

**EFFECT OF INTERNAL MARKETING ON CUSTOMER SERVICE  
QUALITY IN COMMERCIAL BANK OF ETHIOPIA EAST ADDIS  
ABABA DISTRICT**



A THESIS SUBMITTED TO SCHOOL OF GRADUATE STUDIES OF  
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MASTER IN MARKETING MANAGEMENT

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## DECLARATION

I, the undersigned, declare that this study entitled “EFFECT OF INTERNAL MARKETING ON CUSTOMER SERVICE QUALITY IN COMMERCIAL BANK OF ETHIOPIA EAST ADDIS ABABA DISTRICT.” Is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

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**CERTIFICATE**

This is to certify that this study, “EFFECT OF INTERNAL MARKETING ON CUSTOMER SERVICE QUALITY IN COMMERCIAL BANK OF ETHIOPIA EAST ADDIS ABABA DISTRICT.”, undertaken by ELSABETH TOLESSA for the partial fulfilment of Masters of Marketing Management at Addis Ababa University School of Commerce, is an original work and not submitted earlier for any degree either at this University or any other University.

Research Advisor: Dr. Rakshit Negi

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Date \_\_\_\_\_

EFFECT OF INTERNAL MARKETING ON CUSTOMER SERVICE QUALITY: A CASE  
STUDY IN COMMERCIAL BANK OF ETHIOPIA EAST ADDIS ABABA DISTRICT

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May, 2017  
Addis Ababa

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## **Abstract**

*This project investigates the situation of customer-employee interaction during service encounters, and to see whether there is a plausible relationship between IM programs of the firm which aims at enabling employees by applying marketing like tools that the firm normally used for the external market and customers perceived service quality which is the outcome of customers' evaluation of the service quality which could be the basis for their future patronage decision. Even though the growing importance of people in service sectors are supported in main literatures there are still problems where traditional approaches of managing business that dully focus on external customers' satisfaction is still a believes of many firms. The study targets 130 samples of customers based on their convenience and easiness to discern their perception of service quality they receive from the bank and select 189 front-line employees randomly from different branches to obtain there evaluation of the bank's IM practice. The result shows that generally employees are dissatisfied with their bank's IM activity. The correlation analysis shows that all variables of IM have a significant association with employees' perception of internal service quality. The study also examines the influence of five dimensions of service quality on customers' perception of service quality. Employees' empathy, responsiveness, tangibility dimension, assurance and reliability of the service were found significant in affecting customers' judgment of service quality. Even if there is a strong positive correlation between IM variables and perceived service quality, the regression analysis shows that only Employees' Training, reward, empowerment and internal marketing research are significant to explain the variation in customers perceived service quality. Therefore, it is advisable for the bank to take the necessary measures regarding employees' training; revising the existing reward system to reflect all employees requirement; there should be empowerment to assist employees in their difficulties; internal marketing should be there to treat the employee as a customer.*

## **Acronyms**

**CBE** – Commercial Bank of Ethiopia

**ATM**- Automated Teller Machine

**HRM**- Human Resource Management

**IM** - Internal Marketing

**IMO**- Internal Market Orientation

**SERVPERF** – Service Performance

**SERVQUAL** – Service Quality



## CHAPTER ONE

### 1. Introduction

In this section the background information about the general service sectors progress will be discussed. Particularly issues related with the growing importance of IM (Internal Marketing) in service sectors which undergone a rapid internal restructuring and experiencing ever changing external business environment will be entertained. Next parts will contend and describe background of the company, statement of the problem, basic research questions and objectives of the study, significance, scope and limitation sections will be put in place briefly.

#### 1.1 Background of the study

Internal marketing has increasingly become more important for businesses to take into consideration, not only the way it conducts itself externally, but also the way in which it is perceived internally (Ahmed et al., 2003). The reason for internal marketing is to attract, encourage and promote the organization's core values and beliefs, with the intention of communicating new organizational initiatives and strategies to its employees (Panigyrakis et al, 2009).

In times of economic downturn, it is critical that organizations communicate to staff efficiently and effectively, whether this involves redundancies, relocation or a change of business strategy. Kotler (2000) said that internal marketing is more important than the traditional external marketing. That is because employees are also consumers, where the organization has to take care of its employees and build organization value for every member to follow (Kotler, 2004).

In addition, Greene et al. (1994) suggest that internal marketing orientation is the key to excellent service and success of external marketing. Both views justify the exploration of the concept of marketing, i.e. internal marketing orientation, within a business organization in the service sector. On the other hand maintaining a high level of customer service quality is necessary for success, particularly for firms in service industries. When looking to the banking industry the front-line employees interact with the majority of the customers.

It is common knowledge that customer satisfaction mainly depends on the process of service delivery and less on its outcome and this highlight the importance of the initiation of Internal Marketing in banking industries. Internal marketing was first proposed within the services

literature in the 1970's as a solution to the problem of delivering high quality service (Varey & Lewis, 1999).

Internal marketing is a concept aimed at developing customer conscious employees that will consistently deliver superior quality service to the external marketplace (Papazolomou-Doukai, 2002). Internal marketing depends on a variety of individual activities throughout the organizations and it attempts to inform and educate the employee regarding the organization's mission the benefits of the product or service being sold, and the expectations of the organizations customers (Varey & Lewis, 1999); such program is aimed at generating employee commitment and it is not new as it is inherent in the total quality management literature. According to (Ahmed and Sfiq, 2002) internal marketing requires:

- The acceptance of marketing techniques and philosophy within an organization
- Customer orientation and a market orientation
- A participative approach to management
- A strategic approach to human resources management
- The coordination of all management activity to achieve customer or market orientation or customer focused management.

Coming to CBE, giving banking service as a product, is the most standard product that cannot be differentiated easily. Therefore as it is difficult for the company to make a difference in its product it highly depends on the service which in turn relies on its employees.

## **1.2 Background of the company**

Commercial bank of Ethiopia is the leading bank in Ethiopia, established in 1942, the Pioneer to introduce modern banking to the country. CBE was legally established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. It has more than 1,140 branches stretched across the country moreover the bank is now one of the leading African bank with assets of 384.6 billion Birr as on June 30<sup>th</sup> 2016 plays a catalytic role in the economic progress & development of the country the bank is also the first bank in Ethiopia to introduce ATM service for local users Currently CBE has more than 13.3 million account holders and the number of Mobile and Internet Banking users also reached more than 1,352,000 as of September 30<sup>th</sup> 2016 (68% active users). Active ATM card holders reached more than 3 million (61% active users).

