a positive and significant effect of communication on organizational performance. | Regression | Supported | $P<0.05$ |
| There is a positive and significant effect of motivation on organizational performance.    | Regression | Supported | $P<0.05$ |

Source: SPSS Result, 2020

## 4.5 Discussion Result

In this part the result of the study is discussed in terms of literature reviewed in the study. Referring the theoretical and empirical reviews presented in the study literature review part, the four internal marketing variables empowerment, training, communication and motivation do affect organizational performance. And as the study result shows, motivation, significantly affect organizational performance. For instant, Foreman and Money (1995), mention that the three components of internal marketing which are: motivation; retaining and motivating employees have significant impact on their productivity. Deeprose (1994) also argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations.

In other words, motivation and recognition of employees for their effort motivate them and enable them to perform to them at most capacity and meet organization expectation. Moreover, in a study made in 10 service firms in the aviation sector located at the Port Harcourt International Airport in Nigeria, by Emmanuel & Andy (2013), the study result showed that there is a positive correlation between internal marketing motivation and organizational performance and internal marketing employee reward systems impact positively on organizational performance and there is a positive and significant impact of internal marketing promotion on organizational performance and there is a strong correlation between internal marketing promotion and organizational performance.

On the other hand, as Owen and Teare (1996) stated clearly, if staff is happy about what the company need to do in order to satisfy customers and are well trained and supported, they will, on average, remain with the employer three or four times longer than employees who feel less secure. Similarly, the finding of this study indicates that motivation significantly affects organizational performance and this will impact their productivity and their intention to remain with the employer.

As shown in the table above, Pearson's correlation exhibits that there is a significant positive and strong relationship between training and organizational performance in Ethio telecom ( $r=.507^{**}$ ,  $p<0.01$ ). this finding supported by Edward (2014) indicates that there is a positive and significant

relationship between training and employee satisfaction. That mean any increase in the number of training programs will be followed by increase in employee satisfaction.

There is a significant positive and strong relationship between motivation and organizational performance in Ethio telecom ( $r=.631^{**}$ ,  $p<0.01$ ). This result is supported by Edward (2014) indicates that there is a positive and significant relationship between motivation and employee performance. That's mean any increase in motivation program will be followed by increase in employee performance.

As shown in the table above, Pearson's correlation exhibits that there is a significant positive and moderate relationship between empowerment and organizational performance in Ethio telecom ( $r=.631^{**}$ ,  $p<0.01$ ). This study is agreed with Edward (2014) findings and this study indicates that there is a positive and significant relationship between empowerment and employee performance. That mean any increase in empowerment opportunities will be followed by increase in customer satisfaction.

As shown in the table above, Pearson's correlation exhibits that there is a significant positive and strong relationship between communication and organizational performance in Ethio telecom ( $r=.626^{**}$ ,  $p<.01$ ). This result is consistent by Edward (2014) indicates that there is a positive and significant relationship between communication and employee performance. That mean any increase in communication will be followed by increase in employee performance. In a study made at insurance industry of Ghana.

Finally, the relationship between internal marketing and organizational performance totally supported by similar study of Emmanuel & Andy (2013) showed that there is a positive correlation between internal marketing reward system and employee's performance and internal marketing employee reward systems impact positively on employee's performance and there is a positive and significant impact of internal marketing promotion on employees' performance and there is a strong correlation between internal marketing promotion and employees performance. Study made in 10 service firms in the aviation sector located at the Port Harcourt International Airport of Nigeria.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION**

