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**ADDIS ABABA UNIVERSITY SCHOOL OF
COMMERCE DEPARTMENT OF
MARKETING MANAGEMENT**

**Effect of Internal Marketing Strategy on Employee
Performance: Case of Nib Insurance Company**

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Effect of Internal Marketing Strategy on Employee Performance: Case of Nib Insurance Company

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A Thesis submitted to the School of Graduate Studies of School of Commerce Addis Ababa University in Partial fulfillment of the requirements for the Degree of Masters of Marketing Management (MA)

ADDIS ABABA UNIVERSITY
College of Business and Economics
School of Commerce
Department of Marketing Management

**EFFECT OF INTERNAL MARKETING STRATEGY ON EMPLOYEE
PERFORMANCE: CASE OF NIB INSURANCE COMPANY**

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Declaration

I, **Mekdes Letta**, hereby declare that the project entitled **Effect of internal marketing strategy on employee performance: A Case Study on Nib Insurance Company** is my original work and has not been presented for a degree in any other university and that all sources of material used for the project have been duly acknowledged.

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Student name

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Certification

This is to certify that Mekdes Letta Beyetcha has done this study under the topic “**Effect of Internal Marketing strategy on Employee Performance: Case of Nib Insurance Company**”. The study is of her original work and all the sources of materials used for the research had been duly acknowledged.

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Place: Addis Ababa University

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List of Acronyms and Abbreviations

ANOVA- Analysis of variance

NIC- Nib Insurance Company

SPSS- Statistical Package for Social Science

VIF- Variance Inflation Factor

Abstract

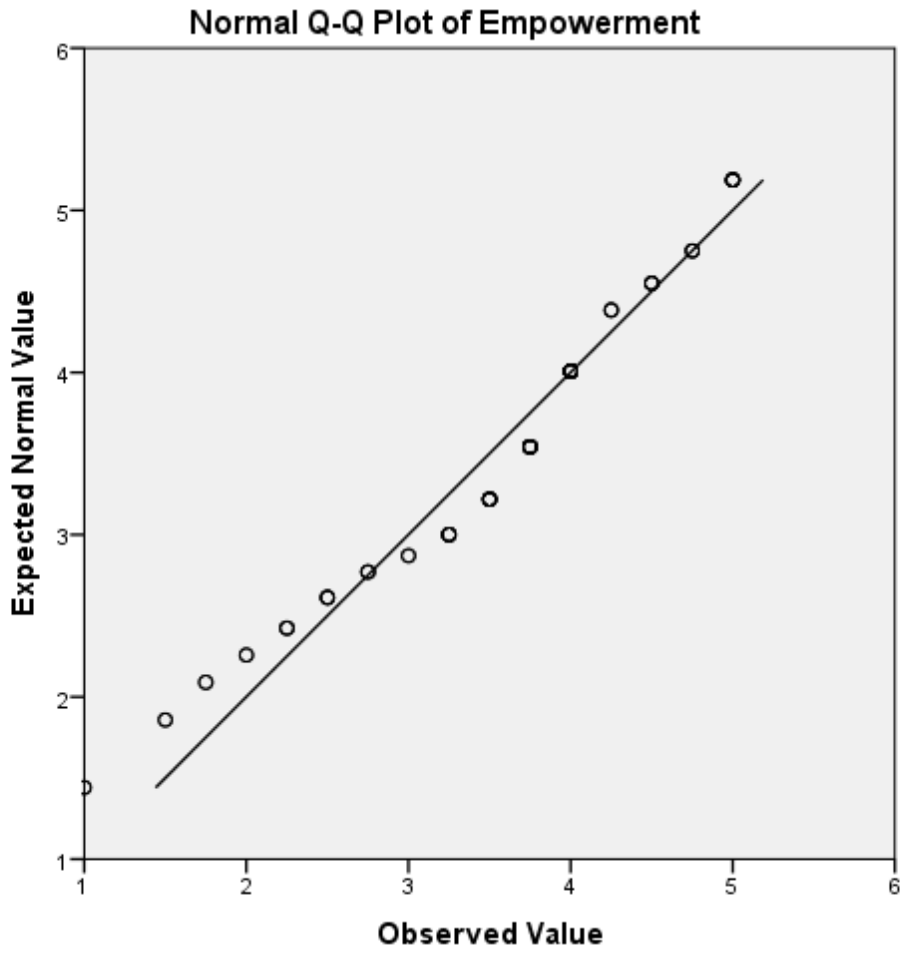
In service providing industries, people play important role in achieving organizational goal and profitability of the company. However, these employees are affected by the existing internal marketing strategy an organization follows. As different scholars and literatures reveal, happy and satisfied employees would prefer to stay and work in a same organization for a longer time and are productive in what they do.

The study target population was employees of Nib Insurance Company who worked there for more than one year. 80 samples of employees were selected based on their convenience and easiness to access. Questionnaire was distributed to selected respondents to obtain their evaluation of the company's' Internal Marketing strategy and to investigate the effect of this variables on employees performance. The collected questionnaires were analyzed using descriptive and inferential analyses with the help of SPSS version 20 statistical software program.

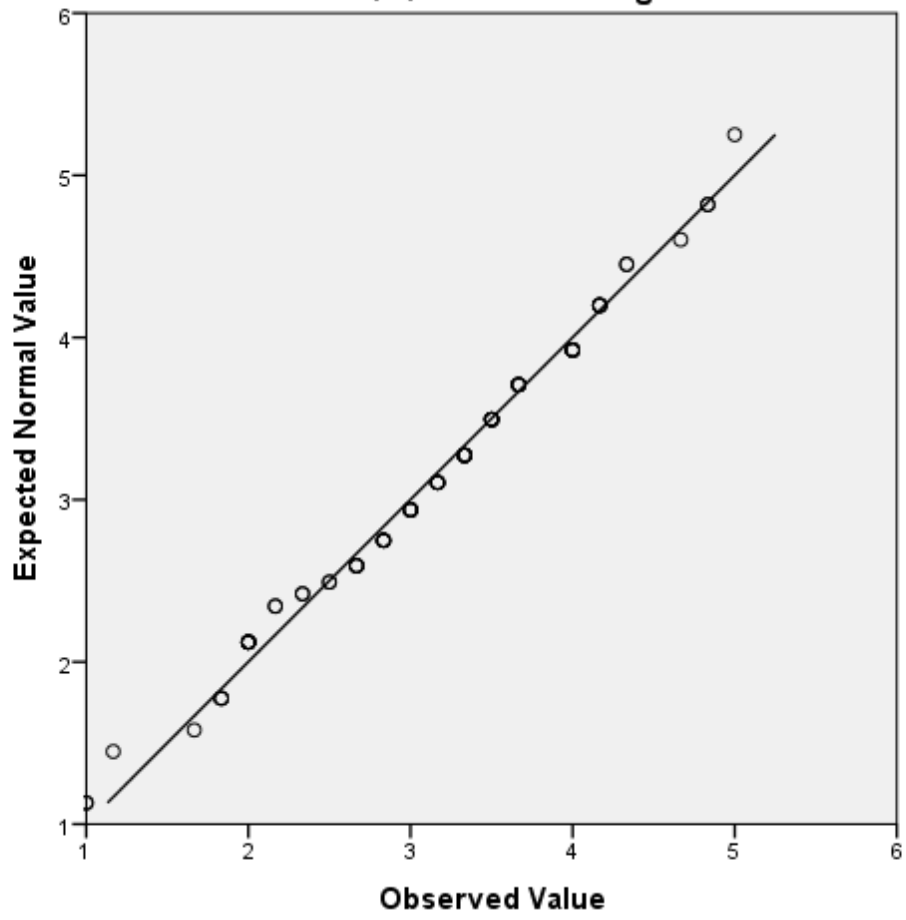
The study revealed that all internal marketing variables significantly and positively affect employee performance. The regression analysis showed that, of all the independent variables, reward, significantly affect employee performance. Therefore, reward system must be reviewed and should be given attention to overcome the deteriorating income earning and the increasing employee turnover observed in the company for the past three years. Since the study took small sample size and considered only four internal marketing variables, generalizing the result for other service providing industries would be difficult. Therefore, the researcher suggest for further study to be conducted taking larger sample size from different service providing industries and considering other internal marketing elements in to account.

