

Addis Ababa
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SCHOOL OF COMMERCE

**EFFECT OF INTERNAL MARKETING ON
EMPLOYEES' CUSTOMER ORIENTATION**

(A CASE OF COMMERCIAL BANK OF ETHIOPIA)

**A Thesis Submitted to the School of Graduate Studies of Addis
Ababa
University in Partial Fulfillment of the requirement for the Award
of Masters of Arts in Marketing Management**

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DECLARATION

I, Binyam Zerihun Mengistie declare that the thesis entitled “The effect of internal marketing on employees’ customer orientation: a case of Commercial Bank of Ethiopia” is my original work. Moreover, this study has not been presented for any other program or university and that all sources of material used have been acknowledged accordingly.

Binyam Zerihun

CERTIFICATION

This is to certify that Binyam Zerihun has carried out his research work on entitled “The effect of internal marketing on employees’ customer orientation: a case of Commercial Bank of Ethiopia” for Partial Fulfillment of the Requirements for the Degree of Masters of Arts in Marketing Management at Addis Ababa University School of Commerce. This work is original and it is suitable for submission of Masters of Arts in Marketing Management.

Advisor: Dr. Rakshit Negi

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List of Abbreviations/Acronyms

IM – Internal Marketing

CO – Customer Orientation

CBE-Commercial Bank of Ethiopia

KPI- Key Performance Indicator

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ABSTRACT

This research paper was conducted to examine the effect of internal marketing on employees' customer orientation in Commercial Bank of Ethiopia. To investigate such effect, most commonly used dimensions of internal marketing which were training and development, communication and motivation have been identified and used within this study. The target population of the study was employees of Commercial Bank of Ethiopia assigned in the area where there is a direct contact with customers. The data collection through questionnaire resulted from 317 feedbacks received from employees' of Commercial Bank of Ethiopia. Statistical Package for social studies (SPSS) version 20 was used for analysis. In addition to correlation analysis, further regression analysis was conducted to examine the effect of internal marketing on employees' customer orientation. The result indicates that all selected dimensions of internal marketing have significant effect on employees' customer orientation. Therefore, Commercial Bank of Ethiopia is recommended to fully implement internal marketing principles to increase employees' customer orientation behavior as it is one of the competitive advantages of an organization to remain competitive in such dynamic, ambiguous and turbulent business environment.

Key Words: Internal Marketing, Training and Development, Communication, Motivation, Customer Orientation

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Today organizations are active in the dynamic, ambiguous and changing environments. One of the most striking features of the contemporary is changes and developments of dramatic and ongoing that occurs in social, cultural, political, economic and technological conditions (Such as changes in the attitudes, ideology, social values) (Naeij, 2004). In this constantly changing world and today's competitive more companies are seek ways for increase their competitive advantage, one way is move towards improve and service delivery to customers. Thus, companies usually trying to put more facilities for customers and satisfies their needs quickly. But smart and prospective organizations before any action do appeals in their behavior and relationship with their employees and in the first step will satisfy their needs.

Internal marketing is considered employees as internal customers and jobs as internal products. It is concentrated on the appropriate internal relationships between individuals at the all levels of organizations. (Lee et al., 2011)

Employee commitment to the organization is generating of intangible assets. In the recent years organizational commitment has been important part of organizational studies and studies center. Because, its relationship has been determined with quality of organizational life and also studies show that employees' commitment is considered strong and effective force in organizations' positioned. (Nia et al., 2010)

Internal marketing orientation is an important concept where organizations apply marketing tools to attract and retain the best employees, which will affect business performance. The term internal marketing orientation is defined as viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of theses internal customers while addressing the objectives of the organizations (Berry, 1981). Internal marketing orientation began as a method to motivate and satisfy employees, developed through a customer orientation phase (Rafiq & Ahmed,

2000). Regarding the internal marketing orientation concept, the organizations will be able to manage their performances in today's competitive environment.

Kotler (2000) highlights that internal marketing is more important than the traditional external marketing. That is because employees are also consumers, where the organization has to take care of its employees and build organization value for every member to follow (Kotler, 2002). In addition, Greene et al. (1994) suggest that internal marketing orientation is the key to excellent service and success of external marketing. Both views justify the exploration of the concept of marketing, i.e. internal marketing orientation, within a business organization in the service sector.

However, Farzad (2007) asserts that the fundamental tool for achieving employee satisfaction is the treatment of employees as customers. The concept of internal marketing has evolved from the original conceptualization of employee satisfaction/motivation by treating employees as customers and jobs as products for improving service quality (Sasser & Arbeit, 1976; Berry, 1981), to customer orientation/market orientation and the use of marketing-like approach and marketing-like tools internally to motivate employees (Gronroos, 1985).

Moreover, in terms of market orientation concept, literatures have shown that, internal market orientation has an impact on employees' roles and responsibilities in the form of employee satisfaction. However, if employees have awareness of market orientation and how it relates to their roles and responsibilities, employees will have better job satisfaction because management's react is better to the employees. In relation to that, Gronroos (1985) mentioned that internal marketing orientation is about motivating the employees by active marketing-like activities: "holding that an organization's 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." (Rafiq & Ahmed, 2000)

Organization should respect their employees and treat them as internal customers. Hence, in order to attract, motivate, and maintain employees, the organization should meet their requirements and treat them as customers in order to build up the employee loyalty. According to Li, et al. (2010), in order to achieve organizational expectation, the employees will be searching for improvement and motivational methods such as motivation system, training and job design, etc. to increase their organizational and individual performance. In short, the creation of a market-oriented culture results in internal customer satisfaction and improved service quality, which leads to customer satisfaction and success in the external market.

Customer is most key factor of organization's external environment in development of market-oriented strategy and organizations should develop a customer-oriented strategy. Market-oriented improves results of the service companies. Due to special feature of services, satisfy customer needs in the service companies has higher limits compared to other sectors. (Lings 2000)

With increasing expansion of service economy, organizations in order to gain and maintain stable competitive advantage, are seeking new solutions for absorbing and keeping customers.

Bellaouaied and Gam (2012) revealed that internal marketing has a significant impact on the mediating variable, employees' customer orientation. The finding of the study also showed that employees' customer orientation has a significant mediating effect on the relationship between internal marketing and service quality perception. This explains why most businesses would adopt internal marketing for building customer-oriented employees principally because of increasing competitiveness, changing business environments, and as well constantly delivering customer value. Banking industry is a very dynamic where competitions among banks are very stiffer. In order to survive and remain profitable, Commercial Bank of Ethiopia set vision and works to become world class commercial bank by the 2025. Internal marketing remains a viable business orientation approach that can be adopted by bank management to improve the level of employees' commitment to the organization as well as improve the effectiveness of service delivery by employees of the banks to their customers.

One of the competitive advantages in banking is having customer oriented front line employees. These front line service employees' customer orientation has a major effect on achieving Commercial Bank of Ethiopia's vision; hence, the research aims to study on the effect of internal marketing on customer orientation in Commercial Bank of Ethiopia.

1.1.1 Company Profile

After the Ethiopian victory over Fascist Italy, the new government established the State Bank of Ethiopia a proclamation issued in August 1942. State Bank of Ethiopia commenced full operations on 15 April 1943 with two branches and 43 staff. It served both as the Ethiopia's central bank with the power to issue bank notes and coins as the agent of the Ministry of Finance, and as the principal commercial bank in the country.

In 1963, the Ethiopian government split the State Bank of Ethiopia into two banks, the National Bank of Ethiopia (the central bank), and the Commercial Bank of Ethiopia (CBE).

The Ethiopian government merged Addis Bank into the Commercial Bank of Ethiopia in 1980 to make CBE the sole commercial bank in the country. The government had created Addis Bank from the merger of the newly nationalized Addis Ababa Bank, and the Ethiopian operations of the Banco di Roma and Banco di Napoli. Addis Ababa Bank was an affiliate that National and Grindlays Bank had established in 1963 and of which it owned 40%. At the time of nationalization, Addis Ababa Bank had 26 branches. The merger of Addis Ababa Bank with CBE made CBE the sole commercial bank in Ethiopia.