#### **5.1 Summary of Findings**

- Aim of this study is to assess the effect of internal marketing on organizational performance of Ethio telecom. So the study focuses on Ethio telecom and examines the relationship between empowerment, training, communication, motivation and organizational performance. Based on the sample data, the study generalized the findings to the population. The research is carried out by using close ended questionnaire.
- The respondents indicated their extent of agreement and disagreement by ticking one of the five points on a Likert scaled items. The direction and degree of association between the independent variables, empowerment, training, communication and motivation and the dependent variable, organizational performance had been measured by Pearson correlation coefficient. The relative importance of the independent variables in predicting organizational performance had been investigated by multiple regression analysis.
- Regarding the empowerment cumulative mean is 3.55 and most of the respondents were good/agreed and this means they are agreed with the properly empowerment practices. Therefore, in order to have better empowerment system the Ethio telecom ought to have filled the gap between what is needed now and the future to strive employees' content with the empowerment.
- Concerning the training, even though the cumulative mean of training practice is 3.31 from here the researcher can see that most of the respondents are moderately agreed. So the Ethio telecom strategic and systematic adjustment of behavior through learning events, programs



and instructions, which enable individuals to achieve the levels of knowledge, skill and competence needed to carry out their work effectively.

- Regarding the communication cumulative mean is 3.34 and most of the respondents were moderately agreed and this means they are somehow agreed with the appropriate communication practices. Therefore, so as to have better correspondence the Ethio telecom should have filled the hole between what is required now and the future to endeavor representatives' substance with the correspondence.
- Concerning the motivation, even though the cumulative mean of motivation practice is 4.10 from here the researcher can see that most of the respondents are agreed.
- Organizational performance is normally looked at in terms of outcomes. However, it can also be looked at in terms of organizational performance is measured against the performance standards set by the organization. The finding of the study indicates, internal marketing of Ethio telecom has a power in enhancing their organizational performance in terms of the amount of quantity they produced, the quality service they provide to the customs, timeliness of their work done, efficient utilization of resource and ultimately it creates an innovative skill in the organization.
- The Pearson correlation coefficient reveals that training ( $r=.507^{**}$ ); empowerment ( $r=.483^{**}$ ); communication ( $r=.626^{**}$ ) and motivation ( $r=.631^{**}$ ) all the independent variables have statistically significant positive correlation with organizational performance supporting all the four alternative hypotheses of the research. The strength of correlation is highest for motivation followed by communication, training and empowerment. The correlation is also significant at .01 level (2-tailed). The regression model adjusted R square value of .465 indicated that 46.5% variability in organizational performance is accounted by the explanatory variables integrated in the conceptual model.
- Finally, the regression standardized coefficients for the four independent variables, i.e. empowerment, training, communication and motivation are 0.385, 0.198, 0.015 and 0.253 respectively. Their significance levels are 0.034, 0.005, 0.014 and 0.003 respectively. All of

independent variables significantly affect the dependent variable, organizational performance as the p value is less than 0.05.

## 5.2 Conclusion

- The main purpose of the study was to examine the relationship between internal marketing and organizational performance. Internal marketing is the philosophy of treating employees as customers and it is the strategy of shaping job products to fit human needs. (Berry and Parasuraman, 1991) and thereby improve the quality of service given by internal staff. Treating employees as customers are basic for the survival in a competitive environment and business performance. In this regard, internal marketing play great role in keeping employees satisfied in their job and committed towards their organization performance.
- As discussed in the summary of the finds, all the research questions are addressed in the study. The study has shown that, the four internal marketing variables considered in the study affect organizational performance of Ethio telecom. However, as the finding indicate the most dominant variable to influence organizational performance has come out to be reward. It is to be recalled that in the introduction and literature review parts of the study, unsatisfied and unhappy employees tend to resign for a better opportunity.
- Based on previous theories and researches regarding internal marketing and its outcomes, this study showed clear links between internal marketing and organizational performance, which helps to deeply understand the relationship and interaction between internal marketing and organizational performance.
- Besides, in a service giving organizations like Ethio telecom, success and profitability depend on the service provided by the employees. The experienced and well trained employees could perform well and meet the company goal in being profitable. Therefore, the internal marketing better to be reviewed and given attention to overcome the deteriorating income earning and the increasing employee turnover observed in the company.

