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Addis Ababa University School of Commerce

Department of Marketing Management

**The Effect of Internal Marketing on Organizational
Commitment: The Case of Cooperative Bank of Oromia**

**“In Partial Fulfillment of the Requirements for the Degree of
Master of Arts in Marketing Management.”**

By: Berhanu Teshome

June 2015

Addis Ababa

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By: Berhanu Teshome

Advisor: Zewdie Shibre(PhD.)

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Approved by Board of Examiners

	Signature	Date
External Examiner	_____	_____
Internal Examiner	_____	_____
Department Chair person	_____	_____

Statement of declaration and confirmation

I, Berhanu Teshome, declare that this research work entitled “The Effect of Internal Marketing on Organizational Commitment: The Case of Cooperative Bank of Oromia” is the outcome of my own effort and study and that, to the best of my knowledge, it neither contains material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

The research work is presented in partial fulfillment of the requirements of the degree of Masters of Arts in Marketing Management.

Berhanu Teshone

Signature _____

Date _____

Confirmed by advisor

Zewdie Shibre(PhD)

Signature _____

Date _____

Dedication

This research work is dedicated to the memory of my mother who left me away at my infant age. Mom I not only missed your love, affection and support but also left alone all through my journey. Let your soul rest in peace.

Berhanu Teshome

ACKNOWLEDGEMENT

It was God Who saw me through this program. The road was rough and zigzagged but the Almighty God didn't let me waver. Thus, I am most grateful to the Almighty God who through His infinite blessings and protection guided me throughout the duration of the program.

Besides, doing research work requires the support of many people whose contribution cannot be ignored nor left without appreciation. Accordingly I thank my advisor Dr. Zewdie Shibre for his friendly approach and scholarly advice. His criticism and suggestion made this work a reality.

In general, I would like to extend my deepest appreciation and gratitude to respondents of the research questionnaire and all other people who in one way or another contributed to the completion of this research work. Especially Ato Deginet Hailu deserves a special thank for he didn't deny me any help I requested of him through the duration of the program.

Berhanu Teshome

Abstract

In today's highly competitive business environment, the major sources of competitive advantage will lie not only in the adoption of new technology but in the dedication, the quality of the commitment and competence of the workforce. The results of the human capital energy and creativity are the company's most important resources. The important and deterministic role of organizations' internal customers (employees) in achieving organization to its aims has been cleared up more than before by addressing two concepts: internal marketing and organizational commitment. Related studies show that internal marketing activities have improved competitiveness in organization and promoted competencies through influence and motivation-creating commitment in employees. The purpose of this study was to investigate the effects of aspects of internal marketing on organizational commitment of employees of the Cooperative bank of Oromia. In order to achieve the purpose, five hypotheses have been formulated that link the dimensions of internal marketing to organizational commitment. A structured questionnaire on five Likert scale basis was used to collect data from 140 sampled employees of the bank. Both descriptive (frequency distribution) and inferential (correlation and regression) statistics were utilized using SPSS version 21 to analyze the data. The findings of the study indicated that understanding and differentiation, motivation, and training in the given order are found to be the most important factors influencing organizational commitment among employees of CBO. As a result of which the bank is recommended to give more emphasis to these dimensions in order to enhance commitment among its employees.

Abbreviations/Acronyms

IM – Internal Marketing

CBO – Cooperative Bank of Oromia

OC – Organizational Commitment

HRM – Human Resource Management

HR – Human Resource

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CHAPTER ONE

Introduction

1.1 Back ground of the study

Today's business environment is characterized by rapid change, knowledge explosion, technological advancement, and intense competition (Stewart, 1989). In response to the pressure of globalization, increasingly competitive markets, and volatile market dynamics, many organizations are actively seeking ways to add value to their products and services and improve their service quality. Organizations are usually keen on making operational efficiency a priority and deliver their products and services according to the customer needs and wants (Stewart, 1989).

Some theorists are calling for major changes in the way service organizations, as well as manufacturing organizations, function (Handy, 1990). Executives are demanding more active organizational involvement from their employees than they did in the past (Kanter, 1989). While the need for changes is necessary and significant in different types of industries, it is more imperative in the service industry because people play a key role in the delivery of services. Service organizations now constitute a large proportion of the global economy. They constitute, for example, approximately 64 percent of the US gross domestic product (Chung and Schneider, 2002). These data indicate that the provision of services has outpaced the production of goods.

In the past, organizations may have relied heavily on capital assets, as they were the most demanding of organizational and management concerns. However, today's service organizations may require more attention to the management of the people side of the organization (Chung and Schneider, 2002). Additionally, the reason for more attention and concern to the human resources in the service sector lies behind three commonly defined attributes of services: intangibility, simultaneous production and delivery, and customer participation in the service (Bowen and Schneider, 1985). First, because there is often no tangible product involved, customers often see customer-contact staff as the tangible

aspect of the service. Second, the fact that services are produced and consumed simultaneously, suggests that customer-contact employees are largely responsible for quality control at the time of service delivery (Chung and Schneider, 2002). Finally, having customers involved in the production of the service as a co-producer creates a special relationship between customers and employees which perhaps makes customer contact employees more concerned regarding customer needs and customer satisfaction.

The service sector has a widespread spectrum and encompasses financial, welfare, transportation, health, telecommunications etc which experiencing rapid growth in competitive markets and has more contact with customers (internal and external). In Ethiopia context financial sector composed of the banking industry, insurance companies, microfinance institutions, saving and credit associations and the informal financial sector (Zerayehu, Kagnev and Teshome , 2013).

The role of marketing management in organizations is to identify and measure the needs and wants of customers whereas customer-orientation is the foundation of successful marketing. Marketing is the term usually reserved for the process of making a product, service or idea to the final customer outside the firm but marketing also takes place within an organization. In this instance the market is not only the ultimate consumer but also an individual or group of individuals within the organization. These internal customers are potentially as important as external customers. Internal marketing is also a mutual valuable system between internal customers (employees) and an organization which attracts and retains as a source of surviving growth and profitability and tries to pave the way for partnership of employees in promoting quality of products and services for external customers. For this purpose, by using advanced systems and tools and also increasing capabilities of organizational behavior, there is a possibility of closer partnership with employees which enhances their commitment to the organization (Atuosa Farzad, 2006).

As Harvir et.al (2001) stated an increasingly service-oriented economy requires organizations to attract and retain customers to ensure a sustainable competitive advantage. To achieve this objective, service providers must give due consideration on developing and

sustaining an organizational culture that emphasizes internal customer well-being as a means to attract and retain external customer patronage.

Furthering this contemplation, Sarolta and Janos (2008) marketing according to the traditional view, focuses on external customers, rather than paying attention to the organizations employees as internal customers is rule of thumb in many business. Marketing of products and services has been focused on the detection and the satisfaction of the external customers' needs. Nevertheless, one thing ignored is that customer satisfaction is the consequential of employees' pleasure on their jobs. Internal customers of a firm and their satisfaction are the "mirror-image" of the external customers and their satisfaction.

Besides, this ritual of businesses conduct there is limitation in theoretical as well as empirical dimensions that is worth to be mentioned. In the theoretical aspect there is inadequacy of conceptual framework which could be result from its relatively recent departure from service marketing (Sarolta and Janos 2008). As Zikmud (2010) noted in spite of the attention that the subject of internal marketing (IM) has received, a review of the literature shows that there is still no single compelling, or clear conceptual definition of IM. This remains an area of considerable confusion despite the fact that numerous alternative definitions of IM have been proposed over the past decade. In the practical aspect there are little uses for managers and further application to the real world scenario. As Bouranta et.al, (2005) noted although there are paramount importance of IM, many empirical researches are not conducted due to the lack of models.

According to Ahmed and Rafiq (2003) one of the major problems confronting IM as an area of academic research activity and management practice is the difficulty in its implementation mechanism. They said organizations are faced with difficulty in their implementation of the IM concept, and this in part, can be blamed on the lack of clear guidelines as to what activities should constitute IM and those that should not. Haskett,et.,al (1997) argued that the majority of businesses have not been able to successfully develop and implement internal marketing strategies due to a lack of

knowledge and understanding of the different components that constitute the internal market environment.

According to Atuosa Farzad (2006) successful organizations are those that integrate efficient and effective management in internal and external dimensions through external customer relationship management and enhancement of organizational commitment among internal customers. In Ethiopia the need to banking services is increasing more than ever and people expect more and faster services from banks. Besides, customer satisfaction is becoming the slogan of all banks. In order to meet these increasing needs and expectations and improving human resource management practices in banks which are changing under pressures from an increasingly intense competitive environment, the organizational commitment of employees have to be enhanced through specific and scientific relationship with employees and enjoyment of modern methods of internal marketing. It is, therefore, to supplement this idea that a need arised to undertake this study.

Although there could exist prior research works on the subject, most of the studies so far on the topic under caption are done in other economies, and thus the implication of those studies cannot be generalized for a developing country like Ethiopia where the service culture is still emerging and not very mature. According to Wasbeek (2004) Ethiopian human resource management practices differ from human management practice in the west due to difference in cultural factors, economic systems, political systems, and legal and industrial relations. Secondly as per the pre-assessment made by the researcher even though there are few researches done in the country with a related concept none of them directly addressed the impact of internal marketing on employee organizational commitment.

1.2. Statement of Problem

As Kothari (2004) noted “A research problem, in general, refers to some difficulty which a researcher experiences in the context of either a theoretical or practical situation and wants to obtain a solution for the same.”

With the emergence of industrial age, corporations changed their opinion about employees. Gone are the days when employees were treated as servants whose primary concern was to provide goods and services. But now this concept is totally changed as organizations realized that human capital is critical for the success of any organization. Especially in service sector the quality of service mainly depends on employees because service providing companies do not have physical goods (Maryam Sadeghloo et al, 2014).

Internal marketing is valuable system between internal customers (employees) and an organization which attracts and retains as a source of surviving growth and profitability and tries to pave the way for partnership of employees in promoting quality of products and services for external customers. For this purpose, by using advanced systems and tools and also increasing capabilities of organizational behavior, there is a possibility of closer partnership with employees which enhances their commitment to the organization (Atuosa Farzad, 2006).

The change of government in 1991 and the consequent changes in economic policy witnessed transformation in Ethiopian banking industry. Monetary and Banking Proclamation of 1994 established the National Bank of Ethiopia as a judicial entity, separated from the government and outlined its main functions. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for participation of the private sector in banking business, which had been completely prohibited during the Derge regime (Zerayehu et al., 2013).

Shortly after their introduction in to the country's economy private Banks have followed an aggressive branch expansion strategy. Physical branch channel mainly depends on face-to-face contact with customers. It is a services delivery process that emphasizes how the service provider or contact person behaves or approach (Wilson et al., 2008).

Besides according to Handy (1990) true differentiation nearly impossible to achieve in consumer-oriented financial services, such as banks, because nearly all of the services are much like commodities and success can be achieved if staffs feel they are being treated correctly by the bank and fully understand the banks objectives and rationale for their achievement. Thus, attraction, retention and motivation of high quality staff is essential in situations where the quality of the service is the only real differentiating factor between competitors. Therefore, for Ethiopian banks to succeed in their market-oriented endeavors, employees' commitment must be guaranteed. As Cauana(1998) noted one way of achieving such commitment is the application of internal marketing programs

Over the last three decades internal marketing was proposed as a solution to the problem of delivering consistently high service quality. However, despite the rapidly growing literature, very few organizations actually implement the concept in practice. The lack of implementation guidelines has also contributed to the low adoption rate by organizations (Gronroos, 1980).It is, therefore, on the bases of this argument that a need arised to assess the extent to which the concept of internal marketing is being practiced and to determine the effect of aspects of internal marketing on organizational commitment in CBO.

1.3 Research questions

The study was inspired to answer the following major questions.

- To what extent does the concept of internal marketing is being exercised in the bank under consideration?
- What are the effects of aspects of internal marketing on organizational commitment of employees of CBO?