It has strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank,...CBE has a SWIFT bilateral arrangement with more than 700 others banks across the world.CBE combines a wide capital base with more than 29,000 talented and committed employees. Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money...CBE has opened four branches in South Sudan and has been in the business since June 2009.CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world. (<http://www.cbe.com/>accessed on April, 2017)

**VISION:**To become a world-class commercial bank, by the year 2025.

### **MISSION**

We are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success.

### **VALUE**

#### **Corporate Citizenship**

- We value the importance of our role in national development endeavour and step-up for commitment.
- We abide by the law of Ethiopia and other countries in which we do business.
- We care about society's welfare and the environment.

#### **Customer Satisfaction**

- We strive to excel in our business and satisfy our customers.

#### **Quality Service**

- We are committed to offer quality service to our customers' and aspire to be branded with quality in the minds of our customers and the general public.

#### **Innovation**

- We encourage new ideas that can improve customers' experience and the Bank's performance.

#### **Teamwork**

- We recognize the importance of teamwork for our success.
- We respect diversity of viewpoints.

## **Integrity**

- We are committed to the highest ideal of honour and integrity.

## **Employees**

- We recognize our employees as valuable organizational resources.

## **Public Confidence**

- We understand that the sustainability of our business depends on our ability to maintain and build up the public's confidence

(<http://www.cbe.com/> accessed on April, 2017)

### **1.3 Statement of The Problem**

Literatures on internal marketing frequently mention that businesses that wants to deliver better quality to satisfy its external customers should first solve any problems related to internal customers, as the higher the degree of employee satisfaction, the higher the possibility of generating external satisfaction and loyalty. (Zampetakis & Moustakis, 2007).

The employee or the front line service provider is critical in the eyes of the customers for effective face to face service in delivery. Heskett, Sasser and Schlesinger (1997) described the service relationship triangle for the service organization, the frontline service provider and the customer. They elaborated on the importance of the front line service provider as the key to the service encounter and further emphasized importance of service employees by describing the critical employee performance requirements in the cycle of capability. In addition, effective service encounter performance is directly related to hiring, training, leading and motivating the right employees (Lawrence, 2005).

Now-a-days, CBE is growing in a fast way in that its annual profit, number of employees, number of branches, number of customers increases year after year. Despite all increases in a positive direction, according to the comment books available at ten CBE branches from 1 July 2016 up to 30 September 2016 out of 127 comments 97 of them were from dissatisfied customers which covers about 76.3%, this shows there is still certain degree of dissatisfaction from customer side that its quality of customer service is falling down.

As the goal of internal marketing is to identify and satisfy employees' needs so that employees can be retained and provide superior service to external customers (Berry 1984; Johnson et al. 1986; Kotler and Armstrong 1991). This study was attempted to investigate the relationship between internal marketing practice and customer service quality in Commercial Bank of Ethiopia from the view point of employees and customers. The researcher interested



to study the relationship b/n internal marketing practice & customer service quality because of their were no research conducted in case of commercial bank of Ethiopia under east Addis Ababa district. By doing so, the research was tried to fill the empirical gap that exists in Commercial Bank of Ethiopia.

#### **1.4 Basic Research Questions**

Based on the above statement of the problem, the study attempts to address the following questions.

- What are the major shortcomings in the bank IM implementation?
- How do customers perceive the overall service quality?
- What possible ways exist to tune IM programs in view of improving customer service quality?
- Do empowered employees have something to contribute for customer service quality?
- In what way or to what extent internal marketing research has an impact on customer service quality?

#### **1.5 Objectives of the Study**

##### **1.5.1 General Objective of the Study**

The general objective of the study is to assess the effect of internal marketing on service quality in Commercial Bank of Ethiopia.

##### **1.5.2 Specific Objectives of the Study**

- ❖ To assess the major shortcoming in the implementation of IM.
- ❖ To investigate the customer perception regarding service quality.
- ❖ To explain the possible ways to tune IM programs in view of improving customer service quality
- ❖ To understand the contributions of empowered employees for customer service quality
- ❖ To examine the impact of internal marketing research on perceived service quality.

## **1.6 Definitions of Terms**

Internal Marketing – “is attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating customers – indeed, “wooing employees ... - and is the strategy of shaping job products to fit human needs” (Parasuraman et al., 1991, p. 151).

Marketing– “is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (American Marketing Association, 2004).

Perceived Service Quality– “Customers’ cognitive evaluation of the service across episodes compared with some explicit or implicit comparison standard.” (Storbacka et al., 1994, p. 25).

Customers Service Quality- From the service providers’ perspective, it is the degree to which the service’s features comply with the organizations specifications and requirements. From the customers’ perspectives it implies whether the service meets or exceeds his/her expectations. (Fisk et al 2008:153)

## **1.7 Significance of the Study**

Any kind of research has something to add to the accumulated body of knowledge of mankind but it is also used to solve particular problem at hand such as in our case.

The study findings were having important implications for the management of market focused service organizations. In addition to understanding the external customers perceived service quality and employees’ behaviour; managers can develop a better understanding of their needs and wants.

The study output were inform whether internal marketing elements are practiced in the bank in addition; the study were show the influence of institutional practices of internal marketing on external customers' service performance that could be used as baseline information for future restructuring of marketing efforts. The study will also be an input for further studies. More specifically, this study will serve as preliminary work or a stepping stone for further studies on the issue.

### **1.8 Scope of the Study**

The scope of this study is commercial bank of Ethiopia, east AddisAbaba district's seven grade 3 and 4 branches namely Africa Avenue, Andinet, Airport, bole, ECA, Megenagna and Meskel Square, which are located in AddisAbaba area. The study was targeted only front line staffs and customers of the bank. The study was quantitative by nature.

### **1.9 Limitations of the Study**

The major limitation of this study is that it focuses on only one commercial bank i.e., (CBE). Furthermore, limited numbers of branches were included from the east districts. The study uses only quantitative approach to examine the relationship between the internal marketing and customer service quality.

### **1.10 Organization of the Study**

The study was consisting of five chapters. Background information, introduction of the study, statement of the problem, objective of the study, significance, scope and the like issues discussed in the first chapter. Review of literatures were dealt in the second chapter. The third chapter holds research methodology followed by the fourth analysis and present data collection from the organization. The last and fifth chapter will address conclusion and recommendation.

