# The Effect of Internal Marketing on Organizational Commitment from Market-Orientation Viewpoint in Hotel Industry in Iran

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#### Abstract

Purpose of the present study is to recognize how internal marketing affects organizational commitment. In this research we have used a questionnaire with thirty questions in order to study a one hundred sample of hotel managers and administrators in Isfahan province. In this regard, a model has been designed to show the effect of internal marketing on organizational commitment based on research literature which is tested by means of LISREL software. According to the 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. Amount of goodness indexes (AGFI= 0.96, GFI= 0.99) shows suitability of the model.

Keywords: Internal marketing, Market orientation, Organizational commitment, Hotel industry

# 1. Introduction

Tourism industry market is rapidly developing, so that this industry has been transformed to one of the biggest fields of business in the world. Active managers in this industry should provide the possibility of utilization of prospective opportunities for themselves with their intelligence and enhance their organizational performance. This industry has characteristics that are different from other businesses for many reasons and such differences impress the manner of the corporate management seriously. Successful organizations in this industry draw their attention to customers and employees (both of them). They understand chain (profit and service) and this chain is such that connects the organization's profit with customer's satisfaction and consent and especially with employees (James & Thomas, 2000).

In service section especially tourism, employees facilitate execution of strategies of the organization and its superior performance through effective interaction with customers (Brown and Maven, 2005).

Therefore, we should seek the solution for securing of the organization's superior performance in successful role-creation of human sources. In order to achieve organization purposes in this section, we should start our work by paying attention to those who are dealing with customers' affairs. This aspect of activity of service organizations has proposed a new subject that is called internal marketing.

Nowadays internal marketing has been recognized as a strategy for market orientation. The related studies in this ground reveal that internal marketing activities improve organization's competitiveness through influence and creating of motivation in employees and enhance competences (Ahmed & Rafiq, 2004). Generally we can say that implementation of internal marketing in service organizations will equip these organizations with

capabilities and competencies that will result in customer satisfaction while enjoying of environmental opportunities.

In contrast with previous researches in the field of internal marketing, this research tries to study and develop the framework for the effect of internal marketing on organizational commitment in hotel industry and also mechanism of such relation through market orientation empirically.

The objective of internal marketing is to create an internal environment in which customer consciousness proliferates among personnel. The satisfaction of internal customers is important to the success of a service firm (cf. Gremler *et al.*, 1994). One of the important consequences of internal marketing is to increase the organizational commitment of employees (Tansuhaj *et al.*, 1991). This in turn should result in increased job satisfaction; increased job performance and lower turnover of staff (Jenkins and Thomlinson, 1992). Thereby it facilitates the interactive process.

This study sets out to consider what internal marketing involves and whether internal marketing practice in a service firm has an effect on the level of employee commitment to the organization. The concepts of internal marketing and organizational commitment are first examined and the mediating role of market orientation is investigated. Results of a survey relating the levels of internal marketing and organizational commitment among managers of Esfahan's Hotels are reported. Findings are discussed, implications are drawn and suggestions made for ongoing research.

#### 2. Literature review

## 2.1 Internal marketing

Philosophy of human resources management has proposed a new subject in service section which is called internal marketing. Internal marketing concept originates from studies about quality of service section and mechanisms of service offering by employees in the 1990's. Coper and Cronin (2000) consider internal marketing as the organization's attempts for education, reward and generally management of human resources for better service offering. They believe that employees constitute primary tools of the organization. Parasuraman (2000) also believes that jobs are internal products especially in service section which satisfy employees' needs and demands and result in recognizing of the organization's purposes and employees are considered as primary customers of the organization. Performed researches in the field of internal marketing are dividable in the form of four categories. The first viewpoint is human resources' viewpoint. Internal marketing should be integrated with theories, strategies and principles of human resources with due attention to this viewpoint (Joseph, 1996). In second viewpoint internal marketing is developing and improving of customer-oriented behavior with employees. In this viewpoint the organization should adopt a framework like the external market and establish a comprehensive program in order to improve and attract free will of employees in the internal market or the organization.

In the third viewpoint, theoreticians such as Berry (1981) and Gruen (1994) believe that products and employees are internal customers of the organization in internal marketing of jobs. The fourth viewpoint is entitled internal transaction. Based on this viewpoint internal marketing is an exchange relation between the organization and employees for gaining of the organization's purposes in a business environment (Foreman, 1995).