- Regarding to the regression result, the findings show that Empowerment significantly explains 25.3% of the variation in organizational performance. Therefore, H1: there is a positive and significant effect of empowerment on organizational performance is supported.
- Regarding to the regression result, the findings show that training significantly explains 15% of the variation in organizational performance. Therefore, H1: there is a positive and significant effect of training on organizational performance is supported.
- Regarding to the regression result, the findings show that communication significantly explains 19.8% of the variation in organizational performance. Therefore, H1: there is a positive and significant effect of communication on organizational performance is supported.
- Regarding to the regression result, the findings show that motivation significantly explains 38.5% of the variation in organizational performance. Therefore, H1: there is a positive and significant effect of motivation on organizational performance is supported.
- The overall, results revealed that all independent variables accounted for 43.3% of the variance in organizational performance ( $R^2 = 0.465$ ). Thus, 46.5% of the variation in organizational performance can be explained by the four internal marketing dimensions such as empowerment, training, communication, and motivation and other unexplored factors may limit organizational performance which accounts for about 53.5%.

### 5.3 Recommendations

Employees are internal customers, satisfying the needs and wants of these internal customers will enable the company to address the objective of the firm. Even if Ethio telecom has joined the industry for over than ten years, with a good reputation and goodwill, it's impossible to survive the competitive environment without adequate performance of its employees and which can be achieved by satisfied need and want. Therefore, this study recommends:

- The company should recognize the importance of internal marketing to improve organizational performance. The Company should implement internal marketing strategies

that will help them to build and maintain higher productivity. It is a better to give high value for internal staff to enhance organizational performance.

- There is need for the company to spearhead internal marketing activities in order to positively affect commitment of their employees for better performance that would contribute to the attainment of the overall objectives of the organization.
- The company should put more effort to attract more professional staff especially in human resource management dimension related to training, motivation, career development, etc.
- Ethio telecom should revise employee pay as to meet their qualification and experience so as to satisfy them and retain the employees and motivate them to work hard to achieve the overall goal of the company.
- The company should assess training practice of other similar service companies in the sector and provide the same for its employees so as employees will not shift from one service sector company to the other looking for better motivational practice.
- Bonus and salary increments which are motivating and encouraging items for the employees should be considered and factors to obtain these fringe benefits should be widened.
- Employee empowerment is mandatory therefore, Ethio telecom should keep on empowering its employees so as the employees participate in decision making process and participate in routine and easy cases, so as they will be able to perform better.
- Continuous training need to be further practiced. Newly employed as well as those who change their position need to be trained and upgraded for the smooth performance of the job they are assigned.
- Communication also has significant effect on organizational performance; immediate bosses have to keep on to communicating with their subordinates in order to make the employee fully aware of internal and external changes in the sector. Situations to communicate must be available like weekly meetings or notice board where daily updates would be written. This would enable the employee to perform knowing basic changes around them.

- Furthermore, Ethio telecom should understand different internal marketing tools and should adopt them and communicate to employees so as the level of employee performance and staff retention would be great
- This study was based on a single service providing industry Ethio telecom. It is questionable to apply the result of this study to other service providing sector and generalize. Besides the sample size taken in this study is only from head office. The other limitation is the internal marketing elements considered in the study, which are only four where as there are a number of other internal marketing elements to be considered.
- However, taking the result found in this study into account, further, researchers can apply the study model taking larger sample size from different service providing sector. Furthermore, considering other internal marketing elements in to consideration, a much wider research can be done.

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**Appendix One**  
**QUESTIONNAIRE PART**  
**JIMMA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**MBA PROGRAM**

**Dear Respondents**

First of all my sincere gratitude goes to you. I am working on my thesis for Masters of Business Administration (MBA) at the JIMMA University (UU) and the title of my research is: **“Effects of internal marketing on organizational performance in Ethio telecom”**. I conduct the research as partial fulfillment of the Masters of Business Administration of the JIMMA University.

**Thank You in Advance for Your Cooperation**

**Direction**

- ✓ There is no need to write your name or other identity
- ✓ Your response will be kept confidential and will be used only for academic purpose

Please respond to the item in the questionnaire by putting a tick mark (✓) inside the box.