Now the total asset of the Bank has reached to birr 303.6 billion as of June 30, 2015. CBE has birr 241.7 billion deposits as at June 30, 2015. Majority of the deposit (66%) come from private sector. The total number of the Bank's employees has reached to 22, 908 as at June 30, 2015.

1.1 Statement of the Problem

Now-a-days, the service industry has a crucial and important role in the growth and development of countries and among these, banking as a financial industry plays a significant role. In service organizations, the staffs that are in relation with customers have a vital role in the process of offering services. If opportunity is given to these staffs to get familiar with the perspective of the organization, this recognition has effect on the service behavior of employees and leads to enhance the quality of offered services to customers. Generally, it can be said that executing internal marketing in service section equips the organizations capabilities and competencies.

However, as important as the roles of employees in banks, their capabilities and potentiality towards the customer orientation are often undermined by the management. Many banks therefore neglect to work on the internal marketing which can augment their satisfaction. Literatures have however established that internal marketing is a potent business strategy towards the success of an organization especially banks. Internal marketing is particularly geared towards perceiving the employees of an organization as internal customers thereby contributing meaningfully to their welfare in all outcomes. Besides, one other method to achieve the goal of an organization is through customer orientation which is focused primarily on satisfying their needs and desires of the customers. (Gafar, et al., 2014)

Amangala (2013) also supported the perception that that all dimensions of internal market such as internal communication, empowerment, training and development and of course reward and recognition had positive relationships with customer orientation and can aid in realizing the goals of

banking industry. In a related development, Shekary, et al (2012) understudied the impact of internal marketing on employee organizational obligation within a banking industry. The results of their analysis revealed that the position of internal marketing steps in banking industry was inappropriate. This might be what is responsible for the current multifaceted challenges confronting banks in this contemporary age. To solve all these inherent challenges in the industry the banks' management has got no option other than implement internal market policies in their institutions.

As service giving organization, CBE gives high emphasis to its internal marketing. The very nature of service is vital part of service giving organizations which service providers directly contact with their customers through frontline staffs as service is one of the competitive advantage which CBE currently has. In relation to this, front lines employees' customer orientation plays great role in rendering the quality of service to external customers.

Although the bank still becomes the leader in Ethiopian banking industry, it experience shortcoming in customer orientation which results from internal marketing practice weaknesses. Thus, the gaps in internal marketing with respect to communication, motivation and training & development toward securing customer orientation in CBE were the stand point of this research to engage in.

1.2 Research Questions

Based on the problem stated above, the researcher is inspired to address the following basic questions.

- What is the level of the banks' internal marketing practice in terms dimensions?
- How internal marketing affect customer orientation of employees'?
- How do internal marketing dimensions correlate with employees' customer orientation?

1.4 Research Objective

1.4.1 General Objective:

The general objective of the study was to investigate the effect of internal marketing on customer orientation of employees in case of Commercial Bank of Ethiopia.

1.4.2 Specific Objective:

- To know how internal marketing affect the employees' customer orientation.
- To identify the level of internal marketing practices in terms of its dimensions.
- To analyze the correlation between internal marketing dimensions and employees' customer orientation.

1.5 Significance of the Study

As this study was conducted on Commercial Bank of Ethiopia, the study has an importance to the bank by providing constructive or valuable information and indicating the relationship and effect of internal marketing on the customer orientation and also provides recommendations how to enhance customer orientation by implementing internal marketing principles. The other significance of the study is to understand the need of internal marketing to give excellent service to customers through front line staffs of CBE. Beside this, it can be helpful for managers as well as supervisors of the bank to know the effect of internal marketing in relation to customer orientation of employees and it is helpful for other researchers as a reference.

1.6 Scope of the Study

The study mainly focuses on the effect of internal marketing effect on customer orientation of employees. Internal marketing has various and different dimensions, nevertheless, the study was conducted on only three dimensions; Training and Development, Communication and Motivation. The outcome of the study was entirely depends on the responses of respondents included in the study. The study was focus on frontline employees of CBE who serve at branches located in Addis Ababa city.

1.7 Definition of Key Terms

- **Internal Marketing:** A concept of viewing employees as internal customers, jobs as internal products, and endeavoring to better design these products to meet the needs of these customers. Greene et al. (1994, p. 8)

-
- **Training and Development:** Training is systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job. Training and development is designed activities from the environment that provides employees the opportunity from employers side with the purpose of enhancing the level to develop and learn new skills for their development of knowledge and skills or to modify the behaviors. Armstrong (2001)
 - **Communication:** A general concept that covers the communication and feedback between executives and employees, horizontal and vertical communications, work related information and communication among departments. Engin & Akgoz (2013)
 - **Motivation:** The development of desire within an employee to perform a task to his/her greatest ability based on that individuals own initiatives. Rudolf and Kleiner (1989, p.1)
 - **Customer Orientation:** Employees willingness to meet needs and respond to customers wants under occupational condition. Brown et al, (2002, p.110)

1.8 Organization of the Study

The study will be organized into five chapters:

In Chapter One, Introduction will be presented. In this chapter background of the study, statement of the problem, research question and objectives, significance of the study and scope of the study will be presented. Chapter Two will present existing literature on the relationship between internal marketing and employees' customer orientation. Chapter three will be the methodology of the research where the research design and research methods will be explained. Then findings and analysis will come in. Chapter four will present discussion of the result of the study and compare with the literature. Chapter five will presents the summary of finding, conclusion, and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Definition of Internal Marketing

Gronroos is one of the scholars who first introduced the term internal marketing during 1982s. He defined internal marketing as the behavior of selling a corporation for its internal customers /employees. The term internal marketing is used to describe the application of marketing internally within the organization. Every department and every person is both supplier and a customer, and the organization's staff works together in a manner supporting the company strategy and goal. It relates to all functions within the organization, but it is vitally concerned with the management of human resource.

Internal marketing means applying the philosophy and practices of marketing to the people who serve the external customer as the best possible people can be employed and retained and they will do the best work possible. More specifically, it is viewing employees as internal customers, jobs as internal products, and endeavoring to design these products to meet the needs of these customers better.

The principles of internal marketing is also applied in human resource management to motivate, mobilize, nominate, and manage employees at all levels of the organization to continuously improve the way they serve external customers. There are several forms of internal marketing, what they all share in common is that the customer is inside the organization; it is viewing employees as internal customers, jobs as internal products and offering internal products that satisfy the needs and wants of these internal customers, considering the objectives of the organization.

Internal marketing lacks a widely accepted definition, but usually it encompasses three main themes: service-mindedness and customer-oriented behaviors, focusing staff attention on the internal activities that need to be changed in order to enhance marketplace performance and creating motivated and customer-oriented employees (Mosley, 2007).

Internal marketing concept of employees treated as external customers leads to the premises that just as external customers, internal customers desire to have their needs satisfied. Fulfilling employee needs enhances employee satisfaction, the higher the employees' satisfaction the higher the possibility of generating external satisfaction and loyalty (Ahmed & Rafiq, 2003).

People are critical to the success of organizations. Companies that select, develop, manage and motivate their workforce to produce outstanding business results have an extraordinary competitive advantage that others cannot copy. The objective of internal marketing is to get motivated and customer conscious employees in order to achieve service excellence. The use of marketing in the internal marketing context suggests an emphasis on the application of marketing techniques, approaches, concepts, and theories aimed at achieving customer satisfaction in the context of internal customers, in order to achieve success in the external market. (Papasolomou, 2006)

Customer service holds great potential as a means for managing the internal work environment. Focusing on people rather than on jobs can be a difficult transition, but it may be critical for the survival and success of the organization (Cardy, 2001).

Internal marketing is also a philosophy for managing the organization's human resources based on a marketing perspective. A market-oriented human resources manager is more likely to make an impact on the success of a company, considering it tends to be more effective in both demonstrating the relevance of human resources to all the company, helping other managers to increase their productivity. Internal marketing operates as a holistic management process to integrate the multiple functions of the organization in two ways: To ensure that the employees at all levels understand and experience the business and its various activities and campaigns. In the context of an environment that supports customer consciousness, and to ensure that all employees be prepared and motivated to act in a service oriented manner.