1.4 Hypothesis

After reviewing the related literatures that link the dimensions of internal marketing to organizational commitment the following hypotheses were formulated and tested

H₁: Inter functional coordination and integration has a positive and statistically significant effect on organizational Commitment

H₂: Training has a positive and statistically significant effect on organizational commitment

H₃: Motivation has a positive and statistically significant effect on organizational commitment

H₄: Understanding and differentiation has a positive and statistically significant effect on organizational Commitment

H₅: Job satisfaction has a positive and statistically significant effect on organizational commitment

1.5 Objectives of the study

1.5.1 General objective

In this era of highly competitive environment, organizations in every sector are trying hard to win the mind of customers by providing them value added service and quality innovative products to remain competitive in the market. Researchers suggest that employees should be treated as internal customers and those organizations which effectively manage their internal customer will efficiently intermingle with their external customers (Conduit & Mavondo, 2001). Internal marketing leads towards market orientation through organizational commitment because market orientation cannot be perceptible in the absence of firm commitment (Awwad & Agti, 2011).

Thus, the general objective of this study was determining the effects of various aspects of internal marketing on organizational commitment of employees in cooperative Bank of Oromia. Besides the extent to which the concepts of internal marketing exercised within the bank under consideration was assessed.

1.5.2 Specific Objectives

The specific objectives which are the derivatives of the general one were:

1. To determine the effects of inter functional coordination and integration on organizational commitment of employees
2. To determine the effects of training on organizational commitment of employees
3. To determine the effects of motivation on organizational commitment of employees
4. To determine the effects of job satisfaction on organizational commitment of employees
5. To determine the effects of understanding and differentiation on organizational commitment of employees
6. To determine the extent to which the concept of internal marketing is being exercised in the bank under consideration

1.6 The Scope/Delimitation of the Study

1.6.1 Domain of the study

The scope of this study was limited to internal marketing and organizational commitment that considering case study, the effects of various aspects of internal marketing on organizational commitment of employees from the stand point of view of employees of the cooperative bank of Oromia.

1.6.2 Research Place

The findings of the research will be more fruitful if it would be conducted widely by including branches of the bank all over the country. But, due to time, labor, and money constraints it would be too tedious and out of the reach of the researcher to include all the branches. Thus, the study was delimited to treat the issue focusing only on branches in Addis Ababa.

1.6.3 Time interval

The research was carried out from October, 2014 to June, 2015.

1.7 Limitations of the Study

The following points are limitations to the current study and its findings.

- ✓ The research was case study of single private commercial bank in the country. As a result the conclusions derived from this study might not necessarily be the real reflection of the situation in the country's banking industry
- ✓ The absence of adequate literature on the subject in Ethiopian context had its own limiting impact on in depth analysis of the research study.
- ✓ Being a full time employee on one hand and a researcher on the other hand imposed time constraint to exhaustively review related literatures and analyze the topic from different angles.

1.8 Significance of the study

Any kind of research has something to add to the accumulated body of knowledge of mankind and also used to solve particular problem at hand. This study is believed to have the following contributions.

- ☞ Helps the bank under study to clearly understand the role of internal marketing on having employees committed for the organization's success and strive for its implementation.
- ☞ Professionally, managers will also look at the practical implications of such effort and the possibility of implementing the implications of this research in their actual relationships with their subordinates
- ☞ Contribute to the marketing knowledge in general and services marketing in particular
- ☞ Pave the way for academicians who are interested to make further investigation on the topic.

1.9 Organization of the Study

The research paper consists of five chapters. The first chapter is the introductory chapter and contains statement of the problem, research questions, proposed hypotheses, and objective of the study, significant of the study, scope of the study and limitation of the study. The assessment of the theoretical foundations and relevant literatures were presented in chapter two. The third chapter dealt with the methodology used in the research activity. Data analysis and interpretation of the research results were discussed in Chapter four. The final chapter covered the discussion of results, conclusions and recommendations. In addition other sections, namely, list of references and annexes are also parts of the research framework.

CHAPTER TWO

Literature review

2.1 Internal marketing

2.1.1 Historical Background of Internal Marketing

Some scholars argue that the development of the service economy in the seventies forces service firms to recognize that its most critical productive resource is its workforce. Zikmund say the concept of IM is a relatively recent departure from more traditional notions of marketing. In particular, service marketing literature could be credited as a major contributor to IM that advances academic debate in IM field and increasing its relevance across a wide range of academic research activities. As (Batt 2006) declared “Several authors have emphasized the importance of internal marketing (e.g. Grönroos, 1980; as being part of the conceptual framework of service marketing. At the individual level Berry (1981) is credited for coining the term IM.” He suggests that IM can be considered as “viewing employees as internal customers, viewing their jobs as internal products.” In the same gesture, (Uchenna Paschal, 2008) stated that the emergency of IM traced back to 1970s which result from changing scenario in the nature of internal business environment which increased their focus on employee performance as a key to organizational performance

However, there is still confusion and area of blur about the exact domain of IM where authors are still in conflict on whether it is the domain of service marketing practice or HR program. In the marketing dimension as noted by Nordic School of Service Marketing recognizes that internal marketing, as well as being a set of marketing tools, is a philosophy that actively promotes motivation, rather than using the passive approach used traditionally. On the contrary, researchers and practitioners in the field of human resource (HR) management are more likely to emphasize the centrality of employees as a way to procure a sustainable competitive advantage (Harvir, 2001). Emphasizing its multitudinal aspect Hasket (1997) define internal marketing as the application of marketing, human resource management, and allied theories, techniques, and principles to motivate, mobilize,

and manage employees at all levels of the organization to continuously improve the way they serve external customers and each other. There are studies which treat IM as both by creating a model of internal marketing which integrate aspect of HR management and services marketing literature.

As Harvir (2001) noted employees should be viewed as assets and investing on their development should not be considered as a cost that must be controlled instead they should continue investing in with extensive training and career development. This HR management style is used with the implicit purpose of increasing organizational performance by ensuring that employees are committed to the organization and its goals. Sasser and Arbeit (1980) were among the first to use the term “internal marketing” to refer to their assertion that employees are the first market of the firm. Employees are essential and central to delivering the services that are provided, thus they must be knowledgeable and motivated

2.1.2 Theoretical Development and Evolution of the Internal Marketing Concept

A careful examination of the literature over the last 20 years indicates the existence of three separate yet closely intertwined strands of theoretical development of the IM conceptualization namely, an employee satisfaction phase, a customer-orientation phase, and a strategy implementation/change management phase (Rafiq and Ahmed, 1995)

Phase1: Employee motivation and satisfaction

In the early development phase, the majority of the literature on internal marketing focused upon the issue of employee motivation and satisfaction. The major reason behind this was the fact that the root of the internal marketing concept lie in effort to improve service quality. Not being automatons, individuals exhibit inconsistencies in the performance of service tasks and as a consequence cause variation in the level of delivered service quality. The problem of variability focused organizations efforts on getting employees to deliver consistently high quality service. The overall effort of this was to bring to the fore the issue of employee motivation and satisfaction (Sasser and Arbeit, 1980).

Viewing employees as internal customers

As Berry(1981) defined internal marketing is viewing employees as internal customers, viewing jobs as internal products which satisfy the needs and wants of the internal customers while addressing the objectives of the organization.

Focus on employee satisfaction

The focus on employee satisfaction within these new approaches to employee management can largely attributed to the fact that in the marketing of services much of what customers buy is labor or human acts of performance. Consequently, attraction of the best personnel, their retention and motivation becomes of critical importance (Sasser and Arbeit, 1980). Attraction, retention and motivation of high quality staff is essential in situations where the quality of the service the only real differentiating factor between competitors. Infused with this logic, the challenge of creating satisfied employees and hence customer satisfaction received a vigorous impetus. The fundamental tool for achieving employee satisfaction is the treatment of employees as customers (Berry1981).

Phase 2: Customer orientation

Interactive marketing

The second major step in the development of the IM marketing concept was undertaken by Gronroos (1981) whose starting point was the concern that because contact employees in services become involved in what he termed “ interactive marketing” it is essential that they are responsive to customers’ needs. Gronroos recognized that not only do buyer-seller interaction 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 require customer-oriented and sales minded personnel. Hence the objective of IM is to “get motivated and customer conscious employee” (Gronroos, 1981). In this view, it is not sufficient that employees are motivated to perform better (as in the approach of Berry and his followers), but they must also be “sales” minded. Furthermore, effective service requires effective coordination between contact staff and backroom support staff. Gronroos also view the internal marketing

concept as a means of integrating the different functions that are vital to the customer relations of the service companies (Gronroos, 1981). Gronroos extended his original definition of IM in 1985 as a method of motivating personnel towards customer consciousness and sales mindedness, to include the use of marketing-like activities in this pursuit: holding that an 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(Gronroos, 1981). The addition of marketing-like techniques George (2009) similarly accept this position by asserting that IM holds that employees are "best motivated for service-mindedness and customer oriented behavior by an active marketing-like approach, where marketing-like activities are used internally." The addition of marketing-like techniques internally, moves Gronroos' definition closer to that of Berry's (1981) definition, in that both set of approaches stress the need to motivate employees and advocate marketing-like techniques to do it. However, the critical difference between Gronroos' approach and that of Berry and collaborators is that employees are not treated as customer, as is the case in the latter conceptualization. Additionally, Gronroos' approach focuses attention on creating customer orientation in employees through a process of influencing, rather than satisfying and motivating employees.

Phase 3: Strategy implementation and change management

A vehicle for strategy implementation

The beginning of the third phase is marked by in sight drawn from a number of authors who explicitly began to recognize the role of IM as a vehicle for strategy implementation. Winter (1985) was one of the earliest to bring to the prominence the potential role of IM as a technique for managing employees towards the achievement of organizational goals. Winter emphasizes that the role of internal marketing is that of: Aligning, educating and motivating staff toward institutional objectives. The process by which personnel understand and recognize not only the value of the program but their place in it. This emphasis appeared to have implanted the initial notions of IM as implementation mechanism. The development of IM as an implementation vehicle was also aided by the growing belief that IM had potential as a cross-functional integration mechanism within

the organization. In this phase the role of IM as implementation tool/methodology is made more explicit. Initially, this view point appeared in the context of services marketing in the work of Tansuhaj et al,(1987). Later it was generalized to any type of marketing strategy by Piercy and Morgan (1991). These extensions led to IM being advocated as a general tool for the implementation of any organizational strategy whether internal or external. In due course, IM has come to be seen as a mechanism for reducing departmental isolation reducing inter-functional friction, and overcoming resistance to change (Rafiq and Ahmed, 2003). This has led to a widening of IM applications to any type of organization, not merely to services. For example Harrel and Fors (1992) apply the concept to manufacturing firms; Rafiq and Ahmed (1995) propose it as a change management implementation methodology suitable for a wide range of contexts. The discussion of the phase suggests that the scope of IM activities is much wider motivation of employees toward customer consciousness. For instance, it can also be used to motivate non-contact employees toward behaving in a manner that enhances the service for end-customers

2.1.3 Drivers of Internal Marketing

There are many signals that internal marketing can be as potently used as external marketing. There are some clear forces of change deriving this momentum. Each of these drivers is increasing the need for internal marketing (Samas, 1991).

1. Many enterprises are continually in some form of transformation-mergers, alliances, downsizing and rightsizing generating the need for constant communication.
- 2 Some enterprises may rename themselves as a result and this re-branding requires communication to all stake holders including employees.
- 3 More companies are empowering staff to take on increased focus in customer relationship. This needs full involvement, immersion and training in brand values.
- 4 There are more contract and less full-time employment. Project staff also needs to understand the brand vision as they are working. This force of change is accentuated with the increasing trend to outsourcing.

- 5 There is less reciprocal loyalty between employer and employee; the employee's time becomes transactional. The internal brand can be a way to bind two parties together with shared goals and values.

New ways of working require organization and staff to constantly learn new skills and sometimes these are acquired through alliances. Building a learning company will be an important future consideration. Internal brand values can be an umbrella for this effort (Samas, 1991).