## CHAPTER TWO

### Review of Literature

#### Introduction

Despite there are confusion and debates on the constructs that used to measure IM and its recent emergent as a discipline, several scholars have discussed this topic. Currently, the literature on internal marketing lacks theoretical grounding and is largely that of a prescriptive and normative nature (Pitt & Foreman, 1999).

In this section a range of literatures on key concepts which are essential for the study will be reviewed. The first section consists of theoretical reviews which attempts to describe how internal marketing research has been developed and its essence for modern commerce, as well as subsections that will display concepts with in which IM construct going to be measured. The second section attempts to review some empirical materials. The third section consists, conceptual framework and hypotheses.

#### 2.1 Theoretical Review

##### 2.1.1 Internal Marketing and its development

The term internal marketing (IM), is used to describe the application of marketing internally within the organization. “Every department and every person is both supplier and a customer, and the organization’s staff works together in a manner supporting the company strategy and goals”. IM relates to all functions within the organization, but it is vitally concerned with the management of human resource (Collins; Payne, 1991, p. 261).

Greene et al. (1994, p. 5) offer a definition of IM as the “promoting of the firm and its product(s) to the firm’s employees, and for this strategy to be successful top level management must fully embrace it”. “IM means applying the philosophy and practices of marketing to the people who serve the external customer so that the best possible people can be employed and retained and they will do the best work possible” (p. 8). More specifically, “IM is viewing employees as internal customers, jobs as internal products, and endeavouring to design these products to meet the needs of these customers better” (p. 8).

About 41 years ago internal marketing (IM) was first proposed as a solution to the problem of delivering consistently high service quality by Berry et al. (1976). “There is a great deal of

confusion in the literature as to exactly what IM is, what it is supposed to do, how it is supposed to do it, and who is supposed to do it. One of the main problems contributing to this is, that there does not exist a single unified concept of what is meant by IM” (Mohammed; Ahmed, 2000, p. 449). The variety of interpretations as to what IM constitutes has led to a diverse range of activities being grouped under the umbrella of IM.

### **2.1.2 Human Resource Management and Internal Marketing**

Collins and Payne (1991) affirm that IM “relates to all function within the organization, but it is vitally concerned with the management of human resources” (p. 261) and describes the application of marketing internally in the organization. By now, we understand that every department and every person inside an organization is both a supplier and a customer. Also, supplier and customers must work together “in a manner supporting the company strategy and goals” (p. 261). IM has been described as a philosophy for managing the organization’s human resources based on a marketing perspective. “A market-oriented human resources manager is more likely to make an impact on the success of a company, considering it tends to be more effective in both demonstrating the relevance of human resources to all the company, helping other managers to increase their productivity”. Marketing provides an “action framework and a practical approach by which the human resource manager can offer effective solutions to key corporate problems” (Collins; Payne, 1991, p. 269).

### **2.1.3 Benefits of IM**

It is without doubt that proper IM programs potentially have a number of significant benefits for both the individual and the organization. At the individual level, IM enhances and improves work motivation as it links peoples’ goals to the organization’s goals. At the organizational level, IM ensures effective implementation of cross-functional activities by creating inter-departmental awareness among people within the business (Rafiq & Ahmed, 1993).

Employee survey enables management to see the bigger picture in terms of employees’ needs as well as provide the means of identifying issues of policy violations and other organizational breakdowns that may not be visible in normal working conditions (Berry, 1981). Through employee survey, organizations can monitor the impact of organizational policies and the degree of internal satisfaction among employees within the business (Collins & Payne, 1991). More importantly, management must show that appropriate actions are taken

over issues uncovered from the survey in order to clearly demonstrate that survey findings are taken seriously.

#### **2.1.4 Elements of Internal Marketing and Service Excellence**

The boom of service industry in the 80s has led to the development of a theoretical corpus specific to this sector, and the work of Gronroos (1982, 1989), Lovelock (1983) and Parasuraman et al. (1988), for instance, have contribute a lot to the understanding of specific characteristics of the service business, that includes IM. One of the elements of IM presented by Bansal et al. (2001, p. 67) is employment security, that is defined as “providing employees with the reasonable assurance that they will not be laid off, even during tough economic cycles. Any slowdowns in productivity or profitability may result in transfers, retraining, or job rotation, thus avoiding the necessity of layoffs”. Another element is extensive training since almost all “descriptions of IM practices emphasize the importance of training because frontline employees need the requisite knowledge and ability to recognize and solve problems and to ensure high-quality products and services” (p. 68).

If an organization is serious about attracting and retaining the best and brightest candidates, “providing them with a higher-than-industry-average salary is one way of accomplishing this objective. What is the message that paying people well sends? Higher pay is a way of communicating the value of employees to the organization (p.68). This way, “higher-than-industry-average salaries and pay partially contingent on performance will be positively associated with job satisfaction, loyalty to the firm, and trust in management.” (Bansal et al., 2001, p. 69).

In order to build trust, it is important that organizations function in a transparent manner, with a service focus. To do so, companies must be prepared to openly share with their members, “information on their strategy, financial performance, and expenditures – sharing information is a key factor to IM. Employee empowerment is an essential way to impact employee attitudes and behaviours and, hence, the level of service provided to the external customer” (Bansal et al., 2001, p. 69). Traditional organizations are characterized by bureaucratic principles that are dominated by hierarchy, impersonality, rules and other constraint on Employees conduct. Even if this philosophy has its own advantage like precision, speed, and unity it has major drawbacks such as red-tape, rigidity on workers. Hence, freedom becomes a rare commodity where command and control philosophy becomes the way to work in such organization. However, such environments lead to low employee job

satisfaction and lack of trust and organizational loyalty, which in turn affects the level of customer service provided to external customers (Bowen & Lawler, 1992). Finally, consistent with a focus on information sharing and empowerment, organizations with an emphasis on internal customers should also work to reduce the status distinctions that make some people feel more or less valued than their colleagues.

Service excellence means delivering what the customer wants at the first encounter. In an external marketing perspective this is related to service quality, to exceed customer expectation, to make it right the first time. For that to happen, internal customers must also have what they want, since they are customers. It is believed that internal customer satisfaction will lead to external customer satisfaction, which represents a way to offer service excellence. “Although the importance of internal customer satisfaction levels on external customer satisfaction levels has been increasingly emphasized, there remains a dearth of literature that comments on the exact nature of the relationship between the two.” (Bansal et al. 2001, p. 71).