KEY WORDS: *Internal marketing, Empowerment, Training, Internal communication, Reward, Employee performance and NIB insurance company.*

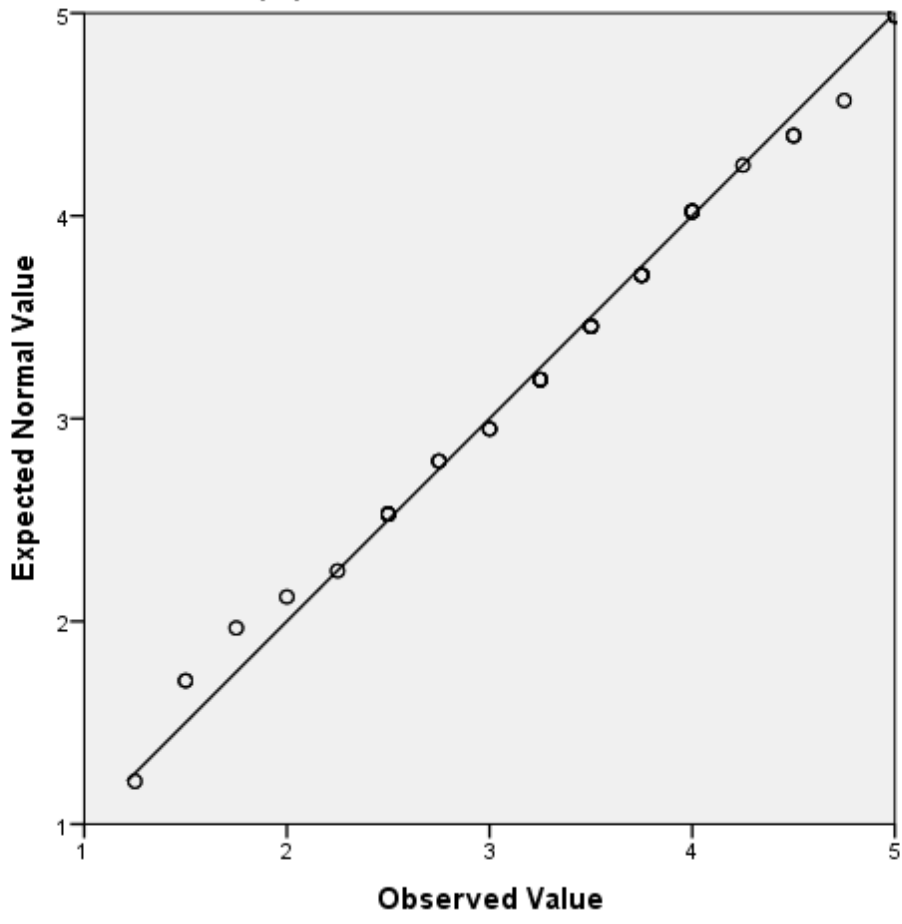
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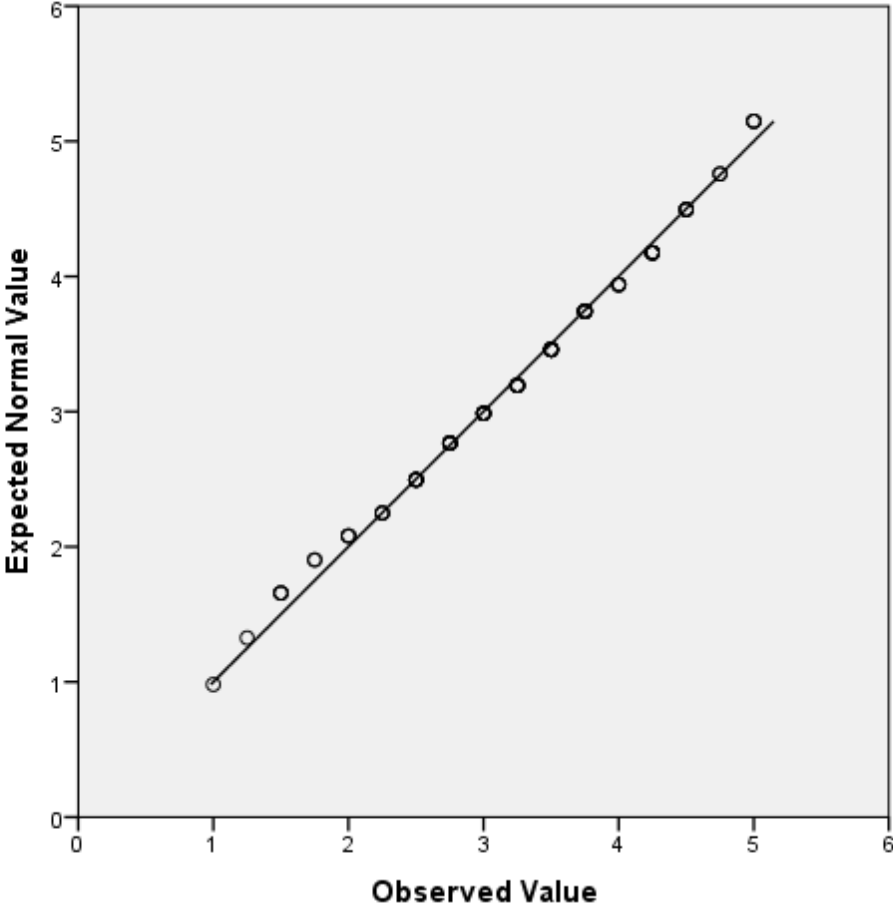
Normal Q-Q Plot of Training



Normal Q-Q Plot of Internalcommunication



Normal Q-Q Plot of Reward



CHAPTER ONE

Introduction

1.1 Background of the Study

Internal marketing stress the importance of the Marketing concept, internally, within the firm, by focusing on the employees and providing a source of competitive advantage (Panigyrakis and Theodoridis, 2009). Empowered and satisfied employees will provide excellent service and highly contribute for the success of a business. According to Hossein and Sima (2012), internal marketing perspective hold that, by treating both employees and customers with the same total dedication to satisfy their needs, the organization can inspire employees to do extra work beyond the call of duty and help to build and sustain a great organization. Proper handling of employees can motivate and make the working force go beyond expectation.

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

Berry and Parasuraman (1991) defined internal marketing as viewing employees as internal customers; viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the firm. Kotler (1991) also described goal of internal marketing as to hire, train and motivate employees so that they serve their customers well. There for developing the human resource would benefit the employee to be knowledgeable and the organization competitive.

Putterill & Rohrer (2011), define job performance as it focuses directly on staff productivity by assessing the number of units of acceptable quality produced by a staff within a specific time period. Employee performance therefore shows how well duties and responsibilities are accomplished by the staff. Performance improvement is not only a result of well-functioning

system but also depends on effective human resource strategies that succeed in recruiting and maintaining a committed and motivated workforce (Al-Ahmadi, 2009). Greene, Walls and Schrest (1994), studied internal marketing as the key to external marketing success in financial organizations and their study revealed that internal promotion; internal product offering; employees reward system; internal marketing support program and integrated employee relationship all have a positive association on organizational performance.

NIB Insurance Company is one of the leading privately owned insurance companies after the reinstatement of free market philosophy in Ethiopia. As clearly indicated on NIB Insurance Company's Company profile, the company was established in May 2002, currently having 25 well organized and accessible branches in Addis Ababa and 13 outlying branches having 422 employees working in all the branches (Company Profile, 2016).

NIB Insurance, like the other currently operating seventeen privately owned and one governmental insurance company available in the country, sell insurance policies to its clients. All products put on the market are almost similar and the difference is with the service they provide. Since provided service differentiate one from the other, employees who provide this service need to be given due attention and organizations should see inward and work on their human resource. There is therefore the need to practice internal marketing in nib insurance company since satisfied employees can be source of customer satisfaction and enable the company to be competent in the industry. Satisfying internal customers' needs, employees become more motivated and committed to offering a high quality of service, resulting in external customers' expectations being well satisfied (Kotler, 1991).

Employee performance depends on company internal marketing strategy. Sara and Lelia (2015) explain the purpose of internal marketing as it insure satisfaction of internal customers and develop and improve quality of products in achieving customer satisfaction and loyalty. Nib insurance internal marketing strategies directly affect employee performance and employee performance positively or negatively contribute for the overall achievement of organizational goal. Therefore, this study assesses specifically the effect of internal marketing strategy on employee performance in NIB Insurance Company.

1.2. Statement of the Problem

Marketing practices were only the part for several years to satisfy the external customers and there was nothing to discuss in any concept for the satisfaction of employees as internal customers (Zubair, Kabeer, Karim & Siddiqui, 2012). Yet employee's satisfaction should be given similar attention as external customers in every organization. Employees should be treated as internal customers and those organizations which effectively manage their internal customer will efficiently intermingle with their external customers (Conduit and Mavondo, 2001).

Internal marketing aims to improve customer consciousness by changing the beliefs of the front line employees (Ahmed, Rafiq & Saad, 2003). It is developed considering the positive feedback from employees in meeting organization expectation. The main concept of Internal Marketing Strategy is to count employees as internal clients to achieve organizational goals (Robertson & Cooper, 2010).

Dzever & Gupta (2012) mentioned that internal marketing was indeed a kind of multiple plans focusing on employee development and a complete internal marketing program should cover employee recruitment, training, incentive, communication, and retention. Any organization that properly utilize and make efficient use of the human resource possessed, have competitive advantage. Furthermore, Saul (2010) explained it well by saying that if an organization is to achieve its goals, it must not only have the required resources, it must also use them effectively. Studies indicate that satisfied employees results in satisfied customers and eventually their loyalty (Gorgani, 2010).

In this competitive environment of insurance industry, customers have opportunity to switch service provider due to service quality, sales promotion, personal attachment, empathy, sensitivity and many more. In the European Customer Satisfaction Index model perceived quality is divided into two elements: "hard ware", which consists of the quality of the product or service attributes, and "human ware", which represents the associated customer interactive elements in service, i.e. the personal behaviour and atmosphere of the service environment (Grönholdt, Martensen & Kristensen, 2000). In both model increased satisfaction should increase customer loyalty.