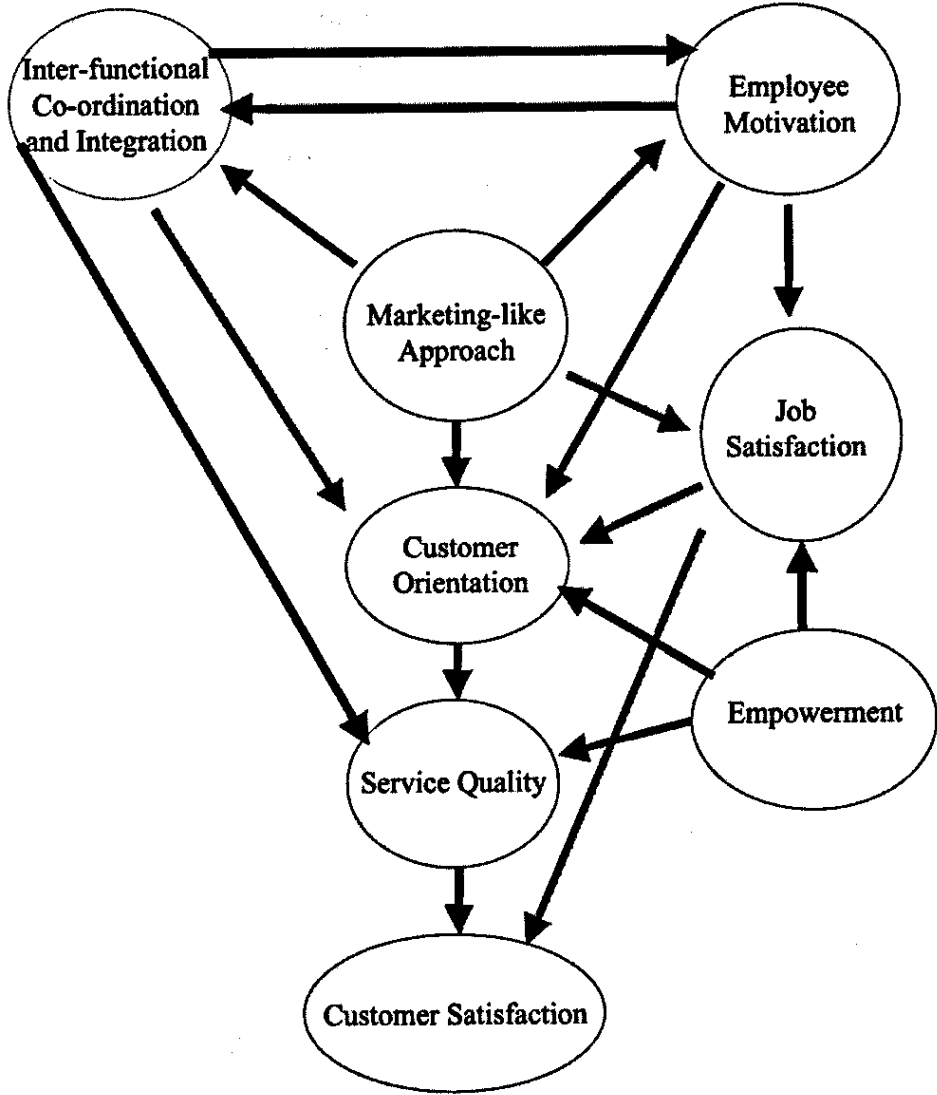
2.1.4 Main Elements of Internal Marketing

The review the literature indicates that there are a number of competing definitions and activities all claiming to address internal marketing. In order to check the validity of these competing claims, what is required is a set of criteria against which to assess each definition. In 2000 Rafiq and Ahmed identified the main elements of IM from the analysis of the key literature. These are:

1. Employee motivation and satisfaction
2. Customer orientation and customer satisfaction
3. Inter-functional co-ordination and integration
4. Marketing-like approach to the above
5. Implementation of specific corporate or functional strategies

Based on these they defined IM as “a planned effort using a marketing-like approach to overcome organizational resistance to change and align, motivate and inter-functionally coordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer-oriented employees”. Basic activities of internal marketing are e.g. internal information, training of personnel, creating community spirit and motivation. These means include elements of personnel administration. The figure below shows the interrelationship between the criteria for IM and the implementation of one particular organizational strategy that is at the heart of service organization, namely, service quality. At the centre of this framework is customer orientation which is achieved through a marketing-like approach to the motivation of employees and inter-functional coordination.

The centrality of customer-orientation reflects its importance in marketing literature and its central role in achieving customer satisfaction and organizational goals. Rafiq and Ahmed highlighted the key role of training in customer orientation and customer satisfaction. They explained that employees also need the right type and level of training to perform their jobs. This can help reduce ambiguity surrounding their role and help employees to meet the needs of customers more effectively (Rafiq and Ahmed, 2000).



Source Rafiq and Ahmed,(2000)

Figure 1 A model of Internal Marketing for Services

The major idea of internal marketing is to apply concept of external marketing in the organization's internal market. Therefore by applying of 4p's of marketing in internal marketing we can explain the elements of internal marketing mix as below:

Product: Products in internal marketing are jobs that are necessary for changing and influencing on employees' attitudes and behaviors. Moreover, it is not possible to determine the product just from the management viewpoint and position, to perform internal marketing successfully, rather needs and conditions of employees must be considered. Applied techniques in planning of jobs are used in the determination process of the product in internal marketing (Ahmed and Rafiq, 1995). Berry (1981) also describes internal marketing as the process of "attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs. Thus, from one viewpoint we can know product in internal marketing equivalent to job products.

Promotion: The promotion element in internal marketing and internal context of the organization could be followed through studying of the manner of applying of communicative mechanisms in order to enhance knowledge, skill and awareness of employees from issues related to their jobs. Hence, we can consider promotion equal to communications that could be regarded as an effective tool in increasing of employees' awareness from what should they do, when they do and how exactly do that. In fact this factor could demonstrate the role of employees in execution of the organization's strategy (Sassr and Arbiet, 1980).

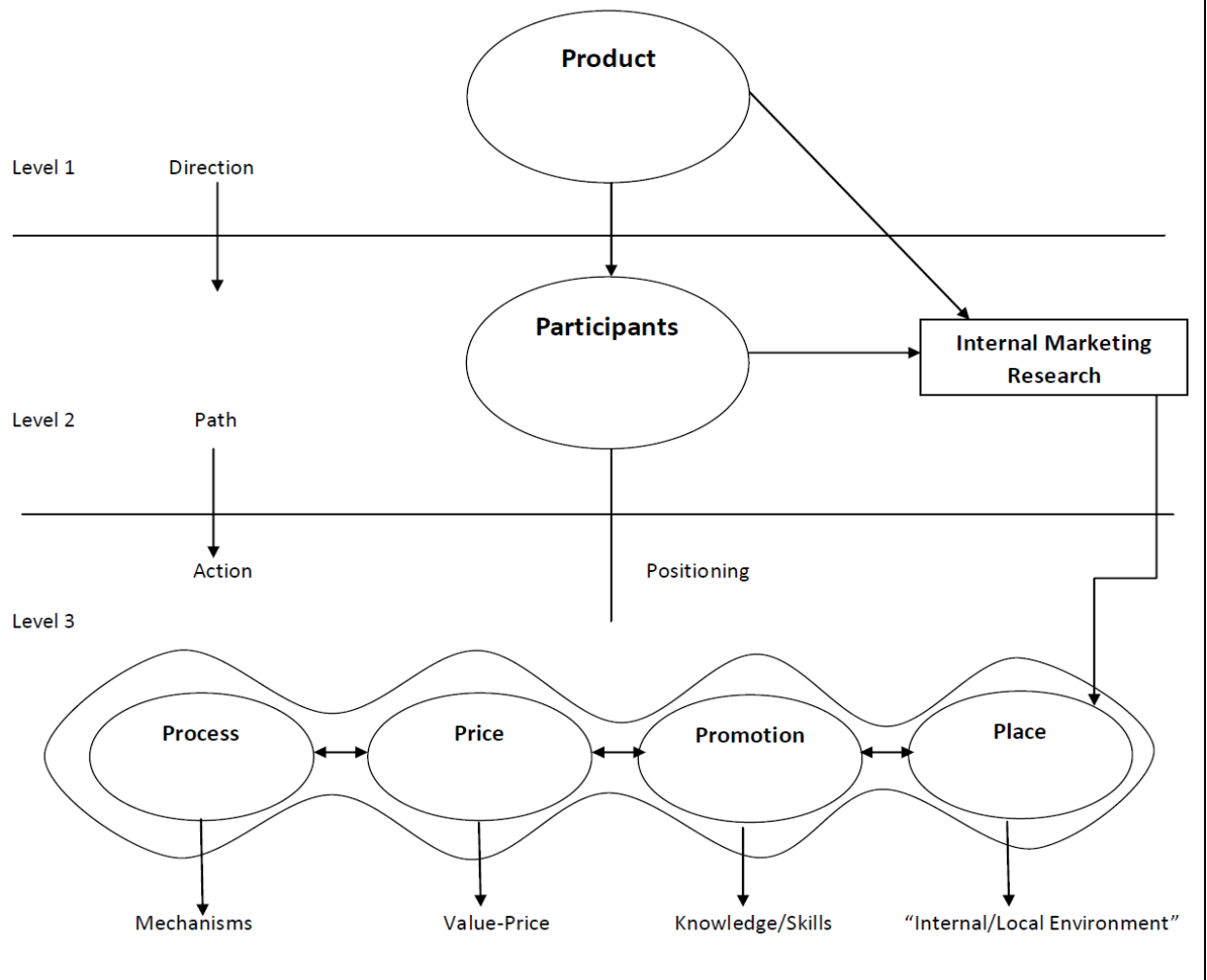
Price: Element of price in the internal context of organization could be considered as an equivalent of employees' received values from the organization instead of their played costs. For example, by creating of change in programs of the organization it is possible that employees are forced to perform more difficult and different activities than before (cost or the paid price on behalf of employees). Now it should be observed that employees receive what value against the paid cost. Perhaps new tasks provide an opportunity for increasing of the salary or receiving of reward or provide the possibility of job promotion in the organization for the person (Ahmed and Rafiq, 1995).

Place: Element of place in the internal context of organization could indicate visible and tangible and invisible and intangible aspects of the work and working environment. In other words, this factor illustrates the environment in which transactions/exchanges among the parties i.e. the organization and its employees are occurred. Therefore, this element in internal marketing is equivalent to the job place and environment of the organization that includes cultural, symbolic and metaphorical aspects of the organization in addition to physical aspects of the working environment. In such environment employees learn loyalty and following from the organization (Sasser and Arbiet, 1980).

2.1.5 Applying Marketing -like Approach and Techniques Internally

In 1995 Rafiq and Ahmed presented a multi -stage model which highlighted how a marketing-like approach and techniques can be used internally in an organization. That model is operationalized by closely inter-twining and inter-linking an internal marketing mix to internal marketing research, segmentation and positioning within a strategic context. Briefly at stage one, namely that of direction, internal marketing research helps to link external marketing research effort to define realistic opportunities in line with current and future competences and capabilities. In so doing, it acts as a first step to translate vision or mission of change in to reality. At stage two, internal marketing is shown to play a role in the process of internal segmentation by helping to define the participants in to segments as well as probe their characteristics, motivations and resistances. This helps identify for each segment specific barriers which need to be overcome in order that implementation can successfully occur. Attempts at removing obstacles, and there by facilitate implementation, occur at level three through the process of positioning. Internal positioning aims to overcome the barriers or gaps to implementation by virtue of creating a consistent and positive frame toward the change, through a process if planned manipulation of the internal marketing mix elements. Finally, the whole change process requires a longitudinal monitoring mechanism in the form of continuous internal and external research. Another point which needs to be highlighted is that the marketing department should not solely be charged with the responsibility of running internal marketing programs. The dominance of single functional department will have a tendency to lead to, in reality or simply in perception, a sense of functional/departmental bias. The imposition perceived or otherwise, of that view point is likely to create strong resistance.

This strongly indicates the need to use cross-functional teams or task forces in the development and running of internal marketing programs (Rafiq and Ahmed, 1995).



Source: Rafiq and Ahmed(1995)

Figure 2: Multi-level model of internal marketing for applying marketing- like approach and techniques internally.