By satisfying the needs of its internal customers, an organization upgrades its capability for satisfying the needs of its external customers. This is true for most organizations (Greene et al. 1994, p. 8). Service excellence calls for a marketing plan.

The organization must have clear at a strategic level the importance of customers (both internal and external), for the success of the service production and deliver. Issues like employee empowerment, customer satisfaction and more important, the marketing mix Internal Marketing (*IM*): *IM* mix consists of the program, product, price, communication and distribution, according to Pierce and Morgan (1991).

The plan should link the mission, objective, strategic audit and marketing tactics to both *IM* and External marketing. Services are intangible and people dependent on nature. Having employees satisfied is a key topic for service excellence. What we are trying to stress is that, with the application of *IM* a service organization would be able to deliver service excellence better than the ones that do not have it a service philosophy or as a strategic tool.

Gremler et al. (1994) claims that “successful service organizations understand well the importance of carefully monitoring and managing customer satisfaction” (p. 34), and service encounter can play an important role whether customer satisfaction will occur or not. The satisfaction of internal customers can be influenced by service encounters with service

suppliers internally in the organization. Internal service encounters are the interaction between customers within a firm. “In order to have their needs met; employees often depend upon internal services provided by others in the organization. Like external customers, internal customers engage in numerous service encounters to satisfy the many needs they have in the course of carrying out their job responsibilities” (p. 37).

Service excellence is a subjective concept, like perceived quality; it is in the eyes of the beholder. Despite of its subjective character, excellence can be achieved by offering a superior service, with committed employees, willing to serve external customer better than the competition. IM has an important role in service excellence. Before presenting the research proposition it is interesting to remind of the key elements present on the definitions of IM presented before:

- ❖ Making available internal products to employees and satisfying organization’s objectives (Berry, 1976).
- ❖ Application of marketing internally in the organization, a marketing oriented human resource management (Collins; Payne, 1991).
- ❖ Promoting product and firm to employees; Applying the philosophy and marketing practices internally the organizations; Employee as customers and jobs as products (Greene et al., 1994).
- ❖ Applying marketing and human resources management to motivate and manage employees (Joseph, 1996).
- ❖ The concept or philosophy or management practice applied to human resources management, service marketing or change management (Lings; Brooks, 1998).
- ❖ Jobs as products and employees as customers (Gounaris, 2008a).

Taking in account the elements presented, we proposed that IM is applying marketing management to the relationships between employees and their organization, where in an internally perspective, jobs are products and employees are customers and suppliers, with the support of human resource management.

### **2.1.5 Service quality**



The service quality from the customer's perspective means how well the service meets or exceeds expectations. Because of the customer-oriented market, service quality is generally defined from the customer's perspective, which is usually termed as perceived service quality (Fisk, Grove & John 2004:153). Fisk et al (2008:153) define service quality from the service provider's perspective as the degree to which the service's features comply with the organization's specifications and requirements; from the customer's perspective this implies whether the service meets or exceeds his or her expectations.

More specifically, the service provider must be quality-oriented, and the system must be designed to support that mission by being controlled and delivered correctly while making profit for the organization. The customer's overall judgment of service quality can be an evaluation of both the process and the outcome, compared with the customer's own expectations and desired benefits. However, different provider-based and customer-based perspectives of service quality can be generated by subsequent encounters with the profit-oriented organization. Thus, this leads to an important concept in assessing quality from perceived service quality. Service quality has been defined as the degree and direction between customer service expectations and perceptions (Newman, 2001).

**2.1.6 The Gradation of Service Quality in Service Sectors** A range of definitions are forwarded some referred quality as "zero defect" or "error free act". Normally, the preliminary efforts in defining and measuring service quality originated largely from the goods market, the underpinning for research in this area was laid down by Parasuraman et,al (1985). They were amongst the pioneer researchers to vigorously point out that the concept of quality prevalent in the goods sector is not extendable to the services sector and they conceptualized service quality in to five dimensions

Even though securing quality service is the main headache for all businesses, it is more pronounced in the service sectors. Because it is hard to identify and measure service quality prior to purchase, due to the inherent experience and credence property of services as oppose to goods where tangible cues are apparent enough to evaluate product quality. As Christine T. and Nigel Waite (2007) make further distinction "Quality is much more difficult to define for a service than it is for a physical good. With a physical good, quality can often be measured by specifying certain physical features that the product should possess." For instance, Garvin [1987] outlines eight dimensions which capture consumers' global assessments of the quality of products: performance, features, reliability, conformance, durability, serviceability, aesthetics and image With regard to services, Parasuraman et al. (1985) have found that

consumers assess service quality by means of five abstract dimensions, namely: reliability, empathy, assurance, responsiveness and tangibles. In addition to the innate nature of service the growing importance of service quality service originated from the competitive nature of business environment and the rises of demanding customers that forces businesses to give due attention for this issue.

According to Paul D. (2005) the importance of service quality continually increases as more emphasis is placed on meeting the expectations of customers. As the client increases the amount of involvement, the more likely the individual will recognize flaws in the service provided. Hence, firms' tradition of service delivery will ultimately affects the perceived service quality at the point of interaction.

### **2.1.7 Perceived service quality**

The term perceived service quality has been frequently used by practitioners and academicians in the past few decades, whereas there hasn't been any generally accepted definition yet. The consensus about perceived service quality is that it is a consumer's evaluative judgment or impression regarding a service provider's overall performance or excellence (Parasuraman et al., 1985, 1988; Cronin & Taylor, 1992; Boulding et al., 1993). The theoretical conceptualization of perceived service quality indicates that it is a multidimensional, higher order construct and can't be measured in a single dimension (e.g., Brady & Cronin, 2001; Parasuraman et al., 1988). Parasuraman, Zeithaml, and Berry (1988) and Oliver (1997) defined perceived service quality as a global judgment of the service, thus treating it as a cognitive construct. Perceived service quality refers to the customer's evaluation of an organization's service based on his or her overall experience of the continuous service encounter (Woodruffe 1995:106; Fisk et al 2008:153). Parasuraman, Zeithaml and Berry (1985) define service quality as the overall evaluation of a specific service determined by comparing the firm's performance with the customer's general expectations of how firms in that industry should perform. Perceived service quality is viewed as an overall appraisal of service (Bitner and Hubbert 1994)

## **2.2. Empirical review**

Empirical research on IM as a whole is limited mainly because of the lack of IM models. Money and Foreman (1996) attempt to operationalise the IM concept by developing a 15-item IM scale based on checklists suggested by Berry and Parasuraman (1991), and Berry et al. (1991). Their IM scale had three underlying factors which they term development (items relating to the development of employees), reward (items relating to rewarding of employees) and vision (items relating to goals and objectives of the organization). Carruna and Calleya (1998) use this scale to assess its impact on organizational commitment, an important objective behind IM efforts to have satisfied employees. Carruna and Calleya found that in their sample of managers from a retail bank that there was a significant but weak positive relationship between IM and organizational commitment. However, their research showed that IM had a significant effect only on the affective dimension of organizational commitment (that is, the strength of identification and involvement with an organization) but not continuance and normative dimensions (see Allen and Meyer, 1990). Carruna and Calleya concluded that the IM construct requires further development and elaboration to distinguish it from similar HRM constructs. These conclusions are not surprising given the underlying factors in the Money and Foreman IM scale.