Internal marketing concept states that the internal market of employees is best motivated for service-mindedness and a customer-oriented behavior by an active, marketing approach, where marketing like activities are used maternally. Having satisfied and motivated employees will influence positively customer satisfaction, through more satisfactory encounters with contact personnel. From this viewpoint, "employment" (job description and employee-related policies) is the internal "product" and first-line employees the company's internal "customers" (Gounaris, 2008).

Encouraging the organization's employees to buy their own services and products in both consumption and psychological terms can boost sales and confidence for customer service delivery.

It requires considerable co-ordination since promotion to external customers will also largely influence employees (Varey, 1995).

Internal marketing represents a rather recent concept and denotes the application of marketing within the business. It relies on two principles; namely that it is important to satisfy the needs of employees before the business can satisfy the needs of its customers; and the rule that apply in the market area of business. It stresses that in order to create and offer value for the customers; a strong focus on specific internal marketing components is mandatory. The term internal marketing, (IM) is used to describe the application of marketing internally within the organization. “Every department and every person is both supplier and a customer, and the organization’s staff works together in a manner supporting the company strategy and goals” (Farias, 2010). Excellently managed service companies believe that employee relations will affect customer relations. In these firms, management carries out internal marketing and provides employee support and rewards for good performance. In addition, management regularly audits employee job satisfaction (Kotler, 2000, p244).

The definition of Berry (1981),“IM is viewing, employees as internal customers” IM is viewing jobs as internal products” IM results in overall customer satisfaction” define Internal marketing perfectly.

In conclusion, the exact definition of internal marketing has not been given by scholars yet but its concept rolls around employees being considered as customers by their employers; it is treating employees as external customers are being treated so as to gain competitive advantage which can’t be copied. Implementing internal marketing has different dimension, benefit and challenges which will be discussed in detail.

2.1.2 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.

2.1.2.1 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)

2.1.2.2 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).

2.1.2.3 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.

2.1.3 Implementing Internal Marketing

The incentive for properly implementing internal marketing is how it will assist in the creation of competitive advantage. Companies that embrace internal marketing understand that taking care of customer's means taking care of employees. They realize that their employees are important because they are responsible for delivering quality products and services to their customers. Sustained delivery of products and services that exceeds customers' expectations will develop customer loyalty, as they become highly satisfied or even delighted (Kotler, 2008).

According to Proctor (2010), there are practical actions that can be taken to implement internal marketing with a focus on preparing employees to build a relationship with customers and deliver a quality service to customers. These includes

- Making sure employees are told about the organization's mission and how they fit into it
- Making sure internal communication channels effectively share information on how to market ideas and services internally
- Apply marketing skills and initiatives internally to understand employees' needs and wants;
- Let employees know why they should do things as well as how to do them; and
- Develop employees' suggestion system to encourage ideas on improving the quality of customer service.

2.1.4 Service Marketing Triangle

Kotler & Armstrong (1991) described the relationship and interdependency with a triangle which represents the relationships between business firms, employees and customers. The Triangle contains three kinds of service marketing activities which can be implemented by the business firms to be successful.

According to Zeithaml et al., (2006) in marketing services it's all about promises. The service triangle is a strategic framework that illustrates the importance of people in the ability of the firm to keep its promises.

The Services Marketing Triangle



Figure1. Service marketing triangle

External Marketing: “Setting the Promise”

The first type is external marketing which focused on building the relationship between companies and external customers. Several traditional marketing activities, like pricing strategy, promotion activities and all kinds of communication with company’s external customers, are implemented to attract customers and capture the attention of market. At this stage, the company will “set the promise” to its external customers in order to get the possibility to delivery services.

Interactive Marketing: “Delivery the Promise”

The second type of marketing is interactive marketing describes the moment of interactions between the front – line employees and external customers (Grönroos, 1985). This kind of interaction was also defined by many authors (Paraskevas, 2001; Bitner et al., 2002) as service encounters in which employees have the responsibility of delivering the services to meet the requirements of external customers. They argued that the front – line employees who have the direct contacts with external customers are playing a very important role in this service encounter, because any failure from the employees will lead to losses of external customers. Furthermore, the effects of the other two marketing activities will be significantly damaged.

Internal marketing: “Enabling the promise”

The last type in the service marketing triangle is called internal marketing, which is the marketing of building the relationship between company and its employees. It involves trainings, motivating, teamwork building and internal communication. The concept of internal marketing was discussed by

many authors in the last thirty years. Among those authors, Berry (1981) is first one of them who introduced the concept of internal marketing in 1980s. He stated that internal marketing can be considered as approach involved traditional marketing philosophy to establish and improve internal marketing relationship. He described the concept of internal marketing as:

Viewing employees as internal customers, viewing jobs as internal products, and then endeavoring to offer internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization.

Cowell (1984) stated that internal marketing can also be used as a management tool to motivate the employees to adopt an internal customer consciousness and service orientation, so that the company will be able to create competitive advantages by fully meeting the requirements and expectations of the external customers. Based on those findings, Varey (1995) concluded that the implementation of internal marketing is to recognize the internal service supplier and internal customer, and to increase employees' satisfaction. This idea was supported by Quester and Kelly (1995) who stated employee customer interaction has strong influence on external customer satisfaction. Hence, the creation of customer consciousness among employees is needed.

Varey (1995) stated that the best marketers use internal marketing as an approach to attract, develop, motivate and retain qualified employees within the company. A good internal marketing strategy, which brings companies to success, comprises following seven elements. First of all, competing for talented and skilled people and put the right people to the right workplace; second, offer the employees a vision which gives them the meaning and purpose of their job; and then equip them with appropriate skills and abilities through trainings; encourage them to implement teamwork so that they can get the possibility to know each other and to share knowledge with each other; give them freedom and possibility to excel in term of belief in human potential; motivate employees through measurement and rewards; try to hear and learn from employees constantly.

2.1.5 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 et al, 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).

2.1.6 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;
- Invited attendance at monthly business development seminars/lunches;
- 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 thorough 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 et al, 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.

2.1.7 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).

2.1.8 Customer Orientation

2.1.8.1 Definition of Customer Orientation

Customer orientation is the principle that addresses the significance of considering customer needs and wishes throughout the organization (Ruizalba et al, 2014). Based on the study of Awwad and Agti (2011), customer orientation is said to be the principle of readiness to meet and respond promptly to the needs and wants of customers. Customer orientation is a total package of external customer’s welfare within an organization. It is believed that a right approach to customer’s orientation is likely to facilitate better performance and quality delivery services by employees (Auhandmagie, 2007)

2.1.8.2 Customer Orientation Behaviors

Customer orientation behavior of frontline employees is an important issue in service industries. The intangible and interactive characteristics of services mean that employees' behavior plays a key role on customer's decision making. Customer orientation behavior of frontline employees is important to create long-term profit for service firms.

Customer orientation behavior is a tendency of employees to meet their customer's needs. Therefore, researchers have defined customer orientation behavior as the extent to which frontline employees try to satisfy their customer's needs. (Brown, Mowen, Donovan, & Licata, 2002)

Customer-oriented employee has customer oriented skills, motivation to serve and authority to make decisions. Employees behave in a customer-oriented sense only if all circumstances exist (Hennig-Thurau & Thurau, 2004). On the other hand, Customers rely on the behavior of service employees when evaluating quality of services (Hennig-Thurau, 2004). A customer-orientated employee is extremely important as employees have direct contact with customers (Dimitriadis, 2007). Literature shows an in-flight employee of an airline has to be as customer oriented as hotel and bank front-liners. Customer orientation culture influences a service firm's business performance via the development of lasting customer-employee relationships (Bove & Johnson, 2000).

The question of employee customer orientation can be perceived from two perspectives including one that focuses on attitudes and beliefs and the other that focuses on actual behavior. From the point of views of attitudinal perspective, (Zablah, 2012) described customer orientation as "an employee's tendency or predisposition to meet customer needs in the job context." as a belief, customer orientation is held by employee and entails the need to satisfy customer needs (Kirca, Jayachandran & Bearden, 2005). Customer oriented beliefs and attitudes are regarded as an antecedent to related behaviors, thereby making the perspectives to be interconnected (Riketta & Dick, 2005).