2.1.6 Employee Motivation

Motivation is one of the most important factors determining organizational efficiency. All organizational facilities go waste in lack of motivated people to utilize the facilities. Attractive motivational schemes bring about satisfaction to employees and by this their commitment to organization increases. Since motivation influences productivity, supervisors need to understand what motivates employees to reach peak performance. It is

not an easy task to increase employee motivation because employees respond in different ways to their jobs and their organization's practices. Motivation is a set of processes that moves a person toward a goal (Maslow, 1954). Thus, motivated behaviors are voluntary choices controlled by the individual employee. The supervisor (motivator) wants to influence the factor that motivates employees to higher levels of productivity. Factor that affect work motivation include individual differences, job characteristics, organizational practices. Individual differences are the personal needs, values and attitudes, interests and abilities that people bring to their jobs. Job characteristics are the aspects of the position that determine its limitations and challenges. Organizational practices are the rules, human resource policies, managerial practices and reward system of an organization. Supervisors must consider how the factors interact to affect employee job performance. Maslow's hierarchy of needs identifies five levels of needs, which are best seen as a hierarchy with the most basic need emerging first and most sophisticated need last (Maslow, 1954). People move up the hierarchy one level at a time. Gratified needs lose their strength and the next level of needs is activated. As basic or lower-level of needs satisfied, higher level needs operative. A satisfied need is not a motivator. The most powerful employee need is the one that has not been satisfied.

Level 1- physiological needs, level 2- safety needs, level 3- social needs, level 4- esteem needs, level 5- self actualization needs. Further, employees within the lower levels of organizations are more likely to be motivated by lower order needs, and employees within the higher levels of organizations are more likely to be motivated higher order needs .In 1996 Herzberg examined motivation in light of job content and contest. Motivating employee is a two- step process. First provides hygiene and then motivator. One continuum range from satisfaction to no satisfaction. The other continuum ranges from dissatisfaction to no dissatisfaction. Satisfaction comes from motivator that is intrinsic or job content, such as achievement, recognition, advancement, responsibility, the work itself, and growth possibility. Herzberg uses the term motivators for job satisfiers since they involve job content and the satisfaction that results from them. Motivators are considered the job-turn-ones. They are necessary for substantial improvements in work performance and move the employee beyond satisfaction to superior performance. Motivators correspond to Maslow's higher- level needs of esteem and self actualization. Dissatisfaction occurs when the

following hygiene factors, extrinsic or job content, are not present on the job: pay, status, job security, working conditions, company policy, peer relations, and supervision. Herzberg uses the term hygiene for these factors because they are preventive in nature. They will not produce motivation, but they can prevent motivation from occurring. Hygiene factors can be considered job stay-ons because they encourage an employee to stay on the job. Once these factors are provided, they do not necessarily promote motivation; but their absence can create employee dissatisfaction. Hygiene factors corresponds to Maslow's lower-level needs of physiological, safety needs and social needs in that they are extrinsic, or peripheral, to the job. They are present in the work environment of job context (Herzberg, 1996)

2.1.7 Internal customer Supply Chain

It is clear that in twenty-first century companies can no longer afford to maintain barriers between functions and department. Success is driven by integrating related functions within the organization-production, sales and distribution, services, advertising, sale promotion, product planning and market research; to achieve the business objectives (Sasser and Arbiet, 1980). As suggested, IM looks to guide all people, functions and departments of an organization by its systematic appreciation of needs, aspirations and costs of each. This underpins the internal customer supply- chain which is replayed in organizational interaction by every single employee, from top management to middle level managers, all the way down to the shop-floor workers. Organizationally, this hierarchy results in a network of relationship within which different collaborations evolve as a consequence of a multiplicity of interactions episodes. Each of these relationships and interactions can be managed, where appropriate, with a formal IM strategy and IM plan (Berry 1981). The task of managing and coordinating a web of customer-supplier relationships is certainly not an easy. It is important that everyone in the organization can see the linkage between what he/she does and its impact on the next customer. Therefore, creating and aligning internal relationships between departments, functions and employees inside the organization is necessary to improve the performance the company and its employees. IM examines and manages the total set of relationships and interactions that bring about additional value-added. Companies must gain an understanding of how to

develop and manage these internal relationships with individuals and groups of individuals. This extends not only to employees, but also to others who fall within the boundary of internal markets such as suppliers and distributors. It is the management of these set of relationships that allow the delivery to what marketing promised externally (Rafiq and Ahed,2003)

2.2 Organizational Commitment

2.2.1 Organizational Behavior

Internal Marketing bridges two normally separate disciplines: Marketing (especially service marketing) and organizational sciences (especially organizational behavior). Organizational behavior is a field of study that draws on theory, methods and principles from various disciplines to learn about individual's perception, values, learning capacities and actions while working in groups and within the organization and to analyze the external environment's effect on the organization and its human resource missions, objectives and strategies. The multidisciplinary definition of organizational behavior illustrates a number of points (Gibson et al., 2005): First organizational behavior indicates that behaviors of people operate at individual, group and organizational levels. This approach suggests that when studying organizational behavior, we identify clearly the level of analysis-individual, group and/or organizational being used. Second organizational behavior is multidisciplinary: it uses theories, models, principles and methods from other disciplines. Third, there is a distinctly humanistic orientation within organizational behavior people, their attitudes, perceptions, learning capacities, feeling and goals are important to the organization. Forth the field of organizational behavior is performance oriented. Why is performance low or high? How can performance be improved? Can training enhance job performance? These are important issue facing manager. Fifth the external environment is seen as having significant effect on organizational behavior. Sixth because the field of organizational behavior relies heavily on recognized disciplines, the scientific method is important in studying variables and relationship. A scientific method has been applied to research on organizational behavior, a set of principles and guidelines on what constitutes good research has emerged; Learning about behavior within

organizations can help provide skills of observations, predictions and implementation (Gibson et al., 2005).

2.2.2 Organizational Commitment (OC)

Organizational commitment has been variously and extensively defined, measured and researched, but it continues to draw criticism for lack of precision and concept redundancy (Roja, 2007). Meyer (1991) three-component model of organizational commitment has been the dominant frame work for organizational commitment research in the past decade because it is based on a more comprehensive three-component model consists of:

- Affective commitment – refers to employee state of emotional attachment to the organization and is especially sensitive to work experiences such as organizational support (Griffin and Hepburn, 2005). This emotional response has also been described as a linking of individual identity with the identity of organization and as an attachment to the organization for its' own sake, apart from its purely instrumental worth; it results in a situation where the employee wants to continue his or her association with the organization (Dawley, 2005).
- Normative commitment – refers to an employees' belief that he or she ought to stay with the organization and develop, because of socialization experiences that emphasize the appropriateness of remaining loyal to one's employer (Griffin, 2005).
- Continuance commitment – might consist of two sub-construct- one based on the degree of personal sacrifice associated with leaving the organization (Dawley, 2005), and the other based on individuals' recognition of the availability of alternatives if they were to leave the organization, often referred to as sunk costs (Namasivayam , 2007).

2.2.3 Internal Marketing and Organizational Commitment

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

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

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

2.2.4 Out comes and Determinants of Committed Employees

Committed employees are less likely to quit and accept their jobs, thus cost high turnover is not incurred and they required less supervision. Close supervision and rigid monitoring control process are time consuming and costly. Furthermore, a committed employee perceives the value and organizational goals; the employees think his goals and organization’s goals in personal terms. Research shows that employees who are more committed demonstrate higher job performance, less job displeasure, less supervision, more ethical behavior, diminished intent to leave, less stress and organizational citizenship.

A lot of cost efficiencies can accrue as a result of committed employees. The following table summarizes some of the outcomes and determinants of organizational commitment (Scholl, 1981)

Table 2.2.4 Out comes and determinants of Organizational Commitment

Inducement Systems	Employee Affective States	Social Identity	Behavioral Outcomes
<p>Reward</p> <ul style="list-style-type: none"> ✓ Pay is perceived as equitable and affirms one's value ✓ Expectation of continued growth in pay ✓ Carrier pathing- employees see their future in the organization <p>Managerial</p> <ul style="list-style-type: none"> ✓ Leaders empower employees ✓ Leaders recognize the contribution of employees <p>Task</p> <ul style="list-style-type: none"> ✓ Employee see how their task contribute to the 	<p>Self concept/worth- individuals</p> <ul style="list-style-type: none"> ✓ Feel valued ✓ Feel like they are making valuable contribution ✓ Feel that the organization does something of value ✓ See their jobs as source of validation of skills & ability <p>Stability</p> <ul style="list-style-type: none"> ✓ Individuals feel secure and believe they have a future with the organization ✓ Trust their leaders <p>Reciprocity</p>	<p>When the employing organization is a source of self concept, validation, individuals begin to define their social identity in terms of organization, that is they begin to define who they are .This means that these individuals:</p> <ul style="list-style-type: none"> ✓ Take pride in being member of the organization ✓ Are concerned about the reputation of the organization 	<p>Committed employees:</p> <ul style="list-style-type: none"> ✓ Take a long term view of membership ✓ Exhibits extra role behavior ✓ Work to advance the reputation of the organization ✓ Defend the organization ✓ Willing to make investment that commit to the organization further

mission ✓ Jobs require employees to use valued skills ✓ Employees see the result of their efforts	✓ Individual feel obligation to repay perceived “debts” to the organization and people in that organization		
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Source :(Scholl, 1981)

2.3 Banking Industry

2.3.1 Human Resource Management in Banking System

The black box in the banking industry may indeed be the human resource management policies and practices used by managers (Batt. 2002). For many years, HRM banks like any other institutions have been handling this sensitive activity through respective personnel departments. These means human resources were managed like other physical asset e.g. pieces of furniture calculators, equipment, and appliances. Success stories of large banking companies have been evident of the fact that HRM is quite different from management of physical assets. Human brain has its own peculiar chemistry Appelbaum et al, (2000). The most difficult agenda of HRM across banking sector is to retain the right people. Sudden growth of retail banking and other services has put pressure on human resource managers in banks to engage more professionals within shorter span of time thereby attracting manpower in other banks on attractive packages has made the job market very competing (Samas, 1991). Literature shows that there is a direct relationship between human resource management and organizational performance. Appelbaum et al, (2000) provided a high-performance work system framework. At the core of high-performance work system, according to Appelbaum et al,(2000) is organization that enables non-managerial employees to participate in substantive decisions. Opportunity to participate scale is the extent of communication with peers and with supervisors. In a branch, the manger held regular staff meetings to encourage communication between peers and between employees at different levels or in different function in the branch. At these meetings, the employees were encouraged to identify areas for improvement and to make

suggestions for change. In order to influence the actual skills of employees, at the staff meetings manager should teach employees about new products and how to sell them (Batt 2002). The high-performance work system also requires supportive human resource practices that enhance worker skills and provide incentive for workers to use their skills and participate in decisions. Employees need to have an incentive to devote effort to customer needs. They more likely make an effort if they feel that their performance is evaluated accurately and that their effort is recognized and rewarded. Appelbaum et al (2000) how these three elements of high performance work system namely opportunity to participate, skills and incentives contribute to productivity in any industry. Batt (2002) argued that the high performance work system is likely to have an important impact on organizational performance in customer service settings because high involvement practices help employees develop the kind of firm-specific human capital knowledge of the firm's product, customers and work processes that enable them to interact effectively with customers. Indeed, organizations that compete in sales and service delivery often use a relationship management strategy in which they seek to develop long-term relationship with customers by providing high quality service. Haskett et al., (1997) provide evidence in support of what they called "a service profit chain". Literature indicates that today there is a vital need of good human resource management especially in banking firms.

2.3.2 Current Issues within the Human Resource Management in Baking System

Study shows that the human resource management practices in the banks are changing under pressures from an increasingly intense competitive environment. Today's successful human resource professional in financial services industry needs a clear understanding of the critical human resource issues, from recruitment to selection and performance management to career pattern development, because the human resource function has a direct impact on financial institution's productivity and bottom-line results(Wilkinson, 1993). Today the financial sector has been experiencing deregulation, increasing competition, technological innovation, and customization. So the business and the employee relations strategies and the like between the two are changed. One of the main concerns of every bank is about human resource issues. Changes in the nature of banking clearly have a knock-on effect on employee relations (defined broadly to includes

industrial relations, communications, training, remuneration policy etc.) as banks move toward being more customer driven organizations with a culture consistent with that, and with a staff being regarded more as resource than cost (Wilkinson, 1993).