The empirical evidence on the relationships in the model is fairly limited and somewhat mixed. For instance, Hoffman and Ingram (1991) found that there was a weak correlation between job satisfaction and customer orientation and that role ambiguity, conflict and job satisfaction explained only 9 per cent of customer orientation. Kelley's (1990) study of bank employees also found a weak correlation of customer orientation with job satisfaction. However, when the effects of role clarity and motivation were held constant, job satisfaction was found not to be a significant predictor of customer orientation. Furthermore, although the study found that there was no significant difference in customer orientation among four groups of contact employees (managers, officers, customer service representatives, and tellers), the tellers were significantly more dissatisfied with their jobs and significantly less motivated than the other groups of employees. What this suggests is that employees are quite capable of separating their feelings about their jobs (job satisfaction) from the actual performance of the job. Siguaw et al. (1994) found that customer orientation was not related to job satisfaction (this is the inverse of the relationship proposed in IM models (i.e. job satisfaction leads to increased customer orientation)). Herrington and Lomax (1999) in their study of financial advisers of UK found no relationship between job satisfaction and customer perceptions of service quality. However, they did find a weak relationship between job satisfaction and customer intention to repurchase. These studies seriously question the basic

assumption underlying much of IM literature that employee satisfaction is a key to having satisfied customers. Hence, instead of regarding employee satisfaction as a major precursor to performance, it can be regarded as one of a number of factors such as employee motivation, customer orientation, and sales mindedness simultaneously determining productivity and the quality of the service. Hence, in our model the impact of job satisfaction on service quality occurs indirectly via customer orientation rather than directly between job satisfaction and service quality. This may partially explain the ambiguity in the empirical research noted above.

### **2.2.1 Constituents of Internal Marketing**

A number of contested approaches are developed through time to measure the construct of IM that was initially proposed as an approach to services marketing management. Here are the most cited constructs which the study uses as a basis for measuring IM quality that eventually leads someone to hypothesize as an increase in satisfaction levels for employees will translate into higher perceived quality and value from external customers which will create loyalty and positively affect the profitability of the organization in the aggregate.

**2.2.1.1 Internal Communication** Generally business communication is concerned with transfer of information from sender to receiver between individuals within an organization to achieve a common purpose. One way or another this term is identified in many literatures as a relevant construct to measure IM. As quoted in the works of (John and Zahid) although there is no universally accepted definition of internal organizational communication, the concept seems to incorporate the message sending and message receiving behaviors from the superiors, subordinates, and peers with regard to task, personal, and innovative topics. As cited in the works of Uchenna several studies (e.g. Rafiq & Ahmed, 1993; Brooks *et al.*, 1999; Lings, 1999; 2000; Conduit & Mavondo, 2001; Ahmed & Rafiq, 2003; Bell *et al.*, 2004) have explored IM from its close association with internal communication. The universal emphasis of internal communication encourages a two-way and face-to-face interaction amongst employees within the organization. It is vital for the functioning of any organizational activity and crucial to internal market orientation (IMO) culture within the organization. In this sense, the current study found that internal communication is interlinked with interdepartmental interactions and inter-departmental co-ordination within the organization. He also noted that when the organizations launching new products and/or services it usually create awareness of such products amongst employees via videos, which emerged amongst the array of tools that characterize internal communication as an aspect of IM. By being aware of a company's new products and services, employees become familiar with the benefits of such new

products and/or service as well as the marketing strategies that could be deployed in marketing such new products/services to external customers.

In his study on Avis car rental group Mornay (2010) noted that management can furthermore make use of different mediums to improve its level of communication to employees. This encompasses the use of individual discussion sessions, internal newsletters, as well as formal and informal information sessions to create a platform for improved communication within the Avis car rental group.

(Kohli & Jaworski 1990) argue that for an organization to adapt to external market needs, the organization must share market intelligence as well as communicate and disseminate such intelligence across relevant departments and individuals within the organization. Reports, memos, videos, presentations and formal meetings are some of the internal marketing techniques that many organizations employ in order to communicate with employees and to encourage the mutual exchange of information across the organization as the organization constituents „internal suppliers“ and „internal customers“ where individuals within the organization communicates with each other. Besides this a micro-level communications between departments that originated from the hierarchical structure of the organization as it directed to all employees, where exchanges are legitimized ultimately through a hierarchical structure in the organization of which they are also a part. This cross-functional interaction removes inter-departmental barriers and allows for open communication that lays the foundation for knowledge renewal and transfer among organizational members. It shifts the focus of the employee from a self-centred perspective to a mindset that strives for the achievement of company goals (Ahmed & Rafiq, 2003; Ballantyne, 2003; Rafiq & Ahmed, 2000). Knowledge must be communicated throughout hierarchical levels, from customers to top management, throughout departments, and amongst all employees. The product must be sold from one level to the next through the use of external marketing techniques. This requires the higher of the two levels to understand the functional qualities, technical qualities and corporate image of all customers, plus they must understand how to sell the product, then they must receive feedback and utilize this information to enhance the products and services offered by the organization in order to make continual improvements. The amount of feedback and ability to make necessary changes is dependent upon the information exchange pattern that exists (Ballantyne, 2003).

Particularly, there is appreciation that a substantial amount of information and intelligence is exchanged between the senior management and lower-level employees through interdepartmental co-ordination. Information sharing across departments is essential in order

to build trust, as it enhance and improve transparency in the organization. To do so, organizations must be prepared to openly share with their members, information on their strategy, financial performance, and expenditures (Dessler, 1999; Pfeffer & Veiga, 1999; Walton, 1985).