While observing the last three years annual profit before tax growth rate of Nib insurance company, the overall income earned is deteriorating 73.4%, 57.4% and 45.9% respectively (Nib Insurance annual report, 2016). According to Cahill (1996) the philosophy of internal marketing is to improve the company's external marketing activities. Therefore, the internal marketing practice will help an organization to satisfy its employees and therefore their performance will excel and contribute for the overall growth of the company performance. In addition to this after discussing with the Human Resource Officials, it's noted that employee turnover rate has increase in the past three years. An individual who is affectively committed or emotionally attached to the organization, believe in the goal and values of the organization, works hard for the organization and intend to stay with the organization (Mowday, Steers & Porter, 1982).

To the best knowledge of the researcher and in considering the above mentioned factors in the previous paragraphs, lack of personal attachment, emotional commitment, deterioration of earning and increasing employee turnover under researched area triggered the need to study effect of internal marketing strategy on employee performance in Nib Insurance Company.

1.3. Research Questions

This research answers the following questions:-

Main Question

- ✓ Do internal marketing strategies of NIB Insurance Company affect its employee's performance?

Sub-questions

- ✓ To what extent reward affect employee performance?
- ✓ Is there relationship between empowerment and employee performance?
- ✓ Does training affect employee performance?
- ✓ How does internal communication affect employee performance?

1.4 General and Specific Objectives of the study

1.4.1 General Objective of the study

General objective of this study is to assess the effect of internal marketing strategy on employee performance of Nib Insurance Company.

1.4.2 Specific Objectives of the study

Specific objective of this study is

- To investigate if there is relationship between reward and employee performance.
- To find out if there is relationship between empowerment and employee performance.
- To identify if there is relationship between training and employee performance.
- To describe effect of internal communication on employee performance.

1.5 Significance of the Study

This study helps the management of NIB insurance company to evaluate their internal marketing strategy and fill the gap in order to improve employee performance and retain employees which in return contribute a lot to achieve the overall company objectives and enable the company to obtain competitive advantage. Personnel can be an important differentiation point against competition (Bell, Menguc & Stefain, 2004). Furthermore, other insurance companies can use the output to assess their organization and evaluate their internal marketing strategies and make the necessary adjustment needed. Besides, the study can also be used as a reference for further related research to be made on service providing organizations.

1.6 Scope of the study

This study is demarcated in terms of the topic and geographic area it covers. Addis Ababa is the geographic territory, Nib Insurance Company is the subject of the study and target population is employees of Nib Insurance Company focusing on those who have been working there for more than one year. This research focuses only on four elements of internal marketing activities namely Training, Reward, Empowerment and Internal Communication by Nib Insurance

company. Internal market orientation comprises of several elements such as leadership and management, staff facilities, job security, job satisfaction; benefits, trust on management, communication, employee recruitment, training and staff retention, knowledge management etc. This research, however, focuses only on four factors of internal market orientation for the very reason that these four elements directly affect employee performance and according to Nib Insurance annual report, performance of the company is deteriorating and there is high employee turnover.

1.7. Limitation of the study

Conceptually only four internal marketing elements, Training, Reward, Empowerment and Internal Communication are considered in this study. Other Internal Marketing elements like Motivation, Vision, Development, Recognition etc are not considered in this study. Methodologically out of the total of 17 insurance companies operating in the Ethiopian insurance industry, only one insurance company, NIB Insurance Company is selected for this research purpose and the result might not be representative to show the overall effect of internal marketing strategy on employee's performance in the insurance industry.

1.8. Organization of the Study

The study is organized into five chapters. The first chapter deals with introductory part consisting of background of the study, statement of the problem, research questions, aim and objectives of the study, significance of the study, scope of the study, limitation of the study, plan and organization of the study and definition of terms of the study. The second chapter review related literatures. In this chapter various theoretical concepts and empirical review that are relates with internal marketing and employee performance issues are discussed and conceptual framework is also presented. The third chapter describe the research methodology employed in this study, including research design, research strategy, sampling design, the sources of the data, the data collection tools that are employed, and data analysis methods is discussed. Research findings of the study and related discussions are presented in the fourth chapter. And finally, in the fifth chapter, summaries of major findings, conclusions and recommendations are presented.

1.9. Definition of Terms

Internal Marketing – “is perception of employees as internal customers who guarantee satisfaction of external customers and as an important tool for succeeding in all marketing strategies of the company” (Berry, 1980).

Reward – “is the deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub-units and individuals are directed toward the achievement of an organization’s objectives” (Armstrong, 2000).

Empowerment – “empowerment implies giving employees more right and prudence in performing employment odd jobs and giving them autonomy to solve all issues related to their work” (Melhem ,2004)

Training – “the process of preparing employees to perform their tasks efficiently by providing them with the right knowledge and developing their marketing skills” (Ali, 2010).

Internal Communication – “all forms of communication from management to employees in service organization” (Lovelock and Wright, 1999).

Employee Performance- “is that how well a staff performs their task duties and responsibilities because the achievement of goals and objectives of the corporation is assessed by performance of its resources” (L.Muriuki, L.Maru & D.Kosegei, 2016).

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

The growing competitive market for business organization triggers organization to look inside while working on the external marketing activities. Jilson (2013) define Internal marketing as the form of marketing within an organization which focuses staff attention on the internal activities that need to be changed in order to enhance external market place performance. The internal marketing approach targets the satisfaction of internal customers with the commitment and perception required to allow an organization to develop better relations with external customers (Thomson & Hacker, 2000).

According to Kotler (2000), internal marketing is the task of successfully recruiting, educating and motivating employees so as to perfect customer service. In other words perfect customer service can be obtained if internal marketing task is successfully accomplished. Coper and Cronin (2000) consider internal marketing as the organization's attempts for education, reward and generally management of human resources for better service offering. They believe that employees constitute primary tools of the organization.

2.2. Theoretical Review

According to Ahmed and Rafiq (2002), internal marketing strategy is a planned effort using a marketing-like approach directed at motivating staffs, for implementing and integrating organizational strategies towards customer orientation. However motivating employees is not the only dimension of internal marketing. Varey (1995) identified motivating, developing and training employees as relevant internal marketing dimensions. Berry and Parasuraman (1991) also identified attracting, developing, motivating, and retaining qualified employees as relevant internal marketing dimensions. Gummesson (1991) considered communication, training, education and information as internal marketing dimensions while, Chang and Chang (2008) proposed training, administrative support, internal communication and human resource management as internal marketing dimensions. Service training programmes and performance

initiatives were also identified as internal marketing dimensions (Tsai & Tang, 2008). According to Dzever & Gupta (2012) internal marketing dimension cover employee recruitment, training, incentive, communication, and retention.

Foreman and Money (1995) found that the three components of internal marketing which are: reward; retaining and motivating employees have significant impact on their productivity. Shiu and Yu (2010) propose five components of internal marketing – employees as internal customers, customer oriented employees, human resource management viewpoint, internal exchange, and the use of strategic tools. According to Preston and Steel (2002) , recruiting; training, developing and motivating staff is the important components of internal marketing and felt that it is the external marketing impact of each member of the staff that is the essential focus of an internal marketing strategy.

Furthermore, internal marketing is described as perception of employees as internal customers who guarantee satisfaction of external customers and as an important tool for succeeding in all marketing strategies of the company (Berry, 1980). In addition, Internal Marketing according to Berry and Parasuraman (1991) is viewed as the philosophy of treating employees as customers and it is the strategy of shaping job-products to fit human needs. It is also described as the application of marketing, human resources management, and allied theories, techniques and principles to motivate, mobilize, co-opt, and manage employees at all levels of organization to continuously improve the way they serve external customers and each other (Joseph ,1996). Besides, a comprehensive internal marketing program is concerned with employee recruitment, training, motivation, communication and retention efforts. Gronroos (1985) goes further by urging that internal marketing must also consist of a work environment that will motivate employees to respond to management's demand.

Gronroos (1985) stated that “the objective of internal marketing is to get motivated and customer conscious employees in order to achieve service excellence. Owen and Teare (1996) stated clearly, if staff is happy about what the company need to do in order to satisfy customers and are well trained and supported, they will, on average, remain with the employer three or four times longer than employees who feel less secure . George (1987) and Berry (1980) state that in order to keep external customers happy and satisfied the company's internal customers (employees) should be happy in their jobs.

Kotler defined internal marketing as marketing aimed internally at the firm's employees. That is attracting, developing, and motivating qualified employees through job products that's satisfy their needs. He also implies that the main function of internal marketing is to obtain motivated and customers conscious personnel at every level in the organization, by treating them as internal customers, developing customer oriented one's, incorporate with human resources management, and allowing efficient exchange relationship with them. Yang (2010) believes that there is a "similarity between the activities of internal marketing and those of human resource management including communication, training, education and the provision of information," and that "the aim of internal marketing is verified through employees' satisfaction". Thus, every organization should care for its employees and satisfy their needs, in order to gain their loyalty and achieve the organizational goals. Hur, Park and Moon (2014) proposed the key factors in the practice of internal marketing, including (1)Management support, (2)Training, (3)Internal communication, (4)Personal administration, and (5)External activities.