Retail banking is a highly labor intensive industry with labor costs forming 70% of the total operating expenditure and involvement in funds transmission meant that the majority of clerical staff have not been used as a means of marketing the bank's products or directly increasing the business but to process existing accounts. They have accordingly been regarded as an overhead rather than a resource (Morris, 1986) In retail banking, the banks do not yet provide sufficiently different products and hence consumer choice is heavily influenced by convenience and image, the latter partly created by contact with staff, and there is thus a clearly strategic link with quality of service and staff quality. Yet, in banking traditionally staff have not been recruited or developed for customer centric skills but for technical and administrative ability. Banks should move away from being regarded merely as providers of money transmission services to the selling of a range of financial products and services with "tellers" becoming "sellers", the organization will need to become more organic and less mechanistic, (Burns and Stalker, 1961) which will require far greater commitment and cooperation rather than mere compliance from staff. Hence, the need to manage human resource and employee relation more effectively is recognized and in particular it was seen as necessary to change the attitude of staff towards customers, create profit awareness, and to encourage greeter identification with the organization. The main issue is that there is little consideration of employee relation at the top corporate level implications. Because historically, employee relations have been regarded as second order strategy, purely facilitative and not fully integrated in to overall business strategy (Wilkinson, 1993). Thus, the need for cultural change is the main issue of today banks. The senior management must be responsible for deriving change forward rather than merely recognizing the need for change and balancing of conflicting priorities of cost control and staff development. Morris (1986) writes that there has consistently been a dichotomy in management policies stemming from the effort to control labor costs on one hand and the desire to sustain commitment and motivation on the other.

2.3.3 Alternatives for Banks in a Competitive Environment

True differentiation nearly impossible to achieve in consumer-oriented financial services because nearly all of the services are much like commodities. Their features are easily imitated by competitors and there are very low barrier to the introduction of new products. The literature suggested that there are a few number of initiatives that indicated different “focus” and “niche” strategies. Some typical initiatives are:

1. Being a “one-stop” financial service provider
2. Aggressive selling to new customer
3. Aggressive cross-selling of new products to existing customers
4. Establishing an ubiquitous presence (both time and place) in chosen geographic markets
5. Establishment of alternative channels of delivery of financial services
6. Development of reputation for the highest quality of services

These sorts of initiatives are not, at least in principle, exclusive. While one organization might pursue none or one of these kinds of aims, another may be pursuing many or all of them. We know that success can be achieved, if staffs feel they are being treated correctly by the bank and fully understand the banks objectives and rationale for their achievement. It is therefore, essential to develop an employee relation climate which facilitates these attitudes without reducing management’s ability to manage the business (Handy, 1990).

CHAPTER THREE

Research Methodology

In order to achieve any goal, finding the approach to reach the goal is the most important stage of the work. Doing research is under this rule as well. In order to extract true conclusions from a research it is necessary to use a proper and scientific approach with respect to the subject. Choosing a particular research method depends on the objectives and type of the subject and the researcher's possibilities. This chapter presents back ground of the organization and the research methodology utilized in the study.

3.1 Background of the organization

Establishment

The beginning of modern banking system in Ethiopia dated back to 1905 with the establishment of Bank of Abyssinia. But it was only after the down fall of the Derge regime that the private owners are allowed to participate in the banking business. The change of government in 1991 and the consequent changes in economic policy witnessed transformation in the banking industry. Monetary and Banking Proclamation of 1994 established the National Bank of Ethiopia as a judicial entity, separated from the government and outlined its main functions. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for participation of the private sector in banking business. The private banks in the country, including CBO, came to existence following this change.

CBO was registered on 29 October 2004 in accordance with Article 304 of the commercial code of Ethiopia and was licensed by National Bank of Ethiopia as per proclamation No. 84/1994 that provides for licensing and supervision of banking businesses. The bank commenced operation on 8th March 2005. CBO is established to provide all banking service and products. CBO is the first cooperative bank in Ethiopia established to stimulate economic growth and transformation by activating the idle or unproductively held resources (both financial and non-financial). The bank is engaged in financing those businesses through cooperative system ([www.Cooperativebank](http://www.Cooperativebankoforomoa.com) of oromoa.com)

Organizational Structure

The apex body of the Cooperative Bank of Oromia is the General body of shareholders/owners of the bank who have the basic right to decide the objectives, existence and operations of the bank. The General Assembly elected representatives, the Board of Directors, to whom all the powers to run the Bank are bestowed upon. Board of directors hired the president of the Bank who is entrusted to perform the functions relating to policy matters, implementation and supervision. Functional departments at Head Office level and branches are in charge of the implementation of policies and strategies of the bank.

The Products/Services Provided by CBO

- Deposits of varying nature
 - Demand deposit (Current accounts)
 - Saving deposits (Including normal saving deposits, special saving deposit, fixed time deposits)
- Loans of varying nature
- Local money transfer
- International Banking Services

Branch Networks

CBO started operation with 7 branches in 2005. Since then it has been working dedicatedly to provide its services to all customers all over the country. At present the bank has over 120 branches in operation distributed all over the country each of which is interconnected by the modern core banking system.

3.2 Research Strategy and Approach

Based up on the objectives there are two kinds of research, namely basic and applied research. Applied research is usually carried out by academic or industrial institutions. Since the goal of this research was studying the effects of aspects of internal marketing on organizational commitment of CBO's personnel and by its finding tried to show ways to enhance the organization commitment in competitive environments, it can be concluded that the research was an applied research.

There are many ways to carry out research. Most types of research can be classified according to how much the researcher knows about the problem before starting the investigation. According to Yin (1994) there are three classifications of research available when dealing with research problem: exploratory, descriptive, or explanatory. Explanatory studies are according to Saunders et al., (2003) studies with the emphasis to study a situation or problem in order to explain the cause and effect relationship between given variables. In order to accomplish that, well defined research problem has to be done and hypotheses need to be stated. Explanatory research is mostly used within areas where extensive research has already been done .In line with this reasoning and purpose of the research the current study was explanatory type.

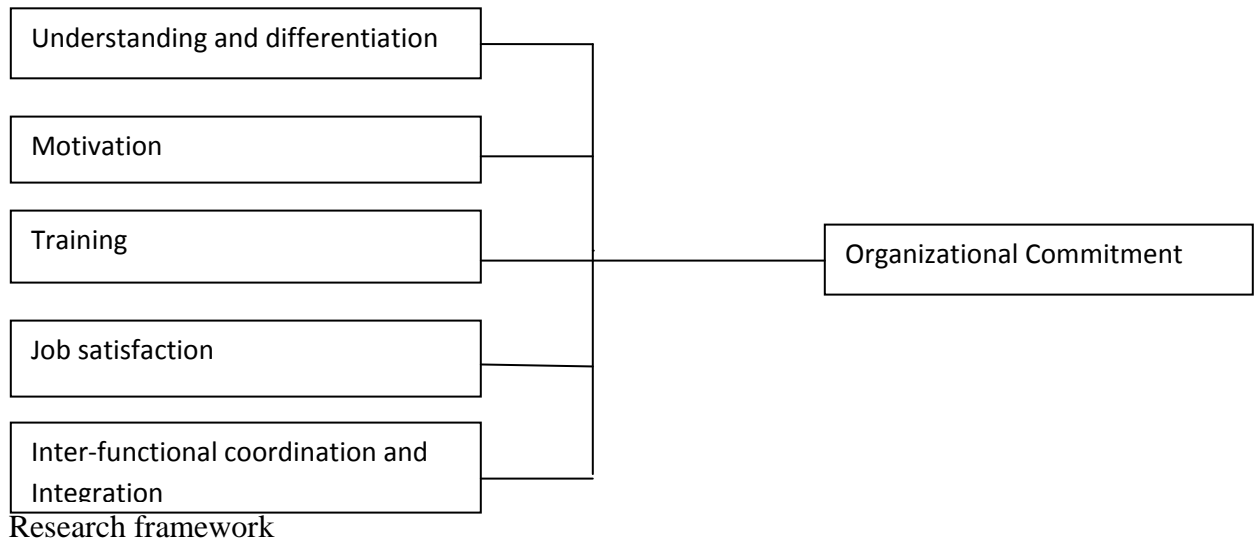
According to Yin (1994), there are five primary research strategies in social science: experiment, surveys, archival analysis, histories and case analysis. According to Zikmund (1994) survey is a technique in which information is collected from a sample of people through questionnaire. Since the type of the current research is explanatory and the aim of the study was to collect answer from employees of CBO, in order to formulate the answer of the investigated problem, survey was chosen as the appropriate research strategy

The research approach is often either quantitative or qualitative. The best research approach to use for a study depends on that study's research purpose and the accompanying research question (Yin, 1994). Quantitative research is a research approach that is formalized and highly structured. Through the study of some specific variables on a great number of objects of investigation, this approach enables the researcher to make universal generalizations. All variables are measured by statistical methods, since the information is transformed in to numerical data and thus easily presentable in figures. The current research intended to study the effect of internal marketing variables on organizational commitment by collecting information through pre-designed questionnaire from selected employees of CBO and made generalization to the bank as a whole. To achieve this goal statistical tools were employed to analyze and interpret the data. Thus quantitative approach was used for this research.

3.3 Research variables

Variables are things that we can measure, control or manipulate in the research. They differ in many respects, most notably in the role they are given in the research and in the type of measures that can be applied to them. Independent variables are those that are manipulated where as dependent variables are only measured or registered.

In this research organizational commitment of employees in CBO was taken as dependent variable and internal marketing dimensions including: Understanding and differentiation of employees, motivation of employees, job satisfaction, training and inter-functional coordination and integration were considered as independent variables. All the independent variables were proposed to have positive and statistically significant effect on the dependent variable. However, only three variables namely understanding and differentiation, motivation and training were found to have the hypothesized effect on the dependent variable. The following figure shows a frame work that links the independent variables to the dependent variable.



3.4 Population, sampling technique and sample size

.3.4.1 Population of the study

All items in any field of inquiry constitute a universe or population. The study was conducted in Cooperative Bank of Oromia. As of the end of November, 2014 the bank has 120 branches throughout the country and 28 branches in the capital Addis. Thus, the statistical population of this research consisted of employees working in all city branches of CBO.

3.4.2 Sample Size and Sampling Technique

In conducting a study, it is not possible and sometimes expensive to gather data by considering entire population. Therefore smaller chunks of a unit sample are chosen to represent the relevant attributes of the whole of the units (Gultinan and Madden, 1997). Accordingly for the purpose of this study only branches located in Addis Ababa and its periphery were considered as a sample frame. Again considering all branches in Addis Ababa for the study was considered impossible because of the cost and time constraints as a result of which considering selected branches were found to be the most appropriate.

According to Green et al., for finite universe the sample with appreciable fraction say 10% or more of the total population is representative. Thus, based on this argument 6 (20%) branches out of the 28 branches in Addis Ababa were considered for the study. The 6 branches are Finfinne, Qesra main, Sheger, Merkato, Gulele, and Bob-Tera and they were selected based on their year of establishments. This is for the reason that those early established branches can have more senior staff who have adequate knowledge about the bank policies in general and human resource practice in particular so that can provide the desired information for the study. Thus, judgmental sampling method was used in this regard.

Once the branches to be contacted were known the next step was determining the appropriate sample size of the respondents. There were a total of 140 permanent employees working in the 6 selected branches. There could be different techniques to locate the respondents. According to Yeamdao Narangajavana (2007) for a population of 200 or less

census is the appropriate strategy in determining the sample size. Thus, all the 140 employees working in the selected branches were considered as the sampled respondents.

3.5 Sources and types of data

The study made use of both primary and secondary data sources in order to gather relevant information for the study. The primary data was collected from the selected employees of the bank under study. The sources of the secondary data include books, journals, articles obtained from the internet and AAU library.

3.6 Data collection instrument

The study used a structured questionnaire on five Likert scale basis to obtain first hand information through direct solicitation of responses from the employees. The secondary data which were collected from existing literature formed the literature review of this study.