Customer service-oriented workers help businesses by providing warm, genuine care for clients to resolve disputes, offer services, answer questions and ensure customer satisfaction. When interviewing candidates for customer service-related jobs, it helps to understand some of the personality characteristics of workers who excel in these positions. Asking worker candidates for examples of how they meet these desired characteristics can be an effective screening tool.

Customer oriented service personnel are well known for on below distinguishing behaviors. They are helpful, considerate, cooperative, communicative, problem solver and organized.

Helpful: Customer-service oriented workers share a common characteristic in that they're naturally helpful people; they don't mind taking time to assist another person, whether it's a client, co-worker or complete stranger, in order to lighten their load.

Considerate: Customer service oriented workers are also considerate. Customers appreciate good manners, whether that includes opening doors, maintaining eye contact throughout the conversation, beginning conversations with a pleasant greeting and avoiding interrupting when customers speak.

Cooperative: Customer service oriented workers are able to set aside ego and personal priorities to generate solutions that work for all involved. Rather than approach customer problems and complaints with a combative attitude, cooperative workers cooperate by listening, identifying customer goals and working to help meet them.

Communicative: Customer oriented service personnel have communication skill. Communication skills include active listening, nonverbal qualities including eye contact and friendly demeanor, and ability to clearly articulate options and information for customers.

Problem Solver: Skilled customer service oriented workers are problem-solvers who are able to quickly identify and suggest workable solutions for customer needs.

Organized: Customer service oriented workers also share the characteristic of organization. Despite their commitment to quality customer service, employees must have time-management skills to juggle multiple client needs simultaneously.

2.2 Empirical Review

2.2.1 Impact of Customer Orientation

The major impact of customer orientation is the competitive advantage it gives to organizations. Organizations get more benefited when their employees are customer oriented and this results a positive effect on firms performance and increases the overall profit.

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies a higher price. Competitive advantage along the three dimensions of cost, differentiation and focus with competitors trying to set themselves apart from those perceived as “stuck in the middle”. Being

able to produce an event at a lower cost compared to the competitors is one-way to competitive advantage. Typically, this comes from large-scale organizations developing efficiency due to their repetitive experience of the tasks involved or using their power to leverage lower costs. The other two routes to competitive advantage relate to the value seen by customers who either see specific attractive elements in the offering differentiation or feel that all their needs are being met in the best way by that competitor's offering focus (Mowday, Porter & Steers, 1979)

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.

2.2.2 Internal Marketing and Customer Orientation

According to Ahmed & Rafiq (2003), in order for an organization to have satisfied clients who receive consistently high service quality, an organization must have satisfied employees. By treating employees as customers, especially those with direct contact to clients, that service quality would

increase as these front lines employees would be more likely to be customer conscious if their needs were met (Gounaris, 2006)

An increasingly service-oriented economy asks companies to attract and retain to ensure a sustainable competitive advantage (Bansal, Mendelson & Sharma, 2001). The relationship between buyer and seller not only affects the customer's decision to buy a service or go back for more, but also provides a marketing opportunity for the company. Employees should, therefore, “be sales-minded as well as customer-orientated. The object of IM was therefore to get motivated and customer conscious employees, and to achieve good coordination between employees dealing directly with the customer and the company's support staff.” (Rafiq & Ahmed, 2000)

Christian Gronroos stated 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 IM is to get motivated and customer-conscious employees. In this view, it is not sufficient that employees are motivated to perform better, but they must also be ‘sales minded’. Furthermore, effective service also requires effective co-ordination between contact staff and backroom support staff. Gronroos also views the internal marketing concept as a means of integrating the different functions that are vital to the customer relations of service companies. (Grönroos, 1982)

Gronroos extended his original definition of IM as a method of motivating personnel towards customer consciousness and sales mindedness, to include the use of marketing-like activities in this pursuit. Holding an organization’s 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.

Internal marketing 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 the need to motivate employees, and advocate the use of ‘marketing-like’ techniques to do it should be stressed. Gronroos’ conceptualization focuses attention on creating customer orientation in employees through a process of influencing, rather than satisfying and motivating employees per se. (Grönroos, 1982)

2.3 Conceptual Framework and Hypothesis Development

The research aims to examine effect of internal marketing through three major internal marketing dimensions i.e., communication, training and development, motivation on customer orientation of employees. The conceptual framework is shown in Figure 1.

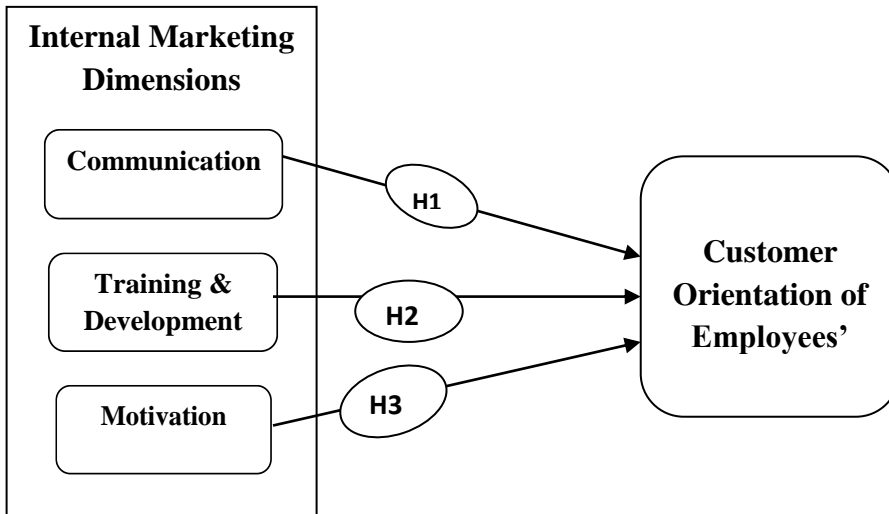


Figure 1: Conceptual model

Source: (Gounaris, 2006; Liao, 2009)

In order to identify if internal marketing has effect on employees' customer orientation, effect of nominated dimension of internal marketing on customer orientation was studied.

Applying a customer-oriented philosophy can enhance front-line employee motivation levels through the use of training and performance development programs and, a vision about service excellence (Lings and Greenley, 2009). Training programs develop employee skills and abilities that their job description requires enhancing in this way, their service orientation and efficiency (Malhotra and Mukherjee, 2003). Hence, the first hypothesis for this study is

H1: There is a positive effect of training and development on customer orientation of employees.

Internal communication is an important prerequisite to aligning employee attitudes and behaviors with organizational goals (Guest and Conway, 2002). Firm management can use internal communications to communicate firm intentions, values and goals. This is important because a customer orientation can only be of benefit to the firm if both management and employees who are means of delivering value to customers are in agreement on the need for customer consciousness.

Gounaris (2006) also suggests that listening to the opinions of firm employees in taking decisions gives them a feeling of being involved in decision making in the organization and therefore stimulates their willingness to carry out decisions that they consider partly theirs. He also suggests that internal information can be used to empower employees i.e., encourages them to use their discretion in dealing with customer problems without having to refer to upper management. Researches indicate that internal communication is one of the factors which influence customer orientation of employees. With active and assessable communication, employees are better able to understand their job and are more connected to it. Thus, the second hypothesis is

H2: There is a positive effect of communication on customer orientation of employees.

Motivation can be defined as the development of a desire within an employee to perform a task to his/her greatest ability based on that individual's own initiative (Rudolph & Kleiner, 1989). In the case study conducted on Relationship between Motivation and Customer orientation of employees, there is a positive correlation between motivation and customer orientation. i.e., the employee's motivation to behave in a customer-oriented way is seen as a fundamental behavioral construct driving behavior. Building on Vroom's process model of motivation, a service employee's motivation is seen as the product of the employee's valence of the consequences of customer-oriented service behavior. (Hennig-Thurau & Thurau, 2004)

Happy and motivated employees would definitely tender those feeling of satisfaction into their service encounters with customers which would lead to the satisfaction of customer (Sasser and Arbeit, 1976).

The importance of motivation grounds on the belief that external marketing success is based on motivating front-line employees, as they are the main representatives of a service firm (Hartline et al., 2000). Therefore, the third hypothesis is

H3: There is a positive effect of motivation on customer orientation of employees

CHAPTER THREE

METHODOLOGY

3.1 Research Approach

According to Aliaga & Gunderson (2002) Quantitative research is an inquiry into a social problem, explain phenomena by gathering numerical data that are analyzed using mathematically based methods e.g. in particular statistics.