Performance improvement is not only a result of well-functioning system but also depends on effective human resource strategies that succeed in recruiting and maintaining a committed and motivated workforce (Al-Ahmadi, 2009). Any organization having committed and motivated workforce will be successful in its overall activities. In the view of Putterill and Rohrer (2011), job performance is defined as it focuses directly on staff productivity by assessing the number of units of acceptable quality produced by a staff within a specific time period. In other words not only the productivity an employee is but also the quality produced will be considered in considering job performance. Employee performance is higher in happy and satisfied workers and the management finds it easy to motivate high performers to attain firm targets (Kinicki & Kreitner, 2007). Therefore, internal marketing has a significant impact for the achievement of organizations objectives and unhappy and unsatisfied employees will have poor performance.

According to Davidoff (1987) individual performance is generally determined by three factors namely; Ability—the capability to do the job; Work environment—the tools, materials and information needed to do the job; and Motivation—the desire to do the job. Since internal marketing apply the mentioned factors if applied it will enhance employee performance.

Besides the material and financial capital any organization need to survive and be competent in the business, human capital or its employees are source for the success of an organization. And

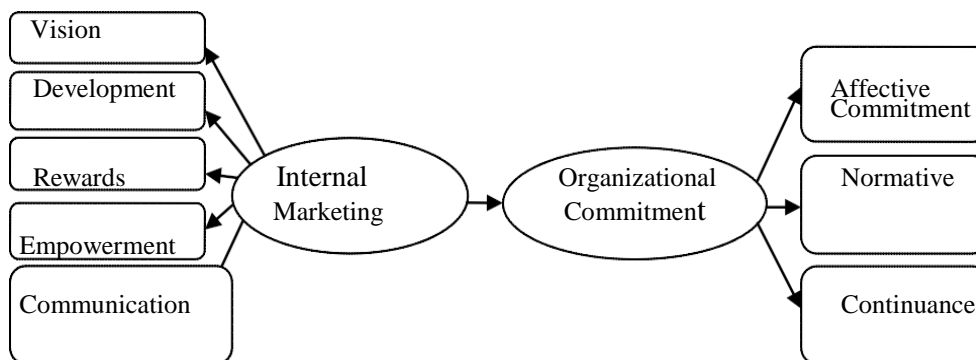
these employees need to be happy and satisfied so as to benefit the organization. Most of the authors showed that employees should be considered as customer and their need should be satisfied in order to get best result out of them. The authors showed that happy and satisfied employees will stay longer in the organization and thus experienced and well trained employees will remain as an asset for the organization and the overall result will benefit the organization. Thus, the researcher believes that the matter needs to be addressed well in NIB Insurance Company as well.

2.2.2. Overview of Internal Marketing Concept

Internal marketing concept originates from studies about quality of service section and mechanisms of service offering by employees in the 1990's (Coper & Cronin, 2000).

An overview of internal marketing conceptual evolution Rafiq and Ahmed (2000) in their observation classified internal marketing development in three separate phases, they are: the employee satisfaction phase; the customer orientation phase; and the strategy implementation or what they otherwise called the change management phase.

A Conceptual Framework developed to indicate the relationship among variables (Dependent and Independent)



Source: Ismail W., Sheriff N.M./Polish Journal of Management Studies Vol-15, No.1 (2017) 91-95

In the conceptual framework above, the study discussed the model by using two variables, dependent and independent variables. The independent variables are internal marketing elements, namely, vision, development, rewards, empowerment and internal communication and dependent

variable being organizational commitment (affective organizational commitment, normative organizational commitment and continuance organizational commitment). The study discussed the methods of development and the result of an empirical validation procedure for an instrument to assess a company's degree of internal market orientation adoption using those elements and its effect on organizational commitment. The assessment of the instrument's internal consistency, its discriminant and convergent validity were particularly satisfactory for both dependent and independent variables.

The study examines the relationship b/n internal marketing and organizational commitment and confirms the reliability value of the variables. In the study, all items were included and were related to underlying factors. The study result showed that, internal marketing significantly affected organizational commitment with the path coefficient value indicating that the employees' organizational commitment among the study area is impacted by the internal marketing provided by it. In other words, they found internal marketing factors to directly influence market orientation while market orientation significantly influenced employee commitment.

At the same time following the testing of the entire constructs and their dimensions and items, the constructs and their dimensions were tested for criterion validity, and they deemed to be reliable and valid. Hence, a full structural model of internal marketing and its impact on organizational commitment was formulated.

The results obtained showed that internal marketing impacts organizational commitment, which shows that for every increase in internal marketing, would contribute to increase in organizational commitment. Based on the results, internal marketing has a positive and significantly impact on organizational commitment.

Therefore, the obtained results showed that internal marketing significantly affected organizational commitment, indicating that the employees' organizational commitment is impacted by the internal marketing provided. This finding supports the findings of prior studies, particularly Abzari, Ghorbani & Madani (2011) who found that internal marketing has a direct impact on organizational commitment and an indirect one on the same through market orientation. In other words, they found internal marketing factors to directly influence market

orientation, while market orientation significantly influenced employee commitment. Both factors significantly impacted organizational commitment, but the indirect impacts were not found to be significant. Along a similar line of study, Chotechuong & Vesdapunt (2015) revealed that internal marketing significantly and positively impacted the organizational commitment of agents employed by the Thai insurance industry – a finding that is aligned with that reported by Shekary, Moghadam, Adaryany & Moghadam (2012). The latter provided that internal marketing positively, directly and significantly affected organizational commitment.

2.2.2.1. Training and Employee Performance

Training can assist employees in developing a holistic view of a service strategy by providing them with an understanding of the role of each individual in relation to other individuals, the various functions within the firm, and the customers (Cronin and Taylor, 1992). Providing formal and informal training experiences, such as basic skills training, on-the-job experience, coaching, mentoring and management development can further influence employees' development and hence, their performance (Weru, Iravo & Sakwa, 2013). Trained and well skilled employees performance develops the overall organization achievement.

According to Drummond (2000) training involves the use of formal and informal processes to impart knowledge and help people acquire the skills necessary for them to perform their jobs satisfactorily, while development prepares employees for other positions in the organization and increases their ability to move into jobs that may not yet exist.

Most of the firms, by applying long term planning, invest in the building new skills by their workforce, enabling them to cope with the uncertain conditions that they may face in future, thus, improving the employee performance through superior level of motivation and commitment. When employees recognize their organization interest in them through offering training programs, they in turn apply their best efforts to achieve organizational goals, and show high performance on job (Elnaga & Imran, 2013).

2.2.2.2. Empowerment and Employee Performance

Melhem (2004) pointed that the empowerment literature shows diverse meanings and definitions of empowerment. However, most definitions indicate that empowerment implies giving employees more right and prudence in performing employment odd jobs and giving them autonomy to solve all issues related to their work.

Empowerment implies giving employees more right and prudence in performing employment odd jobs and giving them autonomy to solve all issues related to their work (Hasaballah, Ibrahim and Abdallah , 2014).

Preston and Steel (2002) addressed issues linked to internal marketing. They commented that recruiting; training, developing and motivating employees is an integrated system of internal marketing (empowerment).

Empowerment means authorizing and enabling employees to act, behave, think and make their decision to get the job faster and easy to make. This depends on enablement of the employees and giving them the resources they need to use their own discretion confidently and effectively to take new responsibility (Lovelock and Wright, 1999).

2.2.2.3. Internal Communication and Employee Performance

Taylor and Consenza (1997) point to that it is significant to communicate the values of the organization to its employees in order to increase their level of consent, participation, and motivation.

An effective internal communication is very important tool for the internal marketing, it helps the management to ensure service delivery with high satisfactory level and build employee trust, respect and loyalty (Lovelock and Wright, 1999).

2.2.2.4. Reward and Employee Performance

Naturally human beings need to be recognized and rewarded for the good performance achieved and this in return initiates them to be creative. Reward is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financial and non-financially (Aktar, Sachu & Ali, 2012). According to Shore & Shore (1995), employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for.

Deeproose (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. In other words, reward and recognition of employees for their effort motivate them and enable them to perform to their at most capacity and meet organization expectation. A reward strategy is the deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub-units and individuals are directed toward the achievement of an organization's strategic objectives (Armstrong, 2000).

2.3. Empirical Review

Ghoneim & El-Tabie (2014) indicate that there is linear relationship between the Internal Marketing mix elements and customer loyalty (explained by only five elements of the internal marketing mix (independent variables) namely, marketing philosophy, employee motivation, empowerment, management commitment to service quality, and employee training and development. There is also significant linear relationship between Internal Marketing mix elements and customer loyalty in Egypt Commercial Banks.

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

Edward (2014) indicates that 1) there is a positive and significant relationship between training and employee satisfaction. That mean any increase in the number of training programmes will be followed by increase in employee satisfaction. 2) There is a positive and significant relationship between motivation and employee satisfaction. That's mean any increase in motivation programme will be followed by increase in employee satisfaction. 3) There is a positive and significant relationship between empowerment and employee satisfaction. That mean any increase in empowerment opportunities will be followed by increase in customer satisfaction. 4) There is a positive and significant relationship between communication and employee satisfaction. That mean any increase in communication will be followed by increase in employee satisfaction. In a study made at insurance industry of Ghana.