3.7 Data analysis

The analysis of the data collected consists of examining, categorizing, summarizing or by some means reorganizing collected data to test the proposition of the study. Every study should however have a general framework for how the data is analyzed (Yin, 1994). The analyses were based on the frame work developed from theory. This frame work was used to test the respondent's answer and check if they are agreeing with theory or are presenting something new or doing something differently than theory explains it.

Once the usable responses through the questionnaires were collected, the data were screened and coded into SPSS (version 21) software. The data-processing was carried out by using the SPSS after each respondent category data were checked, coded, and cleaned carefully to ensure the accuracy and validity of the research. Then descriptive statistic (frequency distribution) was utilized to summarize data related to demographic characteristics of the respondents and responses of attitudinal questions. From the inferential section correlation was used to check the validity of the study and multiple regressions was used to test the hypotheses.

CHAPTER FOUR

Data Analysis and Research Findings

The main focus of this chapter is on presentation of data analysis, empirical findings and results of the survey on the effects of aspects of internal marketing on organizational commitment from the stand point of view of employees of the Cooperative Bank of Oromia.

For the purpose of the study 140 copies of the questionnaire were distributed to the selected employees. To reduce the non-response rate, in this research personal contact was made with each respondent and followed him/her to fill the questionnaire. Accordingly out of the 140 questionnaires 4(2.9%) were found to be incomplete, 7(5%) remain unreturned and 129(92.1%) were fully completed and returned as a result of which the analysis was made on those questionnaire which were fully completed and returned.

After making proper screening on those questionnaires which were fully completed and returned data were fed in to SPSS (version 21) for computation. Both descriptive and inferential statistics were utilized to analyze the data.

The chapter consists of five sections: measurement of the research validity and reliability, data analysis related to the profile of the respondents, data analysis related to attitudes of the respondents on internal marketing and organizational commitment concepts, hypotheses testing and presentation of responses to open ended question.

4.1 Test of Measurement quality

There are two important concepts one should keep in mind while writing a report: validity and reliability. Validity is the ability of a chosen instrument to measure what it is supposed to measure. Reliability is the extent to which research results would be stable or consistent if the same techniques were used repeatedly.

4.1.1 Research validity

Validity can be assessed using theoretical or empirical approaches. Theoretical assessment of validity focuses on how well the idea of a theoretical construct is translated into or represented in an operational measure (Anol, 2012). In this regard the validity of the current study was addressed through the review of literature and adapting instruments used in previous research.

Empirical assessment of validity examines how well a given measure relates to one or more external criterion, based on empirical observations. It examines whether a given measure behaves the way it should, given the theory of that construct. This assessment is based on quantitative analysis of observed data using statistical techniques such as correlation analysis (Anol, 2012). Thus, the validity of the instrument in this regard was tested using correlation analysis. The Pearson correlation coefficient between organizational commitment and the five dimensions of internal marketing are shown in table 4.1.1. The table shows that the variables have sizable relation and all the coefficients are significant at the 0.00 level. This supports the validity of the instrument.

Table 4.1.1 correlation analysis showing validity test.

		Organizational commitment	Understanding and differentiation	Motivation	Job satisfaction	Training	Inter-functional coordination and integration
Pearson correlation	Organizational commitment	1.000	.550	.553	.511	.536	.399
	Understanding and differentiation	.550	1.000	.612	.494	.549	.484
	Motivation	.553	.612	1.000	.573	.560	.457
	Job satisfaction	.511	.494	.573	1.000	.577	.504
	Training	.536	.549	.560	.577	1.000	.407
	Inter-functional coordination and integration	.399	.484	.457	.504	.407	1.000
Sig.(1-tailed)	.000						
N	129						

Source: Survey report from respondents (The full result for all items is presented in Annex B)

4.1.2 Research reliability

Reliability is the degree to which the measure of a construct is consistent or dependable. There are many ways of estimating reliability, of which internal consistency reliability is one. Internal consistency reliability is a measure of consistency between different items of the same construct. If a multiple-item construct measure is administered to respondents, the extent to which respondents rate those items in a similar manner is a reflection of internal consistency. This reliability measure can be estimated more commonly in terms of Cronbach's alpha (Anol, 2012). Thus, the Cronbach's alpha coefficients were used to assess the scale reliability of this research. The following table shows the Cronbach's alpha coefficients of the internal marketing dimensions.

Table 4.1.2 Scale Reliability (Cronbach Alpha) for internal marketing Dimension items

Internal marketing dimensions	Number of items	Cronbach's alpha coefficients
Understanding and differentiation	13	0.859
Motivation	16	0.862
Job satisfaction	9	0.810
Training	6	0.768
Inter-functional coordination and integration	6	.690

Source: Survey report from respondents

Note: The full result for all items is presented in Annex -C

According to Julie Pallant(2007), ideally Cronbach's alpha coefficients should be greater than 0.7. Cronbach's alpha values are, however, quite sensitive to the number of items in the scale. With short scales it is common to find quite low Cronbach values e.g. 0.5. Thus, based on the result of table 4.1.2 backed by this argument it can be inferred that all measures are internally consistent.

4.2 Analysis of responses to the questionnaire

In this section data collected on respondents' profile, attitudes and views of the respondents on different issues including internal marketing and organizational commitment familiarity of respondents, hypothesis testing are analyzed and presented. The structure of the section is based on the sequential order of the questionnaire.

4.2.1 Respondents' profile

Respondents were asked about their sex, age education level, experience in the bank and their job position with the bank. Their responses to such questions were summarized in the following table.

Table 4.2.1 Respondents' Profile

Sex	Frequency	Percent	Valid percent	Cumulative percent
Male	88	68.2	68.2	68.2
Female	41	31.8	31.8	100.0
Total	129	100.0	100.0	
Age				
below 25 years	47	36.4	36.4	36.4
26-35 years	64	49.6	49.6	86.0
36-45 years	14	10.9	10.9	96.9
46-55 years	4	3.1	3.1	100.0
Total	129	100.0	100.0	
Education level				
College diploma	4	3.1	3.1	3.1
Degree	122	94.6	94.6	97.7
Others (10+1, 10+2,...)	3	2.3	2.3	100.0
Total	129	100.0	100.0	
Work experience				
Less than or equal to 1 year	30	23.3	23.3	23.3
2-3 years	48	37.2	37.2	60.5
4- 5 years	27	20.9	20.9	81.4
6-10 years	24	18.6	18.6	100.0
Total	129	100.0	100.0	
Job Position				
Customer service officer	62	48.1	48.1	48.1
Senior customer service officer	19	14.7	14.7	62.8
Auditor	7	5.4	5.4	68.2

Foreign trade supervisor	7	5.4	5.4	73.6
Manager	9	7.0	7.0	80.6
Others(chief cashier, loan officer, graduate trainee, cash aid secretary)	25	19.4	19.4	100.0
Total	129	100.0	100.0	

Source: Survey report from respondents

Based on the findings in the table 4.2.1:

- Greater proportion of the respondents(68.2%) are males and 31.8% are females
- 49.6% of the respondents are age between 26-35 years, 36.4% are below 25 years, 10.9 are between 36- 45 years, 3.1% are between 46-55 years and none of them are reported to be greater than or equal to 56 years.
- Concerning their education level majority the respondents (94.6%) are first degree holders, 3.1% responded to have college diploma, 2.3% are those who are trained at 10+... levels. None of the respondents indicated to have education level neither above first degree nor only high school certificate.
- 37.2% reported to have 2-3 years of stay within the bank, 23.3% less than or equal to one year, 20.9% 4-5 years, and 18.6% claimed to have work experience of 4-6 years in the bank.
- 48.1% of the respondents are customer service officers, a cumulative percent 19.4 of the respondents are working on job titles including chief cashier, loan officer, graduate trainee, cash aid, and secretary. 14.7% are senior customer service officers, 7% are holding the managerial position, auditor and foreign trade supervisor positions are each occupied by 5.4% of the respondents.

4.2.2 Analysis of data related to attitudes and views of respondents

4.2.2.1 Extent of familiarity with internal marketing concepts.

Respondents were asked to indicate their level of familiarity with internal marketing concept and their responses are summarized in the following table.

Table 4.2.2.1 Respondents familiarity with internal marketing

Extent of familiarity with IM concept	Frequency	Percent	Valid percent	Cumulative percent
Very low	6	4.7	4.7	4.7
Low	19	14.7	14.7	19.4
Average	53	41.1	41.1	60.5
High	42	32.6	32.6	93.0
Very high	9	7.0	7.0	100.0
Total	129	100.0	100.0	

Source: Survey report from respondents

According to table 4.2.2.1 41.1% of the respondents claimed that they have adequate familiarity with IM concept, 32.6% indicated they are highly familiar with IM concept, 14.7% of the respondents have low familiarity, 7% very high familiarity and 4.7% have very low familiarity with IM concept

4.2.2.2 Extent of familiarity with organizational commitment concept

Respondents were asked a question:

To what extent are you familiar with organizational commitment concept? The responses of the respondents to this question are shown in the following table.

Table 4.2.2.2 Respondents familiarity with organizational commitment

Extent of familiarity with OC concept	Frequency	Percent	Valid percent	Cumulative percent
Very low	2	1.6	1.6	1.6
Low	20	15.5	15.5	17.1
Average	45	34.9	34.9	51.9
High	49	38.0	38.0	89.9
Very high	13	10.1	10.1	100.0
Total	129	100.0	100.0	

Source: Survey report from respondents

Table 4.2.2.2 discloses 2 respondents (1.6%) belief they have very low familiarity, 20(15.5%) belief low, 45(34.9%) average, 49(38%) high familiarity and 13(10.1%) belief they have very high familiarity with organizational commitment concept.

4.2.2.3 Level of organizational commitment of employees in CBO

Respondents were asked to rate the level of organizational commitment of employees in CBO and their responses are summarized in the following table

Table 4.2.2.3 Level of organizational commitment in CBO

Level of organizational commitment	Frequency	Percent	Valid percent	Cumulative percent
Very Low	1	.8	.8	.8
Low	16	12.4	12.4	13.2
Average	57	44.2	44.2	57.4
High	40	31.0	31.0	88.4
Very high	15	11.6	11.6	100.0
Total	129	100.0	100.0	

Source: Survey report from respondents

From the results shown in the table above it is possible to see one individual(0.8%) beliefs organizational commitment among employees of CBO is very low, 16(12.4%) belief it is low, 57(44.2) rate organizational commitment as average, 40(31%) rate it as high and 15(11.6%) belief organizational commitment of employees in CBO is very high.

4.2.2.4 Extent of satisfying employees' needs by current services

Respondents as employees of the bank were asked to indicate the extent to which their personal needs are being addressed by the current service delivered by the bank. Their responses are summarized in the following table.

Table 4.2.2.4 Level of need fulfillment

Level of need fulfillment	Frequency	Percent	Valid percent	Cumulative percent
Very low	9	7.0	7.0	7.0
Low	25	19.4	19.4	26.4
Average	55	42.6	42.6	69.0
High	26	20.2	20.2	89.1
Very high	14	10.9	10.9	100.0
Total	129	100.0	100.0	

Source: Survey report from respondents

According to the above table 9(7%) of the respondents belief that their needs being fulfilled at very low level, 25(19.4) belief their need fulfillment is low, 55(42.6%) average, 26(20.2%) high and 14(10.9%) belief their needs are being meet at very high leve.

4.2.2.5 Extent of service acceptability of CBO

The final question under the attitudes and views section of the questionnaire solicits responses on the extent of current service acceptability of CBO in comparison with other banks in the country and as shown in the following table 4(3.1%) of the respondents said the current service acceptability of CBO in comparison with other banks is very low, 8(6.2%) indicated it is low, 45(34.9%) showed service acceptability of CBO to be average,

the majority the respondents 50(38.8%) stated that service acceptability of CBO is high and the remaining 14(10.9%) of the respondents assume that CBO's service acceptability is very high.