Anselmo (2008) argues organizations that are really committed with their workforce' happiness can enjoy the internal marketing strengths. As it was remarked through, such management tool can be very useful in fulfilling employees' needs by several broader IM approaches, namely:

- 1- Putting people in the first place
- 2- Providing as high as possible employees' work satisfaction.
- 3- Developing jobs as products in a wider perspective.

Ahmed and Rafiq have introduced internal marketing as the introduction of executing of the organization's strategies and have used the combined word of internal marketing. Price or payments, promotion or progress (education, empowering, and communications), working place or environment and processes (job products) are applied as indexes of internal marketing in this study.

Galpin (1997) has performed a study in the field of internal marketing in Malaysia and has applied indexes of organizational plans in the form of, strategic rewards, internal communications, education and development, employment, reward systems, empowerment and processes in order to measure and evaluate internal marketing. Also, Forman and money (1995) have utilized internal communications, education, creating of motivation, empowerment, guidance and organizational incentives as indexes while consider internal marketing synonymous

with human resources management. Ling (2004) has performed a study about the relation between internal marketing and job satisfaction in Greece. He has used organizational dynamic structure, participatory decision making, empowering, and being aware of the circumstances of the working market, internal relations among managers and employees, existing of job descriptions in the organization, education and organizational rewards indexes in order to evaluate internal marketing.

### 2.2 Organizational commitment

Porter et al. (1974), who developed the Organizational Commitment Questionnaire (OCQ), base this on a unidimensional behavioral conceptualization of organizational commitment involving "the relative strength of an individual's identification with, and involvement in, a particular organization". Meyer and Allen (1984) call this affective commitment. Here the employee is seen to be emotionally attached, identifies with the organization, and is therefore committed to pursue its goals. Basing themselves on Side-Bet theory (see, for example, Becker, 1960) the authors identify a further dimension of organizational commitment which they term continuance commitment. This views the employee as being less affective and more calculative considering the costs that would result in terms of interests such as pensions and security. This type of commitment has been measured with scales developed by Ritzer and Trice (1969), which were later amended by Hrebiniak and Alutto (1972). Allen and Meyer (1990) developed a conceptualization of organizational commitment that encompasses not only affective commitment and continuance commitment but also normative commitment. The latter refers to employees' feelings of obligation to stay with the organization. Such feelings of obligation result from a process of internalization of normative pressures either prior or following affiliation to an organization. This conceptualization of Market orientation 297 organizational commitments led to the development of a 24-item instrument, split into three sections, each of eight items that capture all of the three dimensions (Allen and Meyer, 1990).

## 2.3 Internal Marketing and organizational commitment

In services marketing literature, one can find a direct or indirect affect of some of the IM concept dimensions (examined in an isolated manner) on some categories or dimensions of business performance indicators, primarily: improving service quality, decreasing the rate of personnel turnover, creating customer conscious employees, improving employee commitment to the organization (George, 2009).

The major thrust of the internal marketing concept is to ensure that employees feel that management cares about them and their needs are met. The successful application of the concept is translated into positive employee attitudes towards their work including organizational commitment, job involvement, work motivation and job satisfaction (Tansuhaj *et al.*, 1991). There is some empirical support for a significant relationship between internal marketing and consumer satisfaction (Tansuhaj *et al.*, 1987) and between internal marketing and service quality (Richardson and Robinson, 1986). The resultant positive effect of internal marketing will mean that employees will input maximum rather than minimum effort thereby better satisfying the needs and wants of external customers (Berry, 1981).

Lack of commitment from employees can be harmful to an organization, resulting in poorer performance arising from inferior service offerings and higher costs. Hogg (1996) has suggested that internal marketing could be the answer to gaining employee commitment, succeeding where traditional internal communications programmers have failed. Ajay and Sabir (2009) noted that wellbeing in terms of six constructs including: a manageable workload; personal control over the job; support from colleagues and supervisors; positive relationships at work; a reasonably clear role and a sense of control of involvement in changes in the organization positively related with affective and normative commitment. Schlessenger and Heskett (1991) highlight the importance of motivated employees, arguing that this leads to a "cycle of success" that results in increased awareness of employees' roles in customer satisfaction; the integration of employees into winning teams; and a concentration on quality as the core of a service. These authors argue that management of service firms need to break out of a "cycle of failure" thus:

Hypothesis 1: internal Marketing is positively related to organizational commitment.