A study made by Wail & Khaled (2014) found that internal marketing showed a high level of communicating polices and work related information to customer service employees. This will enhance the employees' knowledge, and defiantly will improve their customer-oriented behavior. However, some employees complaint of the lack of training courses and external sponsor events, in Yemeni's banking industry.

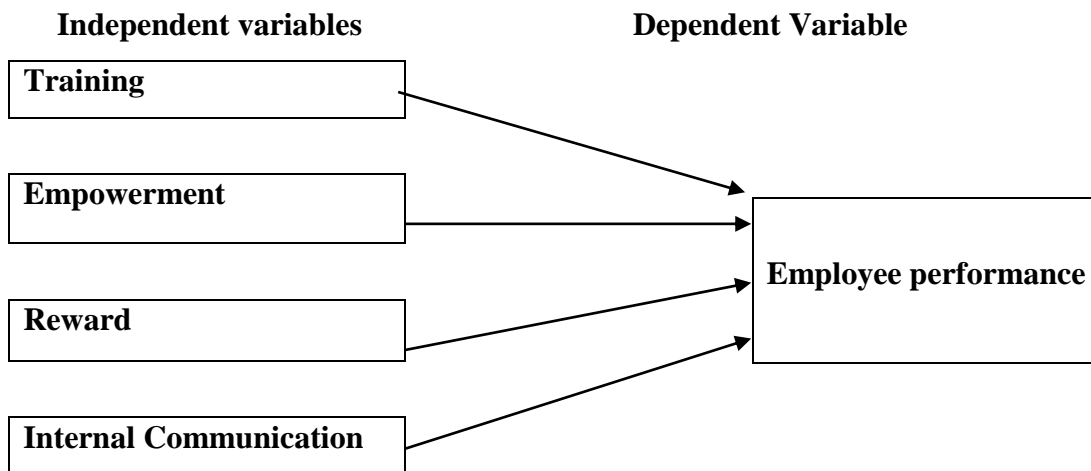
A study made by Zakaria, Hussin, Noordin & Sawal (2011) shows that 1) there was no significant relationship between employees' perception on transparency of reward practice and employees' performances 2) there was no significant relationship between employees' perception on fairness of reward practice and employees' performance and 3) there was no significant relationship between employees' perception on controllability of reward practice and employees' performances in a study made at TOYOTA 3S Centre SP Selatan, Kedah in 2009.

Referring to the reviewed empirical researches above, which revealed that internal marketing elements namely empowerment, training, reward and internal communication (dependent variables) do affect employee performance (independent variable). Thus the researcher develops a hypothesis to find out if there exist relationship between the dependent variable and independent variables.

2.4. Conceptual Frame work and Hypotheses of the study

2.4.1. Conceptual Frame Work

The conceptual frame work of this study is developed based on the literature. Internal marketing variables were directly related with employee performance of the company.



Source: Modified from Ahmed and Rafiq (2000)

2.4.2. Hypotheses of the study

As discussed above, several studies have supported the findings of studies presented above. Hence with the objective to conduct effect of internal marketing strategy on employee performance in NIC, the following hypotheses were developed and tested.

H1: There is no positive relationship between training and employee performance in NIC.

H2: There is no positive relationship between empowerment and employee performance in NIC.

H3: There is no positive relationship between reward and employee performance in NIC.

H4: There is no positive relationship between internal communication and employee performance in NIC.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the research design and methods to be followed in order to realize the objective of the study. There are three types of research methods namely Quantitative, Qualitative and Mixed approach. This research pursues quantitative research method. According to Abiy, Alemayehu, Daniel, Melese and Yilma (2009), Quantitative research method engages in systematic and scientific investigation of quantitative properties and phenomenon and their relationship. The study attempts to apply the methods to facilitate data analysis which can be reduced to numerical statistics and can be interpreted in short statements.

3.2. Research Design

The study is explanatory and descriptive type in its design. The research examines the relationship between independent and dependent variables. The independent variables are Internal Market elements which are Training, Empowerment, Reward and Internal Communication where as the dependent variable is Employee performance in this research.

3.3. Research Approach

The researcher used quantitative approach. This approach helps to collect more reliable and objective data. The researcher collect numeric data that can be analyzed and interpreted using descriptive, correlation and regression analysis to show the relationship between the independent and dependent variables. Quantitative approach also can be used to reduce and restructure complex problem to a limited number of variables. In line to this, the researcher used this approach.

3.4. Data Sources and Data Types

The data sources of the study are employees of Nib Insurance Company found in Addis Ababa. Employees who stayed in the company for one year and above are given the chance to respond to the questionnaires. The data is collected using questionnaire. According to Leary (2004), the

major advantages of questionnaires are that they can be administered to groups of people simultaneously, and they are less costly and less time-consuming than other measuring instruments. Employee's were asked to provide answers to questions related to training provision, reward available, empowerment activities and internal communication experience and their performance.

3.5 Population

The population of the study incorporates employees of NIB Insurance Company found in Addis Ababa. According to the company's Human Resource Officials report, there are about a total of 422 employees in the company and out of this 366 are found in Addis Ababa city with various occupational categories- Clerical, Semi-professional, Professional, Middle Management and Top Management.

3.6. Sample Size

In this study, the sample size determination method developed by Carvalh (1984) is used to determine the number of respondents to be included in the study. And to have good representatives the study used high sample size.

Table 3.1. Sample size

Population	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-1000	80	200	315
1001-35000	125	315	50
35001-45000	200	500	800

Source: Carvalh 1984

Note: Given the total population of Nib Insurance Company, 422, the once working in Addis Ababa city are 366 and the respondents based on Carvalh’s sample determination table 80 respondents are selected.

Table 3.2. Sample units taken from each occupational category

Position	Total Population	Proportion	Sample
Top Management	18	5%	4
Middle Management	39	11%	9
Professional	89	24%	19
Semi Professional	148	40%	32
Clerical	72	20%	16
Total	366	100%	80

Source: NIB HR

3.7. Sampling Technique and Method

The researcher used none probability sampling technique, which is convenience sampling method to select the 80 employees from the 366 Addis Ababa staffs. The researcher approached the Human Resource Department Officials to get list of employees who worked for more than one year and in occupational categories mentioned above so as to collect the data. Once the researcher found the list, convenience sampling method was used to select and distribute the questioner for the 80 representative employees based on their proximity, availability and accessibility. Convenience sampling method was used considering the availability and the quickness with which data can be gathered.

3.8. Data Collection Instrument

Self Administered questioner is the preferred data collection instrument used in this study and is adapted from previous measures. Its purpose was to address research questions proposed in the introductory part of the study. The questioner is segmented in to three parts.

The first part is used to collect general information about the employee respondents whereas, the second part focuses on collecting data on provision of training, reward, empowerment and internal communication and the third part is used to collect data on respondent's performance.

The respondents rate their level of agreement on a 5-point Likert Scales representing from 1 strongly disagree to 5 strongly agree (1='strongly disagree', 2= 'disagree', 3= 'neutral, 4='agree' and 5= 'strongly agree') and it enabled the researcher to measure the variables.

3.9. Reliability and Validity of the Data collection Instrument

3.9.1 Reliability

The most common technique used in the literature to assess reliability is to use cronbach's alpha. Kline (1999) as cited by Field (2005) notes that although the generally accepted value of .8 is appropriate for cognitive tests such as intelligence tests, for ability tests a cut-off point of .7 is more suitable. He goes on to say that when dealing with psychological constructs; values below even .7 can realistically be expected because of the diversity of the constructs being measured. Accordingly, the results showed that empowerment, training, internal communication , reward and employee performance are all reliable (see table 1 below).

Table 3.3. Reliability statistics of the variables

Variable	Cronbach's alpha	No.
Empowerment	.837	4
Training	.818	6
Internal communication	.836	4
Reward	.689	4
Employee performance	.817	5
Overall items	.799	23

Source: survey result, (2018)

3.9.2 Validity

According to Bollen (1989), content validity is the appropriate type of validity mainly for social science. It is defined as a qualitative means of ensuring that indicators tap the meaning of a

concept as defined by the researcher. He also identified two basic ways of assessing content validity: (1) ask a number of questions about the instrument or test; and/or (2) ask the opinion of expert judges in the field. To insure the validity of the research instrument, pre-test of the questionnaire is made on employees of NIB insurance company and gather feedbacks. Also opinion of the expert is attained and integrated in order to improve the research instrument validity. Based on the above accepted scientific ways, the research instrument validity was established.

3.10. Data analysis

Statistical Package for Social Sciences (SPSS) 2.0 version for Windows is used to interpret the data collected. As a result, descriptive and co relational analyses are conducted. A reliability analysis on the instruments has been carried out to ensure that the items properly represent each dimension.

The four research questions are examined through various data analysis procedures and data analysis method. In this regard, co relational and linear regression analyses are utilized. Co-relation analysis is conducted to measure the strength of the association among internal marketing dimensions and employee performance. And also descriptive is used for the demographic factors such as gender, age, education, etc.

3.10. Ethical considerations

The student researcher invited the respondents to participate in the research explaining the purpose and confidentiality of the data to be collected. The questioner was distributed to volunteer respondents. All responses were anonymous and privacy and confidentiality was insured.