This study is a quantitative research since the collected data were analyzed using quantitative measure.

3.2 Research Design

According to Kothari (2004), the research design is the conceptual structure within which the research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data. So the research design can be defined as a plan, structure and strategy of a research to find out alternative tools to solve the problems and to minimize the variances.

This research was designed on framework of explanatory. Descriptive part the study was emphasis on determining the frequency with which something occurs or the extent to which two variables correlate and causal one focuses on determining cause-and-effect relationships.

Generally, this study was both descriptive and inferential. The correlation as well as the effect of internal marketing and customer orientation was analyzed.

3.3 Population and Sample Size

3.3.1 Population

The first stage in the sampling process is defining the target population. Kothari (2004) referred to target population as the collection of elements or objects that possess the information sought by the researcher and about which inferences are to be made.

The target population of this study was non-management employees of Commercial Bank of Ethiopia specifically who are working in areas where there is a direct contact with external customers. The size of the population is 6947 sum of front line employees at branches located in Addis Ababa city.

3.3.2 Sampling Frame

According to Kothari (2004), the elementary units or the group or cluster of such unit may form the basis of sampling process in which case they are called as sampling units and a list of containing all such sampling units is known as sampling frame. Thus sampling frame consists of a list of items from which the sample is to be drawn.

CBE has fifteen district offices for the facilitations of administrations. To collect information to address the research question, data were sourced from four district branches' front line employees that are North, South, East and West Addis Ababa District Offices. The researcher exclude outline branches which are out of Addis Ababa city under the above CBE four district offices from the study due to some time and resource limitations. Therefore, the sampling frame was front lines employees' of branches located in Addis Ababa. These four districts' total number branch front lines employees were North Addis Ababa District (1,683) , South Addis Ababa District(1,958), East Addis Ababa District(1,900) and West Addis Ababa District(1,406) the total number of branch employees' of district offices was 6947 as of December 31, 2017 which is the sampling frame.

3.3.3 Sampling Technique

With respect to sampling techniques, the primary data from the respondents was collected through probability sampling techniques to give the chance of being respondents. For the purpose of this study, the researcher used a stratified sampling method to select the sample for the study i.e., from bank's frontline employees.

3.3.4 Sample Size

Krejcie and Morgan (1970) sample size determination formula was applied to determine the required sample size. While deciding the size of sample of this study, the researcher determined the desired precision as an acceptable confidence level for the estimate.

Since the target population is finite, the following formula (Krejcie & Morgan, 1970) was used to determine the sample size of this study.

$$S = \frac{X^2NP(1-P)}{d^2(N-1) + X^2P(1-P)}$$

Where:

S = Required Sample size

X = Z value (e.g. 1.96 for 95% confidence level)

N = Population Size(6,947)

P = Population proportion (expressed as decimal) (assumed to be 0.5 (50%))

d = Degree of accuracy (5%), expressed as a proportion (.05); It is margin of error

$$n = \frac{1.96^2(6,947)(0.5)(0.5)}{0.05^2(6947-1) + 1.96^2(0.5)(0.5)} = 364.07929 \approx 364$$

Based on this determination, this study will take 364 samples.

By using the sample size obtained from the above formula, the proportion or the strata sample size was determined for each branch. The strata sample size was determined based on the below mentioned equation:

$$n_h = (N_h / N) * S$$

Where;

n_h = Sample size for stratum h;

N_h = Population size for stratum h;

N = Total population size;

S = Total sample size

Based on the above formula, the sample size for each district was 88 from North Addis Ababa District, 103 from South Addis Ababa District, 99 from East Addis Ababa District and the rest 74 were from West Addis District.

3.4 Data Source and Type

According to Kothari (2004), primary data are originated by the researcher for the specific purpose of addressing the problem at hand. Even if obtaining can be expensive and time consuming, primary data being the most significant were gathered through structured questionnaire. The primary data are those which are collected afresh and for the first time, and thus happen to be original in character. The researcher uses quantitative type of data. The Data that would be collected from sample survey through questionnaire that describes numerical figures. Secondary data means data that are already available i.e., they refer to the data which have already been collected and analyzed by someone else. Secondary data are usually collected from journals, existing reports, and statistics by government agencies and authorities. (Kothari, 2004)

The data source used in this study was both primary and secondary data source. Primary data source is information source that need to be gathered from the original source i.e., questionnaire was developed and distributed to employees of Commercial Bank of Ethiopia to collect primary

data from service giving personnel on the other hand, secondary data source is the one used from already availed or from source that has been collected for another purpose such as bank's archive and previous studies are used as secondary data reference.

3.5 Data Collection Instrument

The data for this study were collected using a self administered structured questionnaire. The questionnaire was prepared to assess if Commercial Bank of Ethiopia employees are treated as customers who deserve extra care and value worthy approach in such a way that it impacts on their willingness to address customers' needs and wants and it is distributed to employees of Commercial Bank of Ethiopia assigned at frontline offices.

The survey questionnaire was divided into three parts: The first part mainly focused on the profile of the respondents in terms of their gender, educational background and years in service. The second part consisted of the three dimensions of internal marketing provide question under each dimension. The last part covered the questions to measure the respondents' customer orientation to which they belong to.

3.6 Data Analysis

After data collection, the data obtained from the field were filled-in and returned questionnaires were coded and entries made into Statistical package for social sciences (SPSS) version 20.

Descriptive analysis was involved the use of frequencies in their absolute, relative forms (percentage) and means. The purpose of conducting descriptive statistics is to reduce, summarize data and analyze items and constructs. This provided insights into the characteristics of the samples. Descriptive statistics provided a basis for inferential statistics using correlation and multiple regressions.

Inferential analysis was done to determine the effect of internal marketing on employee's customer orientation. Thus, testing the hypotheses of the study is come in. Multiple Regression and correlation analysis were used to assess the strength of the relationships between the specified variables.

The Multiple Regression analysis was conducted, with the assumption that: variables are normally distributed to avoid distortion of associations and colinearity tests; a relationship between the independent and dependent variables for accuracy of estimation, which is achieved as the standardized coefficients will be used in interpretation.

3.7 Validity and Reliability

3.7.1 Validity

According to Kothari (2004, p 73) Validity refers to the extent to which a test measures what we actually wish to measure. In order to improve validity of the questionnaire, it is necessary that the questionnaire is reviewed and modified through experts and piloting the questionnaires so that the questionnaire is finalized in a defect-less version. The questionnaire of this study has been developed based on reviewing research literature and then is reviewed and modified by experts for improving its validity.

3.7.2 Reliability

Reliability is the degree to which measures are free from random error (the difference between the sample value and the true value of the population mean) and, therefore, provide consistent data (McDaniel, 2010)

Cronbach's coefficient alpha was assessed to ensure reliability of the measures. The Cronbach coefficient alpha value exceeding minimum standard of 0.70 (Nunnally & Bernstein, 1994) specifies that with the acceptable reliability, the scale can be used for the analysis. Based on these appraisals this study was verified acceptable in its reliability issue.

Table 1: Cronbach's Alpha Result

Variables	Cronbach's Alpha	N of Items
Training and Dev't	.770	9
Communication	.897	6
Motivation	.907	6
Customer Orientation	.779	8

The reliability of this case study was estimated using internal consistency by applying Cronbach's Alpha method.

3.8 Ethical Considerations

This researcher respects the right and/or interest of respondents to participate voluntarily in this research project. The researcher was also not forced individuals (participants or respondents) to participate in the questionnaires and also confirm confidentiality of information by informing respondents not to write their names on the questionnaire. The researcher was clearly disclosed the aim of the study as if it is anonymously academia. Finally, the study was done impartially and independently.

CHAPTER FOUR

RESULTS AND DISCUSSION

The data collected from the front lines employees of CBE using questionnaires were presented and analyzed in this chapter. This chapter of the study deals with the statistical testing of hypothesis and interpretation of the result making use of SPSS version 20 software.