# 2.4 Market orientation and organizational commitment

One area in which market orientation has been found to have an influence is on organizational commitment. Organizational commitment levels were significantly higher in organizations that were deemed more market oriented (Michael, 2009).

Previous studies of the antecedents and consequences of organizational commitment have relied on a limited, often unidimensional, and conceptualization of the construct. Many of the relationships that have been identified

in the meta-analysis of the psychology literature by Mathieu and Zajac (1990) suffer from this limitation. Similarly, statistically significant findings linking market orientation as an antecedent to organizational commitment by salespeople and in SBUs may need to be reassessed. They are based on an affective commitment conceptualization measured by OCQ (Siguaw *et al.*, 1994) and by a similar seven-item, predominantly behavior, measure (Jaworski and Kohli, 1993).

The marketing literature also shows that market orientation is an antecedent to organizational commitment. This is confirmed from research by Jaworski and Kohli (1993) that conceptualizes market orientation as consisting of three dimensions: intelligence gathering, intelligence dissemination and responsiveness.

Although in their study these authors have only used the affective commitment dimension to measure organizational commitment, research using the expanded organizational commitment construct has also indicated that market orientation is only significantly related to the affective component of organizational commitment (Caruana *et al.*, 1997). It is interesting to note that market orientation like internal marketing consists of many activities that involve actions taken within the organization. Thus:

Hypothesis 2: Market orientation is positively related to organizational commitment

# 2.5 Internal marketing and market orientation

Customer orientation discussion has been settled at the heart of market orientation. Internal marketing is an important structure and background of market orientation. Clear-sighted like Erdil (2000) has sought to explain organizational culture and its management in the framework of human resources activities and internal marketing in order to concentrate on customers' needs and demands or market orientation. Pierce and Morgan (1991) have shown in their studies that internal marketing has a direct relation with services' improvement and customer orientation.

There is strong evidence to suggest that employee attitudes and behaviors may influence market orientation; however, the causal direction of this relationship remains unclear. Several authors report that market orientation has positive consequences for employee attitudes and behaviors such as job satisfaction, organizational commitment and role stress (Gordon, 2010).

Swarts (1990), Woodruff (1994), Day (1994) and Leyland (1996)] have performed separate studies about the relation between internal marketing and the amount of the organization's market orientation. They have demonstrated that human resources activities especially with the topic of organizational culture management will be followed by market orientation of the organization. The evidence suggested that certain organizational types may, by their nature, enhance the processes which embody market orientation. Internal marketing through improving innovative and supportive cultures have direct influence on marketing effectiveness (Mcclure, 2010).

Rafiq and Nourizan have performed a study about the relation between internal marketing and market orientation and its effect on organizational performance in a sample of service organizations in Malaysia. The direct effect of internal marketing on market orientation has been emphasized in this study. Market orientation of the organization has been measured as an organizational culture through indexes of Slater and Narver and (1990) in the above study. In another study in England by Kim, the relation between internal marketing and market orientation and organizational performance has been emphasized. These two researchers have used organization's customer-orientation, competitor orientation and inter-functional coordination components to measure market orientation in their study (Kim, 2003). With due attention to the above issues:

Hypothesis 3: internal marketing is positively related to market orientation.

## 3. Conceptual framework of study

In line with the literature review and the purpose of the study as described at the start of the paper and hypotheses the conceptual framework of study was configured as illustrated in figure 1(Refer to Notes).

## 4. Research methodology

To be able to investigate the relationship between internal marketing and organizational commitment, a survey is developed and conducted in hotels in Isfahan as the major tourism focal point in Iran. The data is collected using 30 questions, which are submitted to managers in order to measure their perceptions and attitudes. Respondents were assured of complete anonymity and no names or other means of identification were requested and they are asked to fill the questionnaire using a five point Likert scale (1 as very low, 2 as low, and 3 as moderate, 4 as high and 5 as very high). To measure organizational commitment use is made of the 10-items instrument developed by Allen and Meyer (1990). The reliability of the scales measuring the three dimensions of organizational commitment ranged from 0.791 to 0.892.