CHAPTER FOUR

ANALYSIS & DISCUSSION OF RESULTS

4.1 Introduction

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

4.2 Reliability of the data

Reliability refers to the extent to which the items measure accurately and consistently what they intend to measure. The instrument for this study contains 23 items that are in a Likert scale.

Table 4.1 Reliability of Data

Reliability Statistics

Cronbach's Alpha	Variables	No. of Items
.837	Empowerment	4
.818	Training	6
.836	Internal Communication	4
.752	Reward	4
.817	Employee Performance	5

Source: Survey Result, 2018

The alpha value for the variables reliability of the instruments is measured. As a result a cronbach's alpha for all is between .752 and .837 which shows that the instruments in the study

are greater than the guideline of 0.70, so it can be concluded that the measurements can be applied for analyses with acceptable reliability.

4.3 Descriptive Analysis of Demographic Variables

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

4.3.1 Sex composition of the respondents

The sex composition of the respondents is given in the table 4.2 below. As Shown in the table, 47.5% of the respondents are male and the remaining 52.5% are female. This shows that female employees outnumber those of men in NIC.

Table 4.2. Sex of respondents

Sex of Respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Male	38	47.5	47.5	47.5
Female	42	52.5	52.5	100.0
Total	80	100.0	100.0	

Source: Survey result, 2018

4.3.2 Age composition of the respondents

The age composition of the respondents in the below table shows that 63.8% of the respondents are found in the age range between 20-30, while 28.8% are found in the age range between 30-40. The remaining 7.5% of the respondents are between the ages of 40-50. This shows that the respondents are mostly young and energetic who can contribute a lot and having such powerful man power is an asset to be used in meet the company overall goal.

Table 4.3. Age of Respondents

Age of respondents	Frequency	Percent	Valid Percent	Cumulative Percent
20-30	51	63.8	63.8	63.8
30-40	23	28.8	28.8	92.5
40-50	6	7.5	7.5	100.0
Total	80	100.0	100.0	

Source: Survey result, 2018

4.3.3 Education level of respondents

When we see the educational level of the respondents in the table below, 71.3% of the total respondents are degree holders which contain the highest percentage of the respondents. Besides, 18.8% of the respondents are Diploma holders and 6.3% are holders of Masters Degree. The remaining 2.5% and 1.3% of the respondents are high school graduates and have other educational level respectively. This shows that the company has well educated labor force and incorporating them in insurance related trainings would be effective.

Table 4.4. Educational level of Respondents

Education Level of respondents	Frequency	Percent	Valid Percent	Cumulative Percent
High school	2	2.5	2.5	2.5
Diploma	15	18.8	18.8	21.3
Degree	57	71.3	71.3	92.5
Masters	5	6.3	6.3	98.8
Other	1	1.3	1.3	100.0
Total	80	100.0	100.0	

Source; Survey result, 2018

4.3.4 Duration of respondents in the company

As shown in the tables below, 50% of the total respondents have been working in the company for 3-6 year time period. The next higher percentage which is 28.8% of the respondents has worked in the company from 1 year up to 2 year. 11.3% of the respondents have been working in the company from 7-10 years while 8.8% of the respondents have been working for 10-15 years. The remaining 1.3% of the respondents has been working in the company for more than 15 years. By this we can say that most of the employees have 3-6 years stay with the company. Moreover, employees with less than 2 year work experience with the company are higher than those who stayed longer i.e. from those who worked for more than 7 years in the company. This shows that employee turnover in the company is higher.

Table 4.5. Respondents duration in the company

Duration in the company	Frequency	Percent	Valid Percent	Cumulative Percent
1-2 year	23	28.8	28.8	28.8
3-6 year	40	50.0	50.0	78.8
7-10 year	9	11.3	11.3	90.0
10-15 year	7	8.8	8.8	98.8
>15 year	1	1.3	1.3	100.0
Total	80	100.0	100.0	

Source: Survey Result, 2018

4.4 Respondents' Level of agreement on the Determinant Variables

The descriptive statistics of mean scores and standard deviation of internal marketing variables are discussed in the below consequent tables in each category.

The main reason of using descriptive statics was to demonstrate the average responses of respondents for each question that was included under each dimensions of the predictor variable and to reach the grand mean of each dimension. The interpretation was made based on adopted measurement scale intervals or range from Poonlar Batawee, 1987 as sited by Solomon Abera

(2016). Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor. Using this range, the study defines the opinion of the respondents reply for the questioner forwarded.

4.4.1. Employee empowerment

The mean rating and the standard deviation of respondents' evaluation of empowerment attributes is presented in the table below. Respondents overall mean rating is 3.55 and the standard deviations range from 1.05 to 1.30. This implies that the respondent have good opinion on empowerment activity of the company. Therefore most of the respondents are satisfied with the empowerment activity the company provide. Empowerment encourages employees to develop self-confidence and make important decision at time of need.

Table. 4. 6. Mean and std. deviation of empowerment

Employee empowerment	no.	Mean	Std. Deviation
My immediate boss encourages me to use my own judgment while encountering problem	80	3.5000	1.22216
My immediate boss trust my judgment	80	3.5875	1.05175
My immediate boss allow me to make certain decision in my area of work	80	3.7375	1.09941
I am involved in making decision that affect my work	80	3.4000	1.30820
Average		3.5563	
Source; survey result, 2018			

4.4.2. Employee Training

The mean rating and the standard deviation of respondents' evaluation of training attributes is presented in the table below. Respondents overall mean rating is 3.09 and the standard deviations ranges from 1.03231 to 1.43884. This shows that the respondent have average or moderate opinion on training provision of the company. Even though, the overall average mean of the respondents show the company provide training programs, they disagree with the availability of training for newly hired employees. Training employees at time of hiring in relation to the post they are assigned will enable the employee

to know the job before actually engaging in it and the employee will perform better.

Table. 4.7. Training mean and std. deviation

Employee Training	no.	Mean	Std. Deviation
While being hired, I have been trained for the post I have been assigned	80	2.8250	1.43884
In Nib insurance all newly hired employees are always trained	80	2.6125	1.28766
The training provided make employees capable	80	3.66250	1.179399
Training is provided timely for those who shift job position or when they get promotion	80	3.1125	1.26285
The training cession provided is adequate and effective	80	3.1875	1.03231
The company had adequate resource ad facility to train employees	80	3.1500	1.15944
Average		3.091667	

Source; survey result, 2018

4.4.3. Employee Internal Communication

The mean rating and the standard deviation of respondents' evaluation of internal communication attributes is presented in the table below. Respondents overall mean rating is 3.37 and the standard deviations ranges between 1.13 to 1.31. By this we can say that respondent have average or moderate opinion on availability of internal communication. Most of respondents were satisfied with the interactions they have with their immediate bosses and the relation they have. Internal communication has an advantage of informing employees about new changes and will help them to be adaptive to external environment as well. Thus properly informed employees will not face any difficulties in executing their job which directly contribute for the overall productivity of the company. Internal communication generally relates the employees to have knowledge on what is going on within the company as well as in the external environment.

Table. 4.8. Internal communication mean and std. deviation

Internal communication	no.	Mean	Std. Deviation
Any change in the company will be communicated to me by my immediate boss.	80	3.4375	1.18902
My immediate boss sincerely listen my problems I encounter during the course of my work and advise me for solution	80	3.6125	1.17456
My immediate boss is concerned to my personal issues that might affect my work	80	3.1625	1.13007
My boss is never too busy to talk to me when I need it.	80	3.3000	1.31592
Average		3.378125	

Source; survey result, 2018

4.4.4. Employee Reward

The mean rating and the standard deviation of respondents' evaluation of reward attributes is presented in the table below. Respondents overall mean rating is 3.23 and the standard deviations ranges between 1.1 to 1.4. This shows that respondent have average or moderate opinion on the reward system that the company has.

Table. 4. 9 Reward mean and std. deviation

Reward	no.	Mean	Std. Deviation
I know that outstanding performance will grant me some financial reward (bones)	80	3.5250	1.14709
My payment and job assigned to me are compatible to my qualification.	80	3.0250	1.22190
Everyone gets bones and salary increment which encourage employees to work hard	80	3.2750	1.48388
The benefit the company provides is quite similar to those other companies in the industry.	80	3.1250	1.30602
Average		3.2375	

Source; survey result, 2018

4.4.5. Employee performance

The mean rating and the standard deviation of respondents' evaluation of employee performance attributes is presented in the table below. Respondents overall mean rating is 3.72 and the standard deviations ranges between .98 to 1.29. This implies that the respondent mean tend to be good. Respondents mean rate is satisfactory which show that performance rate of NIC employee's is high.