Table 4.2.2.5 Service acceptability of CBO

Level of service acceptability	Frequency	Percent	Valid percent	Cumulative percent
Very low	4	3.1	3.1	3.1
Low	8	6.2	6.2	9.3
Average	45	34.9	34.9	44.2
High	50	38.8	38.8	82.9
Very high	22	17.1	17.1	100.0
Total	129	100.0	100.0	

Source: Survey report from respondents

4.2.3 Hypothesis Testing

Multiple regression analysis was conducted by using SPSS in order to examine the effects of aspects of internal marketing on organizational commitment. There are different types of multiple regression analyses that one can use depending on the question he/she want to address. Standard multiple regression is one of such types where all the independent (Predicators) variables are entered in to the question simultaneously. Each independent variable is evaluated in terms of its predictive power, over and above that offered by all the other independent variables. According to Julie P.(2007) this is the most commonly used type of multiple regression and is applied when there are a set of independent variables and one wants to know how much variance in a dependent variable each of these independent variables are able to explain as a group or block. Hence, based on this argument the current study employed the standard type of multiple regressions.

The standard multiple regression was run considering dimensions of internal marketing, namely understanding and differentiation, motivation, job satisfaction, training, inter-functional coordination and integration as independent variables and organizational

commitment as dependent variable. The output of the SPSS result is shown in the following tables.

Table 4.2.3 A. Model summary

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.658 ^a	.433	.410	.67542

a. Predicators: (Constant), Inter-functional coordination and integration, Training, Motivation, Job satisfaction, Understanding and differentiation

Table 4.2.3 B. ANOVA^b Analysis

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	42.927	5	8.585	18.820	.000 ^b
	Residual	56.112	123	.456		
	Total	99.039	128			

a. Dependent variable: Organizational commitment

b. Predictor: (Constant), Inter-functional coordination and integration, Training, Motivation, Job satisfaction, Understanding and differentiation

Table 4.2.3.C. Regression Coefficient.

Model		Un standardized coefficients		Standardized coefficients	t	Sig.	95% confidence interval for B	
		B	Std.Error	Beta			Lower bound	Upper bound
1	(Constant)	-.282	.419		-.672	.503	-1.111	.548
	Understanding and differentiation	.290	.121	.224	2.397	.018	.051	.529
	Motivation	.290	.140	.200	2.081	.039	.014	.566
	Job satisfaction	.206	.127	.151	1.618	.108	-.046	.457
	Training	.234	.109	.197	2.154	.033	.019	.450
	Inter-functional coordination and integration	.065	.126	.043	.514	.608	-.185	.315

a. Dependent variable: Organizational commitment

Source: Survey report from respondents (For all the three tables above)

Interpretation of the results

- **Model evaluation:** The R Square value in the model summary of table 4.2.3.A is an indication of how much of the variance in the dependent variable is expressed by the model. Thus, as indicated in the table the model explains 43.3% of the variance in the dependent variable, organizational commitment. ANOVA analysis of table 4.2.3B assesses the statistical significance of the result (the model). As depicted in the table under its Sig. column the result is statistically significant at 0.000
- **Evaluating independent variables:** Table 4.2.3C explains which variables included in the model contributed to the prediction of the dependent variable and by how much. To compare the different variables it is important to look at standardized coefficients instead of the unstandardized ones. This is because these values for each of the different variables have been converted to the same scale making comparison easier. However, if a need arises to construct the regression equation the unstandardized beta values are used (Julie, P., 2007). Thus, looking the standardized beta values of table 4.2.3C it is possible to say understanding and differentiation with $B=0.224$ makes the strongest unique contribution to explaining organizational commitment, when the variance explained by all other variables in the model is controlled for. Motivation with $B=0.200$, Training $B= 0.197$, Job satisfaction $B=0.151$ and inter-functional coordination and integration $B= 0.043$ contributes to the variation of the organizational commitment in the given order. The Sig. column of table 4.2.3C is used to identify which of these variables are making statistically significant contribution to the variation in the dependent variable. Accordingly, with the 95% confidence interval and significance level of less than 0.05 only three variables, namely understanding and differentiation, motivation, and training make statistically significant contribution to the organizational commitment.
- **Test of hypothesis:** Five hypotheses related with the effects of aspects of internal marketing on organizational commitment were proposed in this

study. Based on the regression output backed by the above explanation on the regression analysis, the findings of the research supports three of the five hypotheses with 95% confidence interval and significance level of less than 0.05. Namely understanding and differentiation has positive and statistically significant effect on organizational commitment(H₄), motivation has positive and statistically significant effect on organizational commitment(H₃), and training has positive and statistically significant effect on organizational commitment(H₂) are supported. The finding fails to support the remaining two hypotheses, namely job satisfaction has positive and statistically significant effect on organizational commitment (H₅), inter-functional coordination and integration has positive and statistically significant effect on organizational commitment (H₁).

4.2.4 Responses of Open ended question

One open ended question was forwarded to respondents asking them to mention any approach they would think effective for enhancing organizational commitment among employees of CBO other than those covered under the closed ended questionnaire part. Most of the respondents left this question unanswered. Because of this it is preferred to treat the analysis of this question separately rather than feeding in the SPSS soft ware with a number of missed values. Accordingly, the summary of the responses to the question is presented here under.

According to the responses organizational commitment requires:

- Honest and hard working employees
- Flexible and skill full management
- Empowering of employees
- Improving network quality by adopting latest methods and means of operation
- Providing on-job and off-job training to employees
- Creating conducive working environment
- Equal treatment of employees across all branches concerning issues like working hours
- Applying attractive and competitive salary and benefit packages
- Assigning employees to a position based on capabilities and skills
- Providing time freedom

CHAPTER FIVE

Summary, Conclusions and Recommendations

This chapter presents summary of the research findings, conclusions and then based on the conclusions the chapter forwards possible recommendations that are assumed to be helpful to the bank.

5.1 Summary of the research findings

The results of data computations are summarized as follows.

- Majority of the respondents were males as shown in Table 4.2.1. It is evident from the same table that most of the respondents were youngsters and first degree holders. This is good news as the level of education an individual has influences his/her ability of understanding what he/she supposed to do.
- As it was depicted in Table 4.2.1 58.1% of the respondents have five and less years of stay within the bank and most of them are on the first line (Customer service officers) in the position hierarchy of the bank. This is not surprising putting the age of introduction of the bank in to the country's banking industry.
- According to Table 4.2.2.1 greater proportion (60.5%) of the respondents in the sample have low to average familiarity with internal marketing concept.
- Despite greater proportion (Table 4.2.2.2) of the respondents revealed that they are highly familiar with organizational commitment concept, 57% (Table 4.2.2.3) of them believe that the level of organizational commitment of employees in CBO is low to medium.
- Analysis of the data in Table 4.2.2.4 indicated that extent of fulfilling the employees' needs by current services in the bank is low to medium.
- The analysis made showed that 73.7% (Table 4.2.2.5) of the respondents' belief that the current service acceptability of CBO in comparison with other banks is average to high. This is good news for the bank.
- From the correlation analysis done, it is evident that all the five dimensions of internal marketing namely understanding and differentiation, motivation, Job satisfaction, training, Inter-functional coordination and integration, have positive

and significant correlation with organizational commitment. This implies that all these dimensions are valid measures of the effect of internal marketing on organizational commitment.

- The regression analysis conducted discloses the effect of the five internal marketing dimensions on organizational commitment in cumulative terms and also the contribution of each dimension to the variation in the organizational commitment. From Table 4.2.3A R Square is 0.433 which means 43.3 percent of the variance in organizational commitment is influenced by these five variables as a group. The regression analysis also highlighted the relative importance of internal marketing dimensions. Accordingly it is evident from Table 4.2.3C understanding and differentiation (B = 0.224) is found to be the most important dimension followed by motivation (B=0.200) and training (B= 0.197). The same table exhibits that these variables have a positive and statistically significant effect on organizational commitment. However, even though the rest of the dimensions i.e. job satisfaction, and inter-functional coordination and integration are not statistically significant in affecting organizational commitment they still have positive association with organizational commitment as perceived by the respondents. This requires the company to make every effort to work on these variables too to enhance organizational commitment of its employees. Furthermore the regression analysis provided evidence whether to reject or accept the five hypotheses set out in the paper. Accordingly, with 95% confidence interval and $p < 0.05$ the finding provides supports for three hypotheses, namely understanding and differentiation has positive and statistically significant effect on organizational commitment, motivation has positive and statistically significant effect on organizational commitment, training has positive and statistically significant effect on organizational commitment. But the finding fails to provide supportive evidence for the remaining two hypotheses, namely job satisfaction has positive and statistically significant effect on organizational commitment, and inter-functional coordination has positive and statistically significant effect on organizational commitment.

5.2 Conclusions

Based on the findings of the study the following conclusions are drawn

- ☞ The result of the analysis showed that majority of the respondents/employees have low to average level of understanding of internal marketing concept, i.e. they have little awareness about their being internal customers of the bank. This can be accounted for the novel nature of the concept or absence of enough training as well as low adoption rate of the concept by the organization.
- ☞ Despite the respondents indicated that they are highly familiar with organizational commitment concept their level of commitment is not appreciable. This indicates that in practice there are little uses of the concept and further application of it to the real world scenario.
- ☞ It is evident from the finding of the study that the level of personal need fulfillment of respondents by the current service of the bank is not appreciable. But literatures show that service providers must give due consideration on developing and sustaining organizational culture that emphasizes internal customers well- being as a means to attract and retain external customer patronage.
- ☞ Respondents indicated that the current service acceptability of the bank in comparison with other banks is high. This seems good news, but in today's highly competitive and dynamic business environment companies needs to up-date their services continuously to keep on their customers delight beyond satisfaction.
- ☞ From the regression analyses conducted it is evident that the variation in the five dimensions of internal marketing as a group accounts for 43.3% of the variation in organizational commitment. This implies that there could exist other variables which influence organizational commitment among employees of CBO. From the regression analyses made it also possible to conclude that variables differ in their contribution to the level of organizational commitment. An evaluation of relative importance of internal marketing dimensions is essential to identify and undertake necessary measures to improve those aspects that internal customers/employees value the most. Three variable (understanding and differentiation $B= 0.224$, motivation $B=0.200$ and training $B=0.197$) are found to be the most influential

variables. In general, the following conclusions can be drawn in relation with the contribution of each variable.

- ✓ Understanding and differentiation- individuals working in an organization differ in a number of ways. They have different attitudes, perceptions, values, capacities, feelings etc. They have various needs which they want to satisfy while working organizations. They may want to satisfy their need for status, promotion, taking responsibility, recognition, appreciation etc. Thus, in order to cultivate the maximum possible commitment from their work force the employers/companies are expected to understand the needs and wants of their employees and differentiate them accordingly to identify what kind of service they should delivery to their internal customers.
- ✓ Motivation- According to literatures motivation is one of the most important factors determining organizational efficiency. All organizational facilities go waste in lack of motivated people to utilize these facilities. Attractive motivational schemes bring about satisfaction to employees and by this their commitment to organization increases. The finding of this research agrees with this fact as it confirmed that motivation is the second most important factor influencing organizational commitment.
- ✓ Training- The study revealed that training is the third most important factor influencing organizational commitment. According to Harvir (2001) employees should be viewed as assets and investing on their development should not be considered as a cost that must be controlled instead they should continue investing in with intensive training and career development.
- ✓ Furthermore, though the influences of the remaining two dimensions (job satisfaction and inter-functional coordination and integration) on organizational commitment are not statistically significant the finding of the study showed that they have positive effect on organizational commitment. Besides literatures support these dimensions stating that

external customers and their satisfaction is the mirror image of internal customers of a firm and their satisfaction. In addition, creating and aligning internal relationships between departments, functions and employees inside the organization is necessary to improve the performance the company and its employees.

5.3 Recommendations

Based on the analysis and conclusions made the following recommendations are forwarded with the intention that they enhances organizational commitment of employees in CBO if applied to the real world scenario.