Further (Bell *et al.*, 2004) noted the overarching IM function in this direction includes initiating, maintaining, and developing networks of quality internal relationships between employees, their management, and the organization for the purpose of creating superior value for customer. Open and one-to-one communication between top management and employees has an extra plus in communicating and reinforcing both sides expectation. Hence, communication should also be on-going and personalized and each individual should be encouraged to participate in. From another dimension it has some advantage of retaining best performing personnel. As Kale (2006) noted the internal marketing concept emphasizes that teamwork amongst the employees of the business is a key factor in the development and retention of a successful business strategy. This notation to internal marketing is that businesses must have a positive relationship with its employees.

Research has shown that employees are also looking for more interaction with management, therefore for more responsibility and control over those decisions that affect them and their environment. It means that open communication within effective internal market orientation are key factors to enabler staff retention.

**2.2.1.2 Employee Training** Employee training is one of the dimensions of IM that is identified in several literatures although there is a debate on its conduct. Almost all descriptions of internal marketing practices emphasize the importance of training because frontline employees need the requisite knowledge and ability to recognize and solve problems and to ensure high-quality products and services since the success or failure of the organization is partly contingent on employees' ability to resolve problems, make necessary changes to work procedures, and to guarantee quality products and service (Pfeffer, 1998). Further, noted by Bouranta *et.al*, (2003) managers who are concerned with monitoring and improving external customer satisfaction need to develop employee's competence in order to act as part-time marketers for the organization.

Generally, training is a process by which the aptitude, skills and abilities of employees to perform specific jobs is enhanced. It is the act of increasing the knowledge and skills of an employee for doing a particular job. For service rendering organizations the importance of effective training cannot be overstated. Specially those individuals at the first-front who are serving the ultimate customers needs some kind of training whether it related with

interpersonal or in-depth technical skills. Hence, it will eventually enable workers to be aware of what is expected from them and how they fulfil those standards. Besides it will help them to have a holistic understanding about the overall organization makeup. According to (Uchenna,2008) training as an aspect of the IM experience that emerges within the context of an ongoing activity are instances where employees are continuously provided with information, skills and knowledge, as in for example, “correct packaging” of goods. The whole idea of training is provision of accurate information and the reassurance they need in order to execute their job effectively. This study goes further to highlight that training, in addition to skills development as aspect of IM, instils also in employees a „sense of confidence“ , „reassurance“ , and „satisfaction“ in being able to do the job. This would indicate that in IM, training is not simply about equipping employees with the requisite skills they need in order to undertake their assigned tasks effectively. However, from a practice/experiential point of view, as the findings from this study suggest, with IM, training is a mechanism used to meet both employees’ expectations as well as their emotional needs, as in, for example, boosting employees’ self-confidence whilst they execute their tasks. Therefore, investing in training programs is a vital component in ensuring that employees are constantly anticipating environmental challenges and making the most of possibilities as an alternative to reacting to unexpected problems. Besides, this tangibles investing in training does have intangible benefits such as improved attitudes and increased skills that may presage higher levels of service quality, customer satisfaction, and loyalty.

**2.2.1.3 Top Management Support** Top management support is the third element of the IM dimension whereby managers attempt to improve an individual’s ability to achieve desired outcomes. To this end supervisors spend time with employees by first praising their efforts and then providing explanations as to why it would benefit the individual as well as the organization to achieve a given standard or target. Beyond providing explanations, managers do provide a reason for employees to achieve such targets. Especially, in situations in which external customers seem less keen to respond to an employee’s efforts which result in frustration in the process as they fail to convince customers. This management support and enthusiastic involvement in employees matter can be seen from two directions. According to (Uchenna, 2008) this entails managers being attentive and keen to address employees’ work-related needs. This may involve (1) managers being there to listen and to deal with employees’ internal complaints and providing employees with work related tools, for instance, training. And (2), managers making out time to deal with employees’ emotional well-being, This would indicate that providing emotional support to employees could itself

lead to the employees being even more committed to the organization given there is a feeling that the organization also cares about the employees' non-work related needs

**2.2.1.4 Employees' Commitment** The workplace is changing dramatically and demands for the high service quality are growing. To remain competitive in the face of these pressures, employees' commitment is vital. Because all the resources and technologies the firm has could be nullified unless they want to benefit and contribute to the organization. Commitment could be seen from the perspectives of both the management and employees in fulfilling desired expectations and in achieving the organization's goals. Another feature of management commitment as an aspect of IM experience emerges by way of management providing employees with the inspiration they need in order to execute a specific event and/or project that is of interest and the concern they give for individual employees within the business. As (Coetzee M. 2005) noted "employees expect employers to demonstrate their commitment in terms of pleasant working condition, access to training and development, provision of a safe working environment and balance between work and employees' commitments outside the workplace."

From the employee point of view, (Albert and Peter 1998) noted that organizational commitment involves the relative strength of an individual's identification with, and involvement in, a particular organization. Here the employee is seen to be emotionally attached, identifies with the organization, and is therefore committed to pursue its goals. This shows a recurring loop where the constructive effect of internal marketing will cause employees to put utmost rather than minimum effort thereby better pleasing external customers. On the contrary, lack of commitment from employees can be detrimental to an organization, resulting in poorer performance arising from inferior service offerings and higher costs. This is certainly resulting from managers' poor supervision and failure to create committed workforce

**2.2.1.5 Employees Reward** Another experiential structure of IM emerged by way of organizations deploying various reward tools to motivate their employee workforce, especially, employees who constantly achieve their sales targets as well as those who deliver excellent customer service because the reward program the firm employs has an ultimate impact on employees satisfaction and motivation level.

As noted (Mornay, 2010) new employees must be recruited and current employees must be retained by offering them a market-related salary consisting of a fixed salary, a commission structure and a profit-sharing benefit which must be designed in conjunction with the



employees. According to (Harvir, 2001) noted that a higher pay is a way of communicating the value of employees to the organization. It is evident that for many firms that want to attract and retain the best candidates, should first provide them with attractive salary than industry average. In such regard (ibid) noted that it is plausible to compensate workers contingent on their performance that could be easily exercised in a service-providing context. More specifically, if an organization's key outcome measures are customer satisfaction and loyalty, it is expected that rewarding employees for providing excellent customer service would enhance these desired behaviours.