Out of set of 364 questionnaires were distributed to employees, 317 were received complete, 11 were discarded due to high volume missing values and 36 were not returned at all. This made the overall response rate to be 87% assumed that suitable for further analysis.

4.1 Results of the Study

This chapter of the thesis discusses about the sample characteristics of the respondents internal marketing dimension and employees' customer orientation are presented using descriptive statistic. The correlation and regression of the data is also briefly discussed consequently.

4.1.1 Descriptive Analysis

The following table describes the characteristics of the front lines employees by gender, educational background and job experience that were part of demographic question.

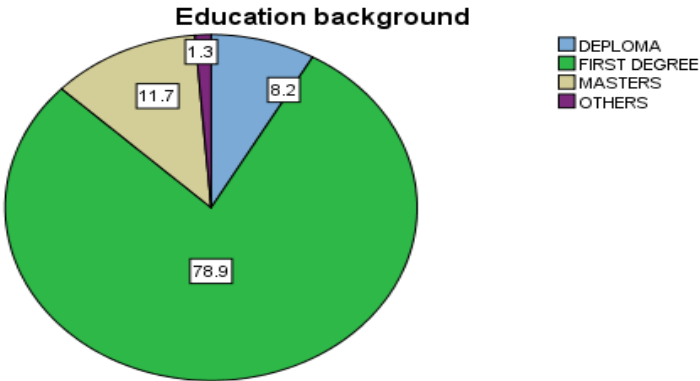
Table 2: Demographic Characteristics of Respondents

Variables	Characteristics	Frequency	Percentage
Gender	Female	181	57.1
	Male	136	42.9
	Total	317	100.0
Educational Background	Diploma	26	8.2
	First Degree	250	78.9
	Masters	37	11.7
	Others	4	1.3
	Total	317	100.0
	Less than or equal	211	66.6

Year of Service/ Experience in CBE	5 years		
	6 to 10 years	69	21.8
	11 to 20 years	27	8.5
	21 to 30 years	4	1.3
	More than 30 years	6	1.9
	Total	317	100.0

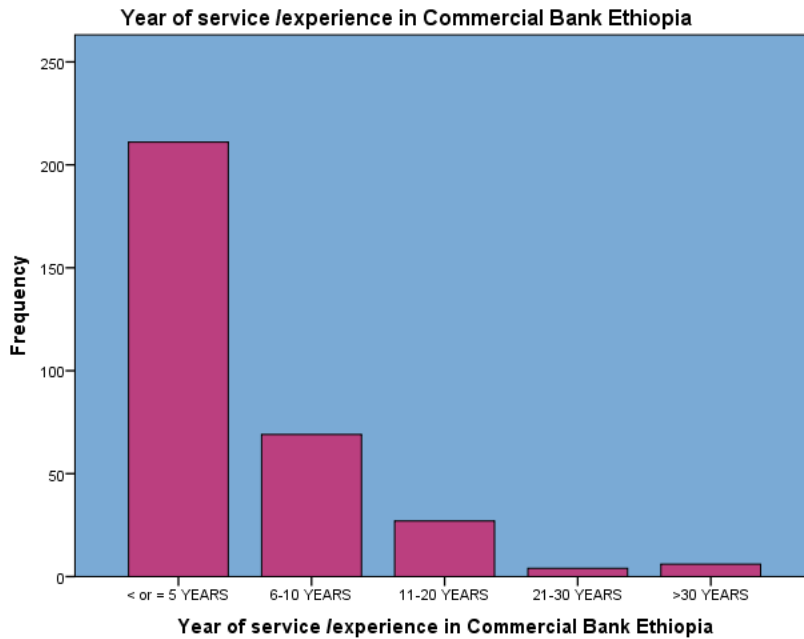
As shown in the table 2, the sex composition of respondents is that majority of the respondent were females which is 181(57.1%) and male respondents were 136(42.9%).

Figure3. Educational Background



The above table and pie chart shows employees educational level in four categories. When we see the educational level of employees the most number of employees are First Degree (Bachelor) holders 250 (78.9%), the second highest employee group are those employees who has a Masters Degree 37 (11.7%), College Diploma are the third group which accounts 26 (8.2%) and 4 (1.3%) of employees have other educational qualification. Hence, the employees’ educational level enables the bank to discharge its duties and perform well.

Figure4. Year of service/experience in Commercial Bank of Ethiopia



The above table and bar chart also shows employees years of service in commercial Bank of Ethiopia in five categories. It was also enquired where most of the respondents of work experience of both sex is that 211(66.6%) of the respondents have work experience less than five years, 69(21.8%) between six to ten years, 27(8.5%) eleven to twenty years, 4(1.3%) twenty to thirty years and only 6(1.9%) of respondent have more than 30 years of experience. Therefore, one can infer that the bank has to retain the employees through the practice of proper internal marketing.

4.1.1.1 Descriptive Analysis for Internal Marketing Dimensions

The following Table 3 indicates that employees of Commercial Bank of Ethiopia perceived communication Mean = 4.0205 the most dominant of internal marketing practices and evident to a considerable extent; followed by motivation with the higher mean value i.e. Mean = 3.9164, the least scored among the independent variable is training and development which counts Mean= 3.8384 and lastly, the dependent variable customer orientation of employees counts Mean = 4.2267. Among the variables employees rate higher for communication which shows that the Bank's internal communication system perceived as rich. However, the Bank is doing well in

motivation and, training and development where the employees rate these variables as favorable, we can say the Bank is doing better regard to internal market aspect.

Table 3: Descriptive Analysis of Internal Marketing Dimensions

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Training	317	1	5	3.8384	.43190
Communication	317	1	5	4.0205	.72927
Motivation	317	1	5	3.9164	.84793
Customer orientation	317	1	5	4.2267	.45157
Valid N (listwise)	317				

4.1.2 Correlation Analysis

The correlation between dependent and independent variables along with the causal effect was analyzed using Statistical Package for Social Science (SPSS). The below correlation matrix shows correlation between variables in the questionnaire with a Pearson Correlation coefficient to show the strength of relationship among the variables considered in the questionnaire.

Table 4: Correlation Analysis

Independent Variables	No of Respondents	Customer Orientation of Employees	
		Pearson Correlation	Sig. (2-tailed)
Training and Dev't	317	.601**	.000
Communication	317	.721**	.000
Motivation	317	.661**	.000

The above the correlation matrix indicates that internal marketing practices were positively correlated with customer orientation of employees. The highest coefficient of correlation in this

research lay between internal marketing dimensions and customer orientation is 0.721. There is a significant positive relationship between communication and customer orientation ($r = 0.721$, $n = 317$, $p \leq 0.01$). The next highest correlation lies between motivation and customer orientation ($r = 0.661$, $n = 317$, $p \leq 0.01$). On the other hand, training and development and, customer orientation are positively correlated ($r = 0.601$, $n = 317$, $p \leq 0.01$). The above correlation matrix also shows that all variables are positively and significantly correlate with the dependent variable; customer orientation which implies that the increase of the independent variables will also enhance customer orientation.

4.1.4 Regression Analysis

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. That is, it allows us to make statements about how well one or more independent variables will predict the value of a dependent variable. Linear regression estimates the coefficient of the linear equation, involving one or more independent variables that best predict the value of the dependent variable (Robert, 2006).

Before regression analysis was conducted normality and multi collinearly test was conducted. Then the variables under internal marketing were entered into regression analysis to examine their effect on customer orientation of employees.

Table 5: Test of Normality

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Training and Dev't	317	-1.655	.137	3.962	.273
Communication	317	-1.591	.137	2.372	.273
Motivation	317	-1.287	.137	.538	.273
Customer orientation	317	-1.634	.137	2.798	.273
Valid N (listwise)	317				

According to Robert (2006), interpretation of normality is based on the absolute value of skewness and kurtosis and substantial non-normality is referred for absolute value of skewness larger than 2 and absolute value of kurtosis larger than 7. Thus, based on the above table the normality of the distribution is satisfied for this data.

Table 6: Multicollinearity test**Coefficients^a**

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1 Training & Dev't	.546	1.831
Communication	.278	3.595
Motivation	.254	3.941

a. Dependent Variable: customer orientation

Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are multicollinear, there is “overlap” or sharing of predictive power (Dillon, 1993). The VIF, which stands for variance inflation factor, is computed as “1/tolerance,” and it is suggested that predictor variables whose VIF values are greater than 10 may merit further investigation (Robert, 2006).