Internal marketing was measured using the 12-item scale developed by Money and Foreman (1995) with reliability alpha of 0.931.Market orientation was measured using the 8-item MARKOR instrument as reported in Kohli *et al.* (1993) with reliability alpha of 0.842.

## 5. Sample selection and date collection

The population of this survey includes all managers of 3, 4 and 5 star hotels in Isfahan. A total of 121 questionnaires were sent to a random sample of mentioned population.

A total of 100 usable replies were obtained, representing an effective response rate of 82 percent. Managerial grades were chosen because these represent an important depository of knowledge for any organization and are essential to the smooth operation of a hotel. Table 1 addresses the demographic characteristics of sample of managers.

## 6. Data analysis

Structural equation modeling (SEM) was used to test the hypothesized relationships in the proposed model. The structural equation modeling technique enables the simultaneous estimation of multiple regression equations in a single framework. Notably, all direct and indirect relationships in the model are estimated simultaneously, and thus the method allows all the interrelationships among the variables to be assessed in the same decision context (Oh, 1999).

The data collected was analyzed using LISREL which is a multivariate modeling technique. LISREL aims to explain the structure or pattern among a set of latent (unobserved or theoretical) variables, each measured by one or more manifest (observed or empirical) and typically fallible indicators. The LISREL model assumes a causal structure among a set of latent variables. These latent variables appear as underlying causes of the observed variables.

The model consists of two sets of equations: firstly, the measurement model equations which specify how the latent variables (or hypothetical constructs) are measured in terms of the observed variables, and how these are used to describe the measurement properties (validities and reliabilities) of the observed variables. And secondly, the structural equation model which specifies the causal relationships among the latent variables and is used to describe the causal effects

#### 7. Results

# 7.1 Reliability of scales

All scales in this study were highly reliable. The 10-items of organizational commitment scale had a reliability of 0.89. The 12-item internal marketing scale had a reliability of 0.93 and Market orientation was measured using the 8-item MARKOR instrument as reported in Kohli *et al.* (1993) with reliability alpha of 0.842. (Table 2).

## 7.2 Analysis of the structural equation model

The causal structure of the proposed theoretical framework was examined using the structural equation model. (Figure 2).

The main proposed question is that whether this model is suitable or not. In order to answer this question we should evaluate circumstantial evidence/ $\chi^2$  df and other suitability measures of the model's goodness.

Chi-square divided by the number of degrees of freedom was used as the goodness of fit indicator. Using this test criteria, the value of 1.84 (p< 0.001) for this model indicates a very good fit.

Other criterions are the goodness of fit index (GFI) and the adjusted goodness of fit index (AGFI), which approach unity that shows the model fits the data. The values of 0.99 and 0.96 respectively indicate a good model fit. A third criterion is the standardized root mean square residual (SRMSR) that values close to zero indicate a good model fit. The value obtained in this model was 0.0045 which is indicating a very good fit. Table3 reports other goodness of fit indices. For an overall evaluation, the goodness of fit of the model can be said to be very good, given the large number of parameters to be estimated (Refer to notes, Table3).

# 7.3 Structural paths and hypotheses tests

The results also enabled each of the proposed hypotheses to be tested. Hypothesis 1 stated that internal Marketing is positively related to organizational commitment. In the revised model, the internal Marketing to organizational commitment link was found to be significant (b = 0.34, p < 0.01), so this hypothesis is supported. Hypothesis 2 stated that Market orientation is positively related to organizational commitment. The Market orientation to organizational commitment link also was found to be significant (b = 0.78, p < 0.05), so this hypothesis is supported. Hypothesis 3 stated that internal marketing is positively related to market orientation. In

the revised model, the internal marketing to market orientation link was found to be significant (b = 0.56, p< 0.05), so this hypothesis is supported.

Circumstantial evidence t is used in order to show significance of each parameters of the model. This circumstantial evidence is obtained from the proportion of each parameter's coefficient to the standard deviation error of that parameter which should be higher than 2 (t  $\geq$ 2) in t-test and higher than 1.96 (z  $\geq$  1.96) in z-test. (Table3)

With due regard to LISREL output (figure 3) amount of calculated t is higher than 2 in all variables until these estimations become significant statistically. Thus, all represented estimates are significant statistically. With due attention to LISREL output we can conclude that internal marketing has a full significant effect on market orientation and this relation is significant on organizational commitment.