Table. 4. 10. Employee performance mean and std. deviation

Employee performance	no.	Mean	Std. Deviation
I always show strong commitment to my job	80	4.1375	1.05235
I am always highly motivated to accomplish the job assigned to me	80	4.0500	1.01757
I am committed to full fill what the company expect of me	80	4.1125	.98075
I am satisfied working at NIB insurance and would like to stay and work longer.	80	3.2125	1.29940
Nib insurance holds contest between branch in an attempt to improve employee performance	80	3.0875	1.22416
Average		3.72	

Source; survey result, 2018

4.4.6. Overall variables mean and Std. deviation

From the table below, we can see that empowerment, training provision, internal communication and reward have mean scores of 3.39 and standard deviation ranging between 0.85 to 0.98 indicating that respondents have average or moderate opinion on the internal marketing variables. As shown in the table almost all employees performance is satisfactory. Empowerment, provision of training, internal communication and reward provisions are also contributing to the employees' performance. This result will be later tested for its statistical significance in the correlation and regression analysis.

Table 4.11. - Descriptive Statistics of the overall variables in the questionnaire

Variable	Mean	Std .Deviation	N
Empowerment	3.5563	0.96290	80
Training	3.0917	0.89258	80
Internal Communication	3.3781	0.98645	80
Reward	3.2375	0.93279	80
Employee performance	3.7200	0.85246	80
Average	3.39672		

Source; Survey result, 2018

4.5. Preliminary test

Before the correlation and regression analysis is executed, linear relationship, normality of distribution and multi-co linearity of variables was tested and the results are presented below.

4.5.1. Linear relationship

Employee performance is assumed to be linearly related with internal marketing elements. Meaning that the dependent variable, employee performance is assumed to be impacted with the changes in the independent variable, empowerment, training, internal communication and reward. The relationship between the two variables should be linear. The scatter plot of scores should be a straight line (roughly), not a curve (Pallant, 2005). In line with this, the scatter plots of this study shows that there is almost linear relationship between the variables. Therefore, the assumption of linearity is satisfied in the study. (Please see Appendix B for the scatter plot diagram.)

4.5.2. Normality of distribution test

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

Table 4.12 - Normality of the Distribution

Descriptive Statistics					
	N	Mean	Skewness	Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error
Empowerment	80	3.5563	-.748	.226	.532
Training	80	3.0917	-.191	-.284	.532
Internal communication	80	3.3781	-.194	-.516	.532
Reward	80	3.2375	-.200	-.424	.532
Employee performance	80	3.7200	-.800	.911	.532
Valid N (listwise)	80				

Source; computation from survey data, 2018

4.5.3 Multi-co-linearity test

Multi-co linearity is used to describe correlation among independent variables. If there is high correlation between two or more predictor variables, may cause problems when trying to draw inferences about the relative contribution of each predictor variable to the success of the model (Pallant, 2005), as cited by Mulugeta Demisse (2016).

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

Table 4.13 Multi-co- linearity

Model	Co-linearity statistics	
	Tolerance	VIF
Empowerment	0.555	1.803
Training	0.586	1.705
Internal communication	0.334	2.99
Reward	0.534	1.873

Source: computation from survey data (2018)

4.6. Correlation analysis: relationship between the study variables

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

Table 4.14. Correlation between independent and dependent variable

Correlations

		Empowerment	Training	Internal communication	Reward	Employee Performance
Empowerment	Pearson Correlation	1	.509**	.655**	.466**	.483**
Training	Pearson Correlation	.509**	1	.630**	.450**	.507**
Internal communication	Pearson Correlation	.655**	.630**	1	.682**	.626**
Reward	Pearson Correlation	.466**	.450**	.682**	1	.631**
Employee Performance	Pearson Correlation	.483**	.507**	.626**	.631**	1

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

Source: Survey result, 2018

Hypotheses testing

Ha1: There is positive relationship between empowerment and employee performance in NIC.

H01: There is no positive relationship between empowerment and employee performance in NIC.

As shown in the table above, Pearson’s correlation exhibits that there is a significant positive relationship between empowerment and employee performance in NIC ($r=.483^{**}$, $p<.01$) which didn’t support the null hypothesis number two of the research. Consequently, the null hypothesis is rejected but the alternative hypothesis number two of the research that “there is a significant positive relationship between empowerment and employee performance in NIC is accepted.

Ha2: There is positive relationship between training and employee performance in NIC.

H02: There is no positive relationship between training and employee performance in NIC.

As shown in the table above, Pearson's correlation exhibits that there is a significant positive relationship between training and employee performance in NIC ($r=.507^{**}$, $p<.01$) which didn't support the null hypothesis number one of the research. Consequently, the null hypothesis is rejected but the alternative hypothesis number one of the research that "there is a significant positive relationship between training and employee performance in NIC is accepted.

Ha3: There is positive relationship between internal communication and employee performance in NIC.

H03: There is no positive relationship between internal communication and employee performance in NIC.

As shown in the table above, Pearson's correlation exhibits that there is a significant positive relationship between internal communication and employee performance in NIC ($r=.626^{**}$, $p<.01$) which didn't support the null hypothesis number three of the research. Consequently, the null hypothesis is rejected but the alternative hypothesis number three of the research that "there is a significant positive relationship between internal communication and employee performance in NIC is accepted.

Ha4: There is positive relationship between reward and employee performance in NIC.

H04: There is no positive relationship between reward and employee performance in NIC.

As shown in the table above, Pearson's correlation exhibits that there is a significant positive relationship between reward and employee performance in NIC ($r=.631^{**}$, $p<.01$) which didn't support the null hypothesis number four of the research. Consequently, the null hypothesis is rejected but the alternative hypothesis number four of the research that "there is a significant positive relationship between reward and employee performance in NIC is accepted.

Summary of the hypotheses testing

As it is discussed above, the entire independent variables have a strong relationship ($r > .5$) with the dependent variables except empowerment which has a moderate positive relationship ($r = .483$). Training and employee performance ($r = .507, p < .01$), internal communication and employee performance ($r = .626, p < 0.01$), and reward and employee performance ($r = .631, p < .01$) which are statistically significant at 95% confidence level.

This means that any improvement in any or all of the four independent variables (training, empowerment, internal communication and reward) results in improvement in employee performance. It is also true in the model which shows the relationship between internal marketing strategy and employee performance of NIC.

Although we cannot make direct conclusions about causality from a correlation, we can take the correlation coefficient a step further by squaring it. The correlation coefficient squared (known as the coefficient of determination, r^2) is a measure of the amount of variability in one variable that is shared by the other (Field, 2009). Therefore, based on the correlation coefficients result obtained from the table empowerment can account for 23.52%, training for 25.70%, internal communication for 39.19% and reward for 39.82% of the variation in employee performance. This implies that, the most important internal marketing strategy on employee performance is reward followed by internal communication in NIC, which goes to prove that reward and internal communication are perceived as a dominant internal marketing strategy to affect employee performance.

4.7. Regression analysis

In order to see contribution of internal marketing strategies in affecting employee performance, multiple linear regression analysis was employed. Employee performance was used as the dependent variable while elements of internal marketing, empowerment, training, internal communication and reward were used as the independent variables.

Table 4.15. Model Summary

Model	R	R Square	Adjusted R Square
1	.701 ^a	.492	.465

Source: Survey result, 2018

The above regression model presents how much of the variance in the measure of employee performance is explained by the underlying internal marketing elements. The model or the predictor variables have accounted for 49.2% (adjusted R square of 46.5%) of the variance in the dependent variable. The remaining 53.5% are explained by other variables out of this model.

Table 4.16. ANOVA

Model	Sum of Squares	F	Sig.
1 Regression	28.237	18.150	.000
Residual	29.171		
Total	57.408		

Source: Survey result, 2018

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

Table 4.17. Regressions for Employee performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.246	.317		3.932	.000
	Empowerment	.078	.098	.088	.797	.428
	Training	.153	.103	.160	1.486	.141
	Internal communication	.185	.123	.214	1.502	.137
	Reward	.340	.103	.372	3.303	.001

a. Dependent Variable: Employee performance

Source: Survey result, 2018

According to Table 4.7, the regression standardized coefficients for the four independent variables, i.e. empowerment, training, internal communication and reward are 0.088, 0.160, 0.214 and 0.372 respectively. Their significance levels are 0.428, 0.141, 0.137 and 0.001 respectively. Of this only reward significantly affect the dependent variable (employee performance) as the p value is less than 0.05 the remaining three factors i.e. empowerment, training and internal communication has no significant effect on the dependent variable, since their p value is greater than 0.05.

4.8. Discussion Section

In this part the result of the study is discussed in terms of literature reviewed in the study.

Referring the theoretical and empirical reviews presented in the study literature review part, the four internal marketing variables empowerment, training, internal communication and reward do affect employee performance. And as the study result shows, reward, significantly affect employee performance.

For instant, Foreman and Money (1995), mention that the three components of internal marketing which are: reward; retaining and motivating employees have significant impact on

their productivity. Deeprose (1994) also argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. In other words, reward and recognition of employees for their effort motivate them and enable them to perform to their at most capacity and meet organization expectation.

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

On the other hand, as Owen and Teare (1996) stated clearly, if staff is happy about what the company need to do in order to satisfy customers and are well trained and supported, they will, on average, remain with the employer three or four times longer than employees who feel less secure .

Similarly, the finding of this study indicates that reward significantly affects employee performance and this will impact their productivity and their intention to remain with the employer.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

Introduction

Based on the results and findings of the study, this chapter deals with the summary of the finding, conclusion, recommendations and future research directions.