The multicollinearity in this study was checked using the Tolerance and VIF value. As it is showed in the table 6, all independent variables have a Tolerance value greater than 0.2 and a VIF value less than 10. So multicollinearity does not exist for the independent variables. It implies that results not mislead when determining how well each one of a number of individual independent variables can most effectively be utilized to predict or understand the dependent variable in a statistical model.

Multiple regression analysis was conducted to examine effect of internal marketing on customer orientation. In this survey, three hypotheses were developed to study the direct impact of internal marketing dimensions on customer orientation.

Table 7: Regression Analysis

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.915	.154		12.467	.000
training	.223	.052	.213	4.250	.000
communication	.287	.043	.464	6.637	.000
motivation	.077	.036	.145	2.120	.035

a. Dependent Variable: customer orientation

Note: Adjusted R square =0.554, F=131.866, Sig=0.000

The regression model presents how much of the variance in the measure of customer orientation of employees is explained by the underlying internal marketing dimensions. The predictor variables i.e. Training and Development, Communication & Motivation have accounted 55% of adjusted R square which indicates 55% of the variance is explained by the predictors whereas the remaining 45% are explained by other variable outside of this model.

The above table also shows the acceptability of the model. The p-value is less < 0.05 i.e. 0.000 which indicates the variation is explained by the model is not due to chance.

The above coefficient table shows the constant, beta value and p-value of the variables to examine the significance of set hypothesis. The significance level of each variable is P-value. i.e., .000, .000, .035 and their standardized coefficients are 0.213, 0.464 & 0.145. The p-value of these internal marketing dimensions is below 0.05 which implies that there is significant effect on customer orientation.

Accordingly, the first hypothesis which states there is a positive effect of training and development on customer orientation of employees is supported by the data collected on this survey as its p-value is 0.00 which is less than 0.05.

The second hypothesis developed states; there is a positive effect of communication on customer orientation of employees. The p-value of motivation is no different than zero. Henceforth, we conclude that communication has significant effect on customer orientation. The last independent

variable that presumed to have effect on customer orientation of employees is motivation. The third hypothesis states that there is a positive effect of motivation on customer orientation of employees. The hypothesis has been accepted as its p- value is 0.035 less than sig value, hence the hypothesis is accepted. The regression equation developed is

$$\text{Customer orientation of employees} = 1.915 + 0.223 * TD + 0.287 * COM + 0.077 * MOT + e$$

The ultimate goal of this study was to examine if internal marketing has effect on customer orientation and the test finding indicates that customer orientation of employees has a significant effect on Customer Orientation ($P < 0.05$).

4.2 Hypothesis Result

Table 8: Result of hypothesis testing

Hypothesis Developed	Analysis Used	Result
H ₁ : There is a positive effect of training and development on customer orientation of employees	Multiple Linear Regression	Accepted
H ₂ : There is a positive effect of communication on customer orientation of employees	Multiple Linear Regression	Accepted
H ₃ : There is a positive effect of motivation on customer orientation of employees	Multiple Linear Regression	Accepted

This study was aimed to examine the effect of internal marketing on employees' customer orientation on Commercial Bank of Ethiopia. Training and Development, Communication and Motivation were selected as internal marketing dimensions because they have been repeatedly used by various researchers as it has been clearly indicated in literature review part. For the purpose of this study three hypotheses were developed, brief discussion on each hypothesis is given below.

H₁: There is a positive effect of training and development on customer orientation of employees.

The study finding in table 7 shows that there is a positive effect of employees training and development on customer orientation of employees. According to Lings & Greenley, 2009, applying a customer-oriented philosophy can enhance front-line employee motivation levels

through the use of training and performance development programs and, a vision about service excellence. Training programs develop employee skills and abilities that their job description requires enhancing in this way, their service orientation and efficiency (Malhotra and Mukherjee, 2003).

H2: There is a positive effect of communication on customer orientation of employees

As the above statistics Table 7 implies, communication has a positive effect on customer orientation of employees in Commercial Bank of Ethiopia. The study attested that when employees feel that they are good contributors, they will be encouraged to get involved and participate more for the sake of the Bank. Yet again, when manager communicates effectively with the employees, listens to their complaints, answering their questions and provide those ways to communicate effectively, the organization will encourage them to enhance their work. The result was also supported by a case study which was conducted on The Relationship between Internal Communication and employees' customer orientation by Hrud (2011) which showed that with active and assessable communication, employees are better able to understand their job and more they being ready their service customers.

H3: There is a positive effect of motivation on customer orientation of employees

One of the research findings that can be concluded from the statistics provided in table 7 is that motivation is positively affected employee's customer orientation in Commercial Bank of Ethiopia. Giving the employees sense of achievement, providing them with new opportunities for advancement and promotions are key motivator that creates positive customer serving attitudes. In addition, this result is also consistent with Mohammadi, Hashemi and Moradi (2012) finding of the positive effect of motivation on customer orientation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

In this chapter of the study, summary of findings, conclusion drawn, recommendations and limitation of the study are stated. The purpose of the study was to examine the effect of internal marketing on front line employees' customer orientation, evaluate the dimensions of internal marketing that affect the customer orientation directly.

In order to meet this general objective, simple random sampling method was used. Questionnaire containing questions on dimensions of internal marketing and customer orientation behavior were developed and distributed to branches of CBE located in Addis Ababa.

The major findings of this study are summarized as below. With regard to the practices of internal marketing of this bank, the findings of the study related to demographic characters the sex composition, 181 (57.1%) were female, and male were 136(42.9%). The majority of employees are about 250 (78.9%) are first degree holders, followed by 37 (11.7%) employees are masters degree holders and about 26(8.2%) are diploma graduates and only 4(1.3%) of them have other educational qualifications. In terms of employees year of service in this Bank, 211(66.6%) of employees that they stay with the Bank for less than five years, 69(21.8%) employees stay with this Bank for 6-10 years and 27(8.5%) employees has 11-20 years of work experience, and also 4(1.3%) employees were in the position for 21 to 30 years; about 6(1.9%) of employees were worked for more than 30 years in CBE.

The major finding was that the three independent variables: Training and Development, Communication and, Motivation have a significant impact on customer orientation of employees. Communication which is one of internal marketing dimensions was found to have highest significant effect on employees' customer orientation. As per the analysis, Training and development and, motivation also tend to have high impact on employees' customer orientation. This indicates that by enhancing internal marketing practices, Commercial Bank of Ethiopia can enhance customer oriented behavior of front line customer service officers.

5.2 Conclusion

This study has analyzed the effect of internal marketing on customer orientation of employees and it came up with a number of findings. These findings may not be exhaustive of the study in this field because other dimensions and factors beyond these three internal marketing dimensions has effect on employees' customer orientation but it may give a fairly good picture of how internal marketing practices contributed positively for customer oriented behavior of front line employees.

The main purpose of the study was to investigate the effect of internal marketing on employees' customer orientation. The study was conducted on Commercial Bank of Ethiopia where service is delivered directly to external customers.

The entire research objective for this study was attained; the general objective of this study was to investigate the effect of internal marketing on customer orientation of employees in Commercial Bank of Ethiopia.

The researcher addresses the research questions raised based on the findings from the study and the following points states the conclusions made on the basis of the results.

The regression result between the variables; internal marketing and customer orientation of employees showed that internal marketing has a significant and positive effect on customer orientation of employees.

Internal marketing acts as a comprehensive management process that does integrated multiple functions of the organization in the two ways. First, it makes all employees at the all levels of the organization understanding and experiences various processes in the context of an environment. Second, it makes all employees be ready and motivated for activity in direction of customer-oriented.

Base on the results of the study, internal marketing practices by bank management play significant role in improving or implanting customer oriented behavior in bank front line employees. The findings from this paper imply that good internal marketing practices enhance much higher effect on the customer oriented behavior of the bank employees. The most

important actions made regarding internal marketing practice were; well organized training and development programs within the Bank, participation of employees in improvement programs and updating and communicating information's to the employees, focusing on employees performance to made feedback leads motivation of employees to be customer oriented.