- ❖ To familiarize it's employees with the internal marketing concepts and harvest benefit out of it, the bank needs to arrange training program or use the different types of internal communication mechanisms including E-mails, company web sites, meetings, office memos or direct personal contact to the employees
- ❖ To identify the reason why the organizational commitment of majority of employees is not beyond average and thus fill the gap, the bank needs to perform further survey on the issue. Besides literatures suggest internal marketing could be the answer to gaining employee commitment. Thus, the bank is advised to implement the internal marketing philosophies to cultivate high commitment from its employees.
- ❖ As it is stated earlier external customer satisfaction is the mirror image of internal customer satisfaction. Therefore, the bank should undertake need assessment program to identify the un fulfilled needs and try to refill these needs of its internal customers.
- ❖ To maintain its service acceptability in the banking industry, the bank is advised to continuously boost up its service level by applying not only latest technological advancements but also by attracting, developing and retaining capable work force to remain competitive in the business arena. This is because there is only one business differentiator that cannot be duplicated and that is the workforce. Everything else can be duplicated, despite all best efforts to protect intellectual

property. However no one can ever duplicate the workforce because it is unique, it forms a culture and a face to a business.

- ❖ The regression analysis made highlighted the relative importance of the internal marketing dimensions. This can be used as an indicator to identify which area to focus on while dealing with application of internal marketing concept. According to the result of the regression analysis three dimensions are found to be positively and statistically affecting organizational commitment. As a result the bank is advised to undertake the following in this regard.
 - ✓ Understanding and differentiation- The bank needs to develop internal services which puts individual differences in to consideration. Besides the bank should orient employees' immediate supervisors to clearly understand the interest of their subordinates and differentiate them according to their needs.
 - ✓ Motivation-. The bank should develop and apply different motivational factors both financial (e.g. attractive salary, fringe benefits) and non-financial (e.g. recognition, job security, promotion, participation in decision making etc) to increase commitment of its employees.
 - ✓ Arrange both on job and off job training programs especially when new employees are hired, new technologies are introduced or when new means and methods of operation are applied.
 - ✓ Moreover, the bank should exert considerable effort on the remaining dimensions (job satisfaction, and inter-functional coordination and integration) as they have positive effect on organizational commitment. As a result, the bank should give due consideration on developing conducive work environment and also establish sound coordination between different levels and branches and also create rapid and synchronized flow of information.
- ❖ To put in one basket, if CBO wants to ultimately provide better service experience for its customers, it is recommended that more attention be directed toward enhancing organizational commitment among personnel, with a focus on understanding and differentiation, motivation, and training.

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Annexes

A. Questionnaire

Addis Ababa University School of Commerce

Department of Marketing Management

Research Questionnaire

Dear Respondent,

My name is Berhanu Teshome. I am a post graduate student at Addis Ababa University, School of Commerce. I am conducting this research on the topic “The Effect of Internal Marketing on Organizational Commitment: The Case of Cooperative Bank of Oromia” to fulfill the partial requirements for degree of Master of Arts in Marketing Management. This questionnaire is, therefore, designed to collect the necessary primary data for the purpose captioned above.

Your genuine answer to the questions in the questionnaire has an immense value to the completion of this study. Therefore, please kindly indicate your response by putting a thick mark”√” in the space provided. Rest assured that all the information that you provide will be kept strictly confidential and anonymity of your identity is guaranteed. Thus, it is not necessary to write your name.

Should you require any further information about this study, or have problem in completing this questionnaire, please contact me through +2519 23 30 69 88. I would be grateful for your cooperation and timely response to this survey.

Thank you

Part I Respondents' Profile

1. Gender: Male Female

2. Age: below 25 26-35 36-45 46-55 Greater than or equal to 56

3. Educational level

High school College diploma Degree Masters degree others (10+1, 10+2...)

4. Years worked in the bank

less than or equal to 1 year 2-3 years 4-5 years 6-10 years

5. Your current position in the bank

Customer service officer Senior customer service officer Auditor
 Foreign trade supervisor Manager Others (Chief cashier, loan officer, Graduate trainee, cash aid, secretary)

Part II Attitudes and Views

1. To what extent are you familiar with internal marketing concept?

Very high High Average Low Very low

2. To what extent are you familiar with organizational commitment concept?

Very high High Average Low Very low

3. How do you rate the organizational commitment of employees in CBO?

Very high High Average Low Very low

4. To what extent the current services fulfill your personnel needs?

Very high High Average Low Very low

5. What is the extent of current service acceptability of CBO in comparison with other banks in the country?

Very high High Average Low Very low

Part III Survey of Effect of Internal Marketing on Organizational Commitment

Internal marketing views employees as customers that satisfy their needs and wants fulfilled while addressing the objectives of the company. Given below are five dimensions of internal marketing (i.e. understanding and differentiation, motivation, job satisfaction, training, and inter-functional coordination and integration). A list of statements under each dimension is believed to measure the effects of these elements on organizational commitment. Please read each statement and indicate the extent to which the ideas described by each statement have an effect on organizational commitment by putting mark "√" under a number that represents the view you attach to each statement.

5 = Very high 4 = High 3 = Average 2 = Low 1 = Very Low

A	Understanding and differentiation items					
No	To what extent does each of these understanding and differentiation items have positive effect on organizational commitment?	5	4	3	2	1

1	Delivering services based on employees' preferences					
2	Suitable design of services based on desires of employees					
3	Prioritize employees based on value creation capabilities					
4	On time service delivery to employees					
5	Offering service to employees based on their age					
6	Offering service to employees based on their education					
7	Offering service to employees based on their record, experience, performance etc					
8	Assigning employees to the job based on their skills and abilities					
9	Reception and attention to criticisms and suggestions of employees					
10	Effective consultation and guidance of employees					
11	Ability of creating and retaining close relationship with employees					
12	Estimating the needs of employees					
13	Assigning of employees in team work					
B	Motivational factor items					
No	To what extent does each of these motivation items have positive effect on organizational commitment?	5	4	3	2	1
1	Job security					
2	Sense of job importance					
3	Task variation					
4	Freedom in job					
5	Growth possibilities					
6	Well defined tasks and responsibilities					
7	Informing employees about their performance results					

9	Payment of salaries and benefits based on employees performance					
10	Equity of salaries and fringe benefits					
11	Involving employees in decision making					
12	Friendly contacts with employees					
13	Appreciation of employees' attempts by managers					
14	Managers view of employee as the main asset of the banks					
15	Clear advancement policy and procedures					
16	Giving self responsibility of a similar purpose activities					
17	Challenging work					
C	Job satisfaction items					
No	To what extent does each of these job satisfaction items have a positive effect on organizational commitment?	5	4	3	2	1
1	Working hours at head office and branches					
2	Cleanliness and decoration of the bank					
3	Up to date services					
4	Cooperation of bank in social welfare					
5	Ease and standardization of banking operation					
6	Lower bureaucracy in delivering the services					
7	Stability of service delivery methods					
8	Adequate number of employees for service delivery					
9	The method of apportion of job among employees					
D	Training items					
No	To what extent does each of these training items have a positive effect on organizational commitment?	5	4	3	2	1

1	Coordination between training and needs of employees					
2	Comprehensive training of employees					
3	Usage of the latest educational tools and methods					
4	Capable and experienced instructors					
5	Continuous and dynamic training					
6	Appropriate time for training					
E	Inter-functional coordination and integration					
No	To what extent does each of these inter-functional coordination and integration items have a positive effect on organizational commitment?	5	4	3	2	1
1	Utilization of different experiences and talents in the same direction					
2	Coordination between different levels and branches					
3	True legislation of mission and goal of the organization					
4	Rapid and synchronized flow of information					
5	Synchronization between structure and strategy					
6	Convergence between culture and job design					

Please mention any approach which you think would be effective for enhancing organizational commitment among employees in CBO -----

Thank you once again for your kind cooperation.

Berhanu Teshome

B. Pearson correlation coefficients

		TORGCOM M	TUNDRDIF F	TMOTI V	TJOBSA T	TTRAI N	TINTERFUN C
Pearson Correlatio n	TORGCOMM	1.000	.550	.553	.511	.536	.399
	TUNDRDIFF	.550	1.000	.612	.494	.549	.484
	TMOTIV	.553	.612	1.000	.573	.560	.457
	TJOBSAT	.511	.494	.573	1.000	.577	.504
	TTRAIN	.536	.549	.560	.577	1.000	.407
	TINTERFUN C	.399	.484	.457	.504	.407	1.000
Sig. (1- tailed)	TORGCOMM		.000	.000	.000	.000	.000
	TUNDRDIFF	.000		.000	.000	.000	.000
	TMOTIV	.000	.000		.000	.000	.000
	TJOBSAT	.000	.000	.000		.000	.000
	TTRAIN	.000	.000	.000	.000		.000
	TINTERFUN C	.000	.000	.000	.000	.000	
N	TORGCOMM	129	129	129	129	129	129
	TUNDRDIFF	129	129	129	129	129	129
	TMOTIV	129	129	129	129	129	129
	TJOBSAT	129	129	129	129	129	129
	TTRAIN	129	129	129	129	129	129
	TINTERFUN C	129	129	129	129	129	129

C. Scale reliability

C1 Understanding and differentiation items

Cronbach's Alpha	N of Items
.859	13

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
delivering service based on employees preference	40.45	69.796	.368	.859
sustainable design of services based on desires of employees	40.67	65.099	.625	.843
prioritizing employees based on value creation capability	40.60	67.241	.639	.844
On time service deliver to employees	40.56	69.452	.401	.856
offering service to employees based on their age	40.91	68.672	.437	.854
offering service to employees based on their education	40.67	65.505	.564	.846
offering service to employees based on their experience, performance,etc	40.48	67.236	.571	.846
assigning employees to the job based on their skills and abilities	40.71	65.788	.536	.848
reception and attention to criticisms and suggestion of employees	40.90	66.466	.568	.846
effective consultation and guidance of employees	40.73	68.809	.478	.852
ability of creating and retaining close relationship with employees	40.62	66.097	.601	.844
estimating the needs of employees	40.81	65.782	.548	.848
assigning of employees in team work	40.74	67.352	.477	.852

C2 Motivation items

Cronbach's Alpha	N of Items
.862	16

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
job security	52.42	84.027	.435	.857
sense of job importance	52.48	83.345	.589	.850
task variation	52.74	85.254	.417	.857
freedom in job	52.69	81.262	.533	.852
growth possibilities	52.55	83.734	.452	.856
well defined tasks and responsibilities	52.59	83.885	.507	.853
informing employees about their performance result	52.96	81.334	.552	.851
payment of salaries and benefits based on employees' performance	53.08	80.260	.552	.851
equity of salaries and fringe benefits	52.71	84.788	.419	.857
involving employees in decision making	52.94	80.262	.593	.849
friendly contact with employees	52.63	83.985	.473	.855
appreciation of employees' attempts by managers	52.97	82.374	.502	.854
managers view of employees as the main asset of the bank	52.98	79.664	.625	.847
clear advancement policy and procedures	52.87	83.865	.461	.855
giving self responsibility	52.68	83.547	.504	.853

C 3 Job satisfaction items

Cronbach's Alpha	N of Items
.810	9

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
working hours at head office and branches	27.57	26.168	.587	.780
cleanliness and decoration of the bank	27.56	27.202	.486	.793
up to date services	27.62	26.503	.586	.780
cooperation of the bank in social welfare	27.32	27.828	.492	.792
easy and standardization of banking operation	27.41	26.791	.547	.785
lower bureaucracy in delivering services	27.50	28.689	.339	.812
stability of service delivery methods	27.43	25.731	.624	.775
adequate number of employees for service delivery	27.41	29.088	.347	.809
the method of apportion of job among employees	27.56	27.327	.543	.786

C 4 Training items

Cronbach's Alpha	N of Items
.768	6

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation
coordination between training and needs of employees	16.09	14.788	.456
comprehensive training of employees	16.06	13.840	.585
usage of latest educational tools and methods	16.05	14.599	.508
capable and experienced instructor	16.15	14.908	.453
continuous and dynamic training	16.19	13.986	.533
appropriate time for training	16.27	13.777	.535

C5 Inter-functional coordination and integration items

Cronbach's Alpha	N of Items
.690	6

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
utilization of different experiences and talents in the same direction	16.57	8.762	.449	.639
coordination between different levels and branches	16.78	8.832	.468	.634
true legislation of missions and goals of the organization	16.58	8.808	.453	.638
rapid and synchronized flow of information	16.95	8.989	.437	.644
synchronization between structure and strategy	16.69	8.934	.448	.640
convergence between culture and job design	16.78	9.343	.282	.698