The research tried to answer the following research questions that are the bases for the study

- Whether internal marketing strategies of NIC affect its employee's performance,
- To what extent the reward system of NIC affect employee performance,
- Whether there is relationship between empowerment and employee performance,
- If training affect employee performance and,
- Whether internal communication affect employee performance.

5.1 Summary of findings

Aim of this study is to assess the effect of internal marketing strategy on employee performance of Nib Insurance Company. So the study focuses on employees of NIC and examines the relationship between empowerment, training, internal communication, reward and employee performance. Based on the sample data, the study generalized the findings to the population. The research is carried out by using self-administered questionnaire. The respondents indicated their extent of agreement and disagreement by ticking one of the five points on a Likert scaled items. The direction and degree of association between the independent variables, empowerment, training, internal communication and reward and the dependent variable, employee performance had been measured by Pearson correlation coefficient. The relative importance of the independent variables in predicting employee performance had been investigated by multiple regression analysis.

The most important issue raised in the statement of the problem part was whether the performance of the employee of NIC is affected by the internal marketing strategies which

directly and indirectly affect the overall income earning of the company and be cause for high employee turnover. Internal marketing elements considered in the study which are empowerment, training, internal communication and reward were discussed in the literature review part and they have huge role in any organization's profitability and can contribute for employee retention.

In respect of demographic profile of respondents, female respondents are a bit higher than the male respondents. (Female =52.5% and Male = 47.5%) showing female employees outnumber the male employees. Besides, majority of respondents i.e. 63.8% , are found in the age group between 20 and 30 showing that the company own young and energetic employees who will go miles to satisfy the expectation of the company. Regarding educational level, majority about 71.3% have university degree. With regard to duration of stay in the company majority (50%) of the respondents have 3 up to 6 years stay. However, comparing employees who stayed in the company for more than 7 years are less in number than those who worked for less than 2 years which can be an indicator of high employee turnover in the company.

The descriptive statistics shows that mean score values of the variables, empowerment, training internal communication reward and employee performance ranges from 3.09 to 3.72 and with std. deviation score value ranging from 0.852 to 0.962. All variables under consideration were above the neutral score 3 and are perceived more than average by the sample respondents.

The Pearson correlation coefficient reveals that training ($r=.507^{**}$); empowerment ($r=.483^{**}$); internal communication ($r=.626^{**}$) and reward ($r=.631^{**}$) all the independent variables have statistically significant positive correlation with employee performance supporting all the four alternative hypotheses of the research. The strength of correlation is highest for reward followed by internal communication, training and empowerment. The correlation is also significant at .01 level (2-tailed).

The regression model adjusted R square value of .465 indicated that 46.5% variability in employee performance is accounted by the explanatory variables integrated in the conceptual model.

Finally, the regression standardized coefficients for the four independent variables, i.e. empowerment, training, internal communication and reward are 0.088, 0.160, 0.214 and 0.372 respectively. Their significance levels are 0.428, 0.141, 0.137 and 0.001 respectively. Of this only reward significantly affect the dependent variable, employee performance as the p value is less than 0.05.

5.2. Conclusion

As discussed in the summary of the finds, all the research questions are addressed in the study. The study has shown that, the four internal marketing variables considered in the study affect employee performance of NIC. However as the finding indicate the most dominant variable to influence employee performance has come out to be reward.

It is to be recalled that in the introduction and literature review parts of the study, unsatisfied and unhappy employees tend to resign for a better opportunity. Besides, in a service giving organizations like Nib Insurance Company, success and profitability depend on the service provided by the employees. The experienced and well trained employees could perform well and meet the company goal in being profitable. Therefore, the reward system must be reviewed and given attention to overcome the deteriorating income earning and the increasing employee turnover observed in the company for the past three years.

5.3. Recommendations

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

- Nib insurance should revise employee pay as to meet their qualification and experience so as to satisfy them and retain the employees and motivate them to work hard to achieve the overall goal of the company.

- The company should assess reward system of other similar insurance companies in the industry and provide the same for its employees so as employees will not shift from one insurance company to the other looking for better reward system.
- Bonus and salary increments which are motivating and encouraging items for the employees should be considered and factors to obtain these fringe benefits should be widened.
- Employee empowerment is mandatory therefore, NIC should keep on empowering its employees so as the employees participate in decision making process and participate in routine and easy cases, so as they will be able to perform better.
- Continuous training need to be further practiced. Newly employed as well as those who change their position need to be trained and upgraded for the smooth performance of the job they are assigned.
- Internal communication also has significant effect on employee performance; immediate bosses have to keep on to communicating with their subordinates in order to make the employee fully aware of internal and external changes in the industry. Situations to communicate must be available like weekly meetings or notice board where daily updates will be written. This will enable the employee to perform knowing basic changes around them.
- Furthermore, NIC should understand different internal marketing tools and should adopt them and communicate to employees so as the level of employee performance and staff retention will be great.

5.4. Limitations and directions for future researches

This study was based on a single service providing industry Nib insurance company. It is questionable to apply the result of this study to other service providing industries and generalize. Besides the sample size taken in this study is only from one insurance company. The other limitation is the internal marketing elements considered in the study, which are only four where as there are a number of other internal marketing elements to be considered.

However, taking the result found in this study into account, further, researchers can apply the study model taking larger sample size from different service providing industries. Furthermore, considering other internal marketing elements in to consideration, a much wider research can be done.

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**ADDIS ABABA UNIVERSITY SCHOOL OF
COMMERCE DEPARTMENT OF
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**Effect of Internal Marketing Strategy on Employee
Performance: Case of Nib Insurance Company**

**A Research Proposal Submitted To the School of Graduate Studies
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By: Mekdes Letta

Advisor: Dr. Mesfin Workneh

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**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
MARKETING MANAGEMENT POST GRADUATE PROGRAM
STUDY ON THE EFFECT OF INTERNAL MARKETING STRATEGY ON EMPLOYEE
PERFORMANCE: THE CASE OF NIB INSURANCE COMPANY.**

Approved by Board of Examiners

Advisor

Internal Examiner

External Examiner

Signature

Signature

Signature

Declaration

I, Mekdes Letta, hereby declare that the project entitled **Effect of internal marketing strategy on employee performance: A Case Study on Nib Insurance Company** is my original work and has not been presented for a degree in any other university and that all sources of material used for the project have been duly acknowledged.

Mekdes Letta_____

Student name

Signature

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APPENDEX A

Addis Ababa University School of Commerce Degree of Masters in Marketing Management

Questionnaires to be filled by Nib Insurance Company Employees

Dear Respondents:

I am a student of Addis Ababa University School of Commerce. This questionnaire is prepared to collect data on the effect of internal marketing strategy of Nib Insurance Company on employee performance. Therefore, I would appreciate if you would take some minute of your precious time to complete the questionnaire. Any information provided will be handled with confidentiality and will be used for research purpose only and will not be passed on to any third party.

Thank you in advance for your cooperation and prompt response.

Part I. General Information

- 1) Gender: 1) M 2) F
- 2) Age: 1) 20- 30 2)30-40 3) 40-50 4) above 50
- 3) Educational Level: 1) High School 2) Diploma 3) Degree
- 4) Masters 5) Specify if other _____
- 4) Duration in the Company: 1) 1-2 year 2) 3-6 years 3) 7-10 years
- 4) 10- 15 years 5) More than 15 years

Part II. Internal Marketing Elements

Please note that for the following questions, 1 stands for “strongly disagree”, 2 for “disagree”, 3 for “neutral”, 4 for “agree” and 5 for “strongly agree”. Please indicate how far you agree with each of the following statement by putting “√” for your choice in the box provided.

	1	2	3	4	5
EM1) My immediate boss encourages me to use my own judgment while encountering problem					
EM2) My immediate boss trust my judgment					
EM3) My immediate boss allow me to make certain decision in my area of work					
EM4) I am involved in making decision that affect my work					

	1	2	3	4	5
TR1) While being hired, I have been trained for the post I have been assigned					
TR2) In Nib insurance all newly hired employees are always trained					
TR3) The training provided make employees capable					
TR4) Training is provided timely for those who shift job position or when they get promotion					
TR5) The training cession provided is adequate and effective					
TR6) The company had adequate resource and facility to train employees					

	1	2	3	4	5
IC1) Any change in the company will be communicated to me by my immediate boss.					
IC2) My immediate boss sincerely listen my problems I encounter during the course of my work and advise me for solution					
IC3) My immediate boss is concerned to my personal issues that might affect my work					
IC4) My boss is never too busy to talk to me when I need it.					

	1	2	3	4	5
RW1) I know that outstanding performance will grant me some financial reward (bones)					
RW2) My payment and job assigned to me are compatible to my qualification.					
RW3) Everyone gets bones and salary increment which encourage employees to work hard					
RW4) The benefit the company provides is quite similar to those other companies in the industry.					

Part III. Employee Performance

	1	2	3	4	5
EP1) I always show strong commitment to my job					
EP2) I am always highly motivated to accomplish the job assigned to me					
EP3) I am committed to full fill what the company expect of me					

EP4) I am satisfied working at NIB insurance and would like to stay and work longer.					
EP5) Nib insurance holds contest between branch in an attempt to improve employee performance					

Thank you Very Much!!