According to the findings, Training and development had a significant effect on customer orientation, communication and motivation has also significant impact on customer orientation of employees. Therefore, all selected dimensions of internal marketing have a direct impact on employees' customer orientation.

5.3 Recommendations

Commercial Bank of Ethiopia has a vision of becoming the world class commercial bank by the year 2025. Being in service giving industry, CBE has to remain competitive in the market by delivering exceptional service to its customers. In order to do so, unless the needs and wants of internal customers are met, it is difficult to ultimately deliver service during service encounter with external customers.

Accordingly, given the significantly positive correlation between internal marketing and customer orientation, the following recommendation was developed to increase customer orientation of employees by implementing internal marketing principles.

- As internal marketing is the process of attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs. The first recommendation given for CBE is to attract, develop, motivate, and retain qualified employees by enabling Human Resource Department implement marketing-like approach.
- The training and development programs need to be improved more than what in CBE in a way employees get a feeling that trainings is not just a tool to do their job but also a given an opportunity to develop new skill and attain career goals through incorporating various non-technical trainings like leadership and management courses.
- Since communication has highest a significant impact on customer orientation, CBE needs to develop an open communication system between management and subordinates and also among employees to create connection, and to encourage employees forward

their constructive ideas, and suggestions freely through organizing both formal and informal meetings.

- Motivation is one of internal marketing element an organization to give due attention to encourage employees; hence, CBE shall improve understanding on employees needs and wants, should apply/strengthen performance rewarding system and on incentives and compensation competitiveness to encourage employees like, bench marking oversees and other local banks practices on salary scales and other allowances.

5.4 Limitation of the Study and Direction for Future Researches

The study dimension selected for internal marketing was limited to training and development, communication and motivation even if these was selected after reviewing the most quoted ones, in order to fully examine internal marketing additional dimensions should be included to investigate its effect.

The study also limited to cover all outline branches and district offices out of Addis Ababa however effect of internal marketing on customer orientation should be investigated throughout the bank's units as every unit has its service output is being consumed by other unit.

The other limitation of this research paper was, effect of internal marketing on customer orientation was directly examined, and the researcher didn't include the mediation effect of the mediators in the study.

The study was made on Commercial Bank of Ethiopia and other banks practice and other service industries are not considered so it is recommended that the study could be done on different banks and other service industries.

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Appendix-1 Questionnaire

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

Dear Respondent,

Please take few minutes of your time to fill below questionnaire prepared on the effect of internal marketing on employees' customer orientation for partial fulfillment of a post graduate program in marketing management at Addis Ababa University School of Commerce. The questionnaire is prepared to examine if Commercial Bank of Ethiopia employees are treated as customers who deserve extra care and value worthy approach in such a way that it impacts on their willingness to address customers' needs and wants.

N.B. Your response will remain confidential and will be used for the purpose of academic research fulfillment only.

General Questions

I. Gender

Female Male

II. Education background

Diploma First Degree Masters Others

III. Year of service /experience in Commercial Bank Ethiopia

Less than or equal 5Years 6-10 Years 11-20 Years 21-30 Years More than 30Years

For the below questions, please put checkmark (✓) on the point that best suits your agreement level from the adjacent choices.

Item	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am well aware of Commercial Bank of Ethiopia mission and vision statements and how I fit to it					

2	There is a system in Commercial Bank of Ethiopia that helps develop employees career					
3	I receive well organized basic and refresher training which helps me determine to fulfill my future goal					
4	All employees have a better knowledge about the customer service offering					
5	When an employee is reassigned to another department, the section supervisor trains the employee for pre specified period time					
6	My knowledge, skill and experience fit to the job being performed day to day					
7	Before implementation of major change in service delivery rules and regulations, we always get pertinent training to align to the changes on our daily activities					
8	Our organization views the development of knowledge and skills in employees as an investment rather than a cost					
9	I have all the required skills to serve customers					
	Communication	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is accurate and open flow of information in our department					
2	Supervisors are keenly interested in listening to what I say about my job, the problem I face and the solution I suggest					
3	I can suggest improvement or come up with new ideas for work improvement to Commercial Bank of Ethiopia management					
4	Before any policy or procedure changes, my supervisor informs me about the change phase by phase					
5	I feel like I am part of the organization because my ideas are given attention and considered valuable by management					
6	I am satisfied with the communication I have with my supervisor and higher management.					

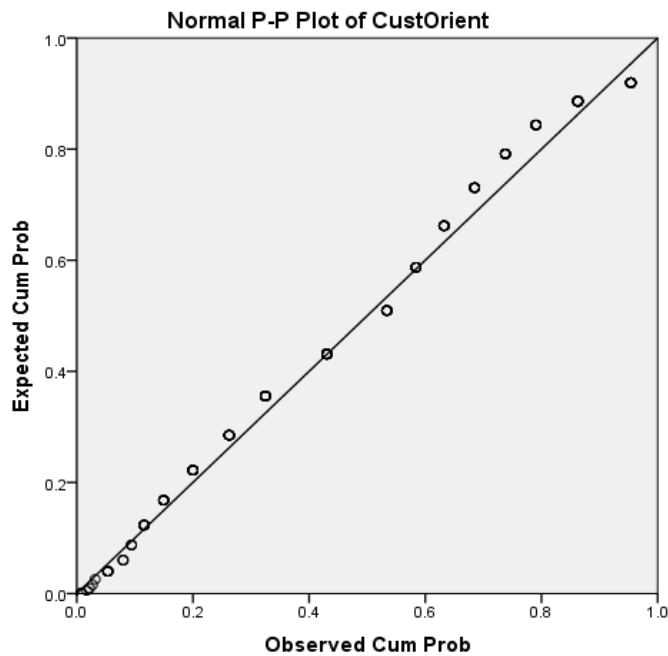
	Motivation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	When I do something extra ordinary I know that I will receive some kind of reward					
2	The incentive given to employees are motivating and on competitive basis					
3	I receive feedback from my supervisor on my job performance regularly					
4	The performance measurement reward system encourages employees to work hard					
5	My income and the annual increment are based on periodic performance evaluation and the preset KPI(Key Performance Indicator) fulfillment					
6	My needs and wants are well understood by management					
	Customer orientation behavior	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Serving customers gives me satisfaction					
2	I am fully mandated to deliver all the required customer service					
3	I give genuine care for customers to ensure customer satisfaction					
4	I don't mind taking much time to support/ assist customers					
5	I usually go extra mile to assist customers					
6	I always start conversation with customers by pleasant and welcoming gesture					
7	I set aside my personal priorities to give solution to customers challenges					
8	I am able to manage multiple customer enquires					

Appendix-2 Correlation Output

		training	communication	motivation	customeror
training	Pearson Correlation	1	.642**	.621**	.601**
	Sig. (2-tailed)		.000	.000	.000
	N	317	317	317	317
communication	Pearson Correlation	.642**	1	.827**	.721**
	Sig. (2-tailed)	.000		.000	.000
	N	317	317	317	317
motivation	Pearson Correlation	.621**	.827**	1	.661**
	Sig. (2-tailed)	.000	.000		.000
	N	317	317	317	317
customeror	Pearson Correlation	.601**	.721**	.661**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	317	317	317	317

** . Correlation is significant at the 0.01 level (2-tailed).

Appendix-3 Normality Test Output



Appendix-4 Multicollinearity Test Output

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.915	.154				
	training	.223	.052	.213	4.250	.000	.562
	communication	.287	.043	.464	6.637	.000	.289
	motivation	.077	.036	.145	2.120	.035	.302

a. Dependent Variable: customer orientation

Appendix-5 Regression Analysis Outputs

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747 ^a	.558	.554	.30156

a. Predictors: (Constant), motivation, training, communication

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.974	3	11.991	131.866	.000 ^b
	Residual	28.463	313	.091		
	Total	64.438	316			

a. Dependent Variable: customer orientation

b. Predictors: (Constant), motivation, training, communication

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.915	.154		12.467	.000
	training	.223	.052	.213	4.250	.000
	communication	.287	.043	.464	6.637	.000
	motivation	.077	.036	.145	2.120	.035

a. Dependent Variable: customer orientation