**PART ONE: DEMOGRAPHIC VARIABLE**

**1) Gender:**

Male ☐

Female ☐

**2) Age:**

20 - 25 ☐

30-35 ☐

25 -30 ☐

35-40 ☐

40-45 ☐

45 and above ☐

### 3). Level of Education

Diploma ☐ Bachelor Degree ☐ Masters ☐ PHD ☐

## PART TWO: INTERNAL MARKETING

Please indicate your level of agreement (whether you agree or disagree) with each statement using the scale below as a guide: put (√) on your selection.

1= Strongly Disagree    2= Disagree    3= Neutral    4= Agree    5= Strongly Agree

| Independent Variables   | SD       | D        | N        | A        | SA       |
|---|----------|----------|----------|----------|----------|
| <b>MOTIVATION</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| When I do something extraordinary I know that I will receive some financial bonus/reward. |          |          |          |          |          |
| The incentive given to employees are motivating and on competitive basis.                 |          |          |          |          |          |
| I receive feedback from my supervisor on my job performance regularly.                    |          |          |          |          |          |
| The performance measurement reward system encourages employees to work hard.              |          |          |          |          |          |
| My income and the annual increment are based on periodic performance evaluation.          |          |          |          |          |          |
| My needs and wants are well understood by management                                      |          |          |          |          |          |
| <b>TRAINING</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| Ethio telecom properly assesses the needs of employees                                    |          |          |          |          |          |
| I am well aware of the Ethio telecom Mission and vision statements and how I fit to it    |          |          |          |          |          |
| There is a system in Ethio telecom that helps develop employees career                    |          |          |          |          |          |
| The training objectives of Ethio telecom are specific                                     |          |          |          |          |          |
| The training objectives of Ethio telecom are measurable                                   |          |          |          |          |          |

|  |           |          |          |          |           |
|--|-----------|----------|----------|----------|-----------|
| The training objectives of Ethio telecom are attainable  |           |          |          |          |           |
| Ethio telecom uses different training methods  |           |          |          |          |           |
| All employees have a better knowledge about the customer service offering  |           |          |          |          |           |
| My knowledge, skill and experience fit to the job being performed day to day   |           |          |          |          |           |
| The training program in Ethio telecom is planned and systematic  |           |          |          |          |           |
| <b>COMMUNICATION</b>   | <b>1</b>  | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>  |
| There is accurate and open flow of information in our department   |           |          |          |          |           |
| What I say about my job, the problem I face and the solution I suggest   |           |          |          |          |           |
| I can suggest improvement or come up with new ideas for work improvement to Ethio telecom management                 |           |          |          |          |           |
| Before any policy or procedure changes, my supervisor informs me about the change phase by phase                     |           |          |          |          |           |
| I feel like I am part of the organization because my ideas are given attention and considered valuable by management |           |          |          |          |           |
| I am satisfied with the communication I have with my supervisor and higher management.                               |           |          |          |          |           |
| <b>EMPOWERMENT</b>   | <b>1</b>  | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>  |
| My supervisor allows me to use my own judgment in solving problems   |           |          |          |          |           |
| My supervisor encourages me to take initiatives  |           |          |          |          |           |
| My supervisor allows me a high degree of initiative  |           |          |          |          |           |
| My supervisor trusts me to exercise good Judgment  |           |          |          |          |           |
| <b>ORGANISATIONAL PERFORMANCE</b>  | <b>SD</b> | <b>D</b> | <b>N</b> | <b>A</b> | <b>SA</b> |
| We are successful in minimizing cost of materials due to internal marketing practice                                 |           |          |          |          |           |
| We are successful in assuring quality of purchased materials due to internal marketing practice.                     |           |          |          |          |           |

|   |  |  |  |  |  |
|---|--|--|--|--|--|
| We are successful in assuring on-time delivery of ordered materials due to internal marketing practice.                   |  |  |  |  |  |
| We are successful in assuring volume and mix flexibility due to internal marketing practice.                              |  |  |  |  |  |
| Internal customers are much satisfied with the achievements of our purchasing function due to internal marketing practice |  |  |  |  |  |