#### 8. Conclusion

Today internal marketing has been considered as a strategy for market orientation. Related studies in this ground reveal that internal marketing activities improve competitiveness of the organization through influence and creating of motivation and enhance competences. Totally we can say that implementation of internal marketing in service organizations will equip these organizations with capabilities and competencies that will result in customer satisfaction while enjoying of environmental opportunities and improves organizational performance. Internal marketing factors and the manner of influence of them on organizational commitment has been tested in this research. Research results illustrate that all factors related to internal marketing have a full significant effect on market orientation and organizational commitment. Of course these results correspond to results of previous researches in this regard especially studies of Ahmed and Rafiq, Morgan, Fombern and Guest.

The limitations of the study are fairly selfevident. The internal marketing construct requires further theoretical development and elaboration to distinguish it from some of the constructs that are described and normally treated as part of human resource management. In turn this may point to the need for the improvement of the internal marketing instrument and further aspects of validity need to be considered.

The other limitation of this research is that selecting and evaluating of parameters have been based on performed researches in European and American environments. However, we have tried to select suitable measures proportion to Iran's business environment by applying of Delphi technique and experts' opinion poll. Also we have used LISREL software in the model's goodness. It is possible to use other software such as Amos and PLS and then compare their results with the present research.

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Table 1. Sample demographic characteristics

	N		N		
Age		Educational Level		Gender	N
25 to 35	8	High School	12		
35 to 45	16	Diploma	35	Male	92
45 to 55	23	Associates	0	Female	8
55 to 65	47	Bachelors	41		
65 and over	6	Masters & higher	12		

Table 2. Reliability of scales

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Scales adapted from	Cronbach α of this study	Mean	SD	
Organizational commitment	0.89	3.4	1.2	
Internal marketing	0.93	3.6	1.03	
Market orientation	0.842	2.93	1.4	

Table 3. Summary of results

Path		Hypotheses	Estimate	t-Value
Internal marketing	 organizational commitment	H1	0.34 <sup>×</sup>	3.43
Market orientation	 organizational commitment	H2	0.78 ××	4.7
Internal marketing	 market orientation	Н3	0.56 ××	5.4
	$\chi^2/df$		1/84	
	GFI		0.99	
	AGFI		0.96	
	RMSEA		0.003	
	CFI		0.97	
	NFI		0.98	
	SRMSR		0.0045	

Notes: CFI = comparative fit index; GFI = goodness of fit index; AGFI = adjusted goodness of fit index; SRMR = standardized root mean square residual; RMSEA = root mean square error of approximation; \*p < 0.01 (one-tailed test); \*\*p < 0.05

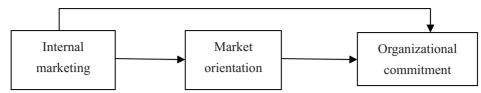


Figure 1. Conceptual framework of study

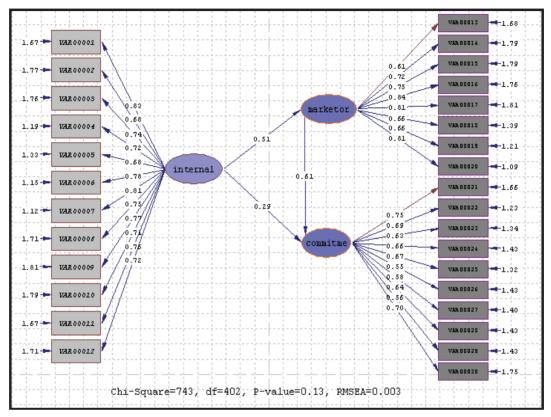


Figure 2. Principal model of research

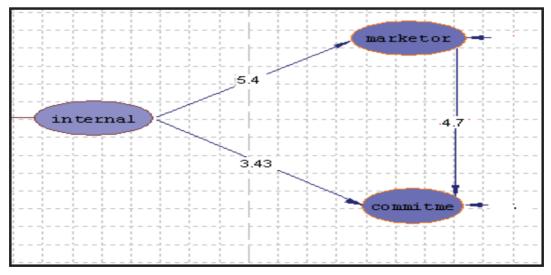


Figure 3. Model of adjusted index of T

Notes: Internal: internal marketing-marketor: market orientation-commitme: organizational commitment