As (Uchenna Paschal, 2008) confirmed that IM reward strategies should be "personalized" in order to produce the "buzz" that makes employees feel special when they are rewarded. Rewards by themselves are indeed meaningful, but when personalized they are able to produce that "extra meaning" that creates a greater sense of motivation and willingness in employees to pursue organizational goals and go the extra mile for the organization. This implies a key feature of IM phenomenon, namely, its role to personalize rewards. In similar style (IsabellaR.et.al, 2005) measurement and reward for superior employee performance is a critical part of successful IM. Rewards include financial compensation, but it could be in the form of advancement, recognition and other non-financial rewards.

**2.2.1.6 Employees' Empowerment** Traditional organizations are characterized by bureaucratic principles that are dominated by hierarchy, impersonality, rules and other constraint on Employees conduct. Even if this philosophy has its own advantage like precision, speed, and unity it has major drawbacks such as red-tape, rigidity on workers. Hence, freedom becomes a rare commodity where command and control philosophy becomes the way to work in such organization. However, such environments lead to low employee job satisfaction and lack of trust and organizational loyalty, which in turn affects the level of customer service provided to external customers (Bowen & Lawler, 1992).

Thus the management of the business must create an internal environment that is supportive to the empowerment of customer centred employees. Employee empowerment involves giving employees some degree of authority and discretion to influence decisions over certain related tasks, especially, during employees' interactions with customers. Because, supporting employee by delegating authority to lower level front-line employees makes them more responsive and alert to customers' needs and to resolve on-the-spot service failure that stimulate them to be more customer centred.

Havir (2001) noted that empowerment requires employee to have the decision latitude to fix problems without any fear of being blamed if things go wrong.

As (Owolabi et.al, 2011) A modern forward-looking business doesn't keep their employees in the dark about vital decisions affecting them. It trusts them and involves them in decision making at all levels. "Command and control" is no longer an adequate model.

As affirmed by (Uchenna ,2008) one facet of empowerment as an aspect of IM that emerges in this study's findings is the need to keep employees (as the internal people) involved in the activities of the business so they know what their targets are, they know how to do it. However, empowerment is not a simple decision of giving authority and discretion to employee but it also includes providing employees with adequate training, reward, desire and enhancing employees' ability to come up with new and innovative ideas on how best to do their jobs as well as use their discretion to make the right decisions that would satisfy the external customer. In addition to this empowering employees could be considered as another way of rewarding workers.

Empowering employees couldn't only be accomplished by minimizing rules and regulations, but also make job descriptions broad and open-minded (Morrison, 1996). Empowered employees are perceived to save customers a lot of time, as customers' requests is not redirected to line managers or other superior officers before such requests get the desired level of attention. The second dimension of employee empowerment is that it leads employees' attitudinal and behavioural changes. In general, employee empowerment increase workers ability to respond quickly to the needs of the external customers and enables them to fix problems on the spot as they occur.

**2.2.1.7 Internal Marketing Research** (Uchenna, 2008) employee job satisfaction and internal market research and exchange are other aspects of debate in IM with a relatively strong consensus, especially, amongst conceptual IM studies. According to (Berry, 1981) specifically, argues internal market research and exchange is understood as a mechanism through which the organization can secure a good knowledge and understanding of employees' various needs as well as characteristics in their satisfaction levels. Internal marketing starts with the focus that employees of the business are the first members of the internal market whose needs and preferences must be researched on a continuous basis. If employees are aware that their needs are researched and finger by the business, they become more positive towards the satisfaction of external customer needs (Mornay, 2010). Continuous research on the skills and training which employees require, measurement, evaluation, acknowledgement and remuneration of the performance deliverance of employees, the empowerment of employees, and the establishment, management and development of internal customer supplier relationships are some of the internal marketing

strategy of a business must focus in order to ensure its successful implementation in the business (Herington, Johnson and Scott, 2006).

### **2.2.2 Internal Marketing**

Internal marketing represents a rather recent concept and denotes the application of marketing within the business. It relies on two principles, namely: that it is important to satisfy the needs of employees before the business can satisfy the needs of its customers, and the rules that apply in the market area of the business, by analogy, are also relevant to its internal market. It stresses that in order to create and offer value for the customers, a strong focus on specific internal market components is a mandatory. The extant literatures on IM stated that the business should underline on the importance in employee need satisfaction, and approaches jobs as internal products, aimed towards the development and motivation of personnel. Internal marketing can also be seen from the managerial perspectives, which ensures customer satisfaction through the fulfilment of employee needs. From the perspective of employee it is perceived as the internal “product” (internal market environment, motivation of employees), and employees as the company’s internal “customers”(approach of employees towards internal marketing, building blocks of internal marketing, internal marketing research areas and the implementation of internal marketing activities). In the same vein as quoted in the works of () the basis of the internal marketing concept has two aspects. Firstly, every employee working in the organization has his/her own customers these customers are so-called internal customers (Brown et al., 1996).

Secondly, employers need to provide benefits and services for their employees, so as to satisfy them, and then, this will result in delivering better services to final customers in effective and efficient ways (Grönroos, 1990a, p.8). Therefore, it is important for employers to apply the marketing strategies and tools used for external and/or final customers to the internal customers, i.e. employees.

Hence the whole assumption of IM is uses of marketing like techniques which is applied to external customers to internal employee as well, which can be helpful in motivating employees towards customer-consciousness and sales-mindedness.

According to berry (1984) as cited in the works () IM is the application of philosophy and practices of marketing to the people that serve the external customers so that (1) the best possible people can be employed and retained, and (2) they will do the best possible work.

In another new perspective Flipo (1986) state that, IM strategies can be developed as the correspondence of the traditional 4 Ps marketing mix, i.e. the product as the job, the price as the opportunity cost of engaging in the job, the place as a location where the jobs are offered near the living places of internal customers, and promotion, such as reward policies and communication. Those firms that practice IM consider organization as a constituent of individuals which include suppliers and customers that conduct a series of transaction. This perspective of IM forces them to acknowledge internal marketing as their traditional external marketing programs.

Table 2.1 Extant IM studies stressing very different notions and definitions of IM and nature of study (Source: Uchenna, 2008, p.57)

<b>Author(s)</b>	<b>IM definitions</b>	<b>Study</b>
Berry et al., (1976)	IM is a marketing strategy targeted at front-line personnel. IM results in job satisfaction IM influences employee motivation	Normative
Gummesson (1987)	IM transports external marketing activities to the internal market of employees to achieve overall customer satisfaction. IM is an “integrator” IM strongly supports the concept of the “internal customer”	Conceptual case Study
Foreman & Money (1995)	IM is a useful and effective metaphor for seeing the customer in every individual and in every organizational unit that is within the business.	Normative empirical
Hogg et al., (1998)	IM improves internal communication and customer consciousness among employees IM is useful in terms of „enculturation“ and during organizational change IM enhances a two-way communication process between	Exploratory Empirical
Rafiq & Ahmed (2000)	IM is a mechanism to overcome organizational resistance to change. IM is a mechanism for internal alignment IM motivates the individuals towards implementing corporate strategies IM co-ordinates and integrates cross functional efforts IM creates motivated and customer-oriented	Normative Conceptual

	employees	
Gounaris (2006; 2008)	<p>IM is the synthesis of specific beliefs with specific “marketing-like” behaviours</p> <p>Internal Market orientation (IMO) promotes the need to plan and build effective relationships between employees and the organization.</p> <p>IM linked to employee job satisfaction IM linked to empowerment.</p>	Conceptual Empirical

### 2.3 Conceptual Framework and Hypotheses

The model below proposes a way of conceptualizing how the various elements of internal marketing have effect on customer service quality.

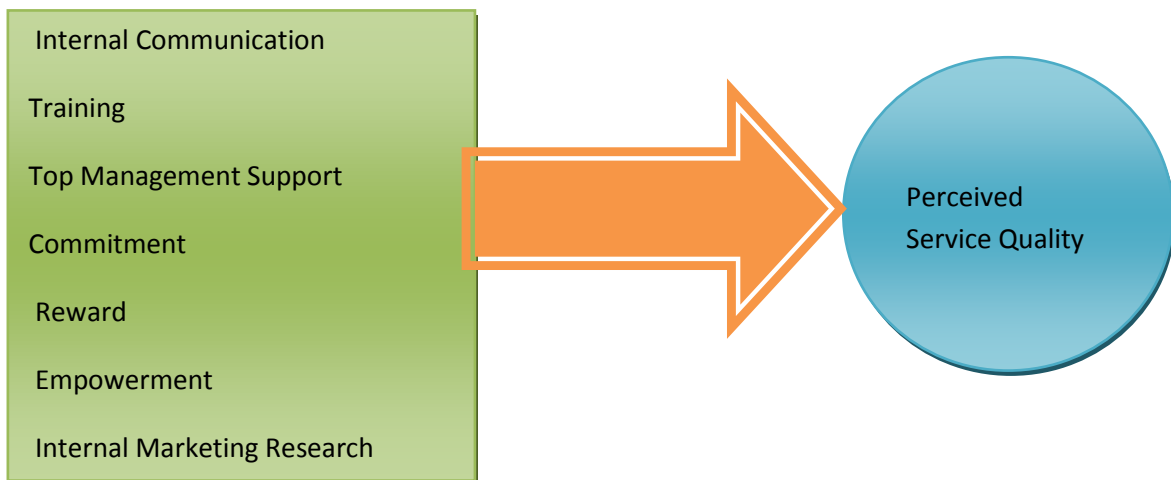


Fig 2.1 Conceptual Model

Based on the conceptual model, the following hypotheses were formulated:-

**H1:** The greater the intensity of internal communication within the organization, the higher the customers’ perceived service quality.

**H2:** The more trained front-line staffs are, the greater the customers’ perceived service quality.

**H3:** There is a positive association between top management support and the customers' perceived service quality.

**H4:** There is a positive association between the level of employee commitment and the customers' perceived service quality.

**H5:** There is a positive relationship between reward systems of the organization for employees have a positive influence on the customers' perceived service quality.

**H6:** The more employees are empowered, the higher customers' perceived service quality..

**H7:** If the organization has an excellent internal marketing research program, then there will be a higher customers' perceived service quality.

## CHAPTER THREE

### Research Methodology

The purpose of this chapter is to explain the procedures used to answer the research questions proposed in Chapter 1. Sections regarding research purpose, design, sampling, data collection and data analysis procedures are included. It begins by an introduction of research design the study follow. Section 3.1 discusses about the general methods of research; quantitative and qualitative research and their differences. Further, a clear explanations and illustrations about the reasons for selecting the research design are putted as well. Section 3.2 covers the Target population, Sample Frame, Sampling Techniques and source of data. Section 3.3 introduces you with the study instruments that are followed to secure data from study participants. Section 3.4 introduces the data analysis techniques Section 3.5 discusses about the concept of validity and reliability. Finally Section 3.6 present about the ethical considerations.

Generally research methods can either be quantitative, qualitative or a combination of both. **Qualitative:** research is defined as a “variety of research approaches that study phenomena in their natural settings, without a predetermined hypothesis. In this research approach, data is verbal or visual and it aims to provide insight and understanding of the given phenomena which avoids numeric data and gathers information through detail obtained via interviews and observation” (Ary, et al., 2002).

**Quantitative:** research is defined as “objective measurement and statistical analysis of numeric data to understand and explain phenomena” (Ary, et al., 2002). In this research method, data is quantified and statistical methods are used in the data analysis that aims to give a result that are representative to the whole population. The primary goal of this research design is to seek evidence about a characteristic or a relationship and to use statistical inference to generalize obtained results from a sample to a population Patrick (2008). Research problem and phenomena could detect which of the two designs to use (Uusitalo, 1991) though, one can employ both methods altogether, as qualitative research for example, is used to proceed quantitative research in identifying the appropriate variables that can then be measured (Hirsjärvi et al. 2005, Malhotra & Birks 2000,).

There are numerous types of studies within qualitative or quantitative research; they are (a) descriptive, (b) associational, and (c) intervention-type. A descriptive study helps describe events or things as carefully as possible. Associational research investigates relationships,

and intervention studies observe how a method or treatment influences outcomes (Fraenkel & Wallen, 2000).

**Survey research:** Within descriptive studies, the most common method to answer the research question is a survey. Surveys attempt to answer the question “What exists?” The advantages of survey research include: (a) the possibility to collect a wide scope of information from a large population, (b) the opportunity to deal with real situations, and (c) the development of research beyond description only (Fraenkel & Wallen, 2000). As Jan and Tony (2008) noted “A survey is a study in which (a) a single population in the real life context is selected, and (b) scores obtained from this population are analyzed in a quantitative (statistical) manner.”

In addition, surveys are classified into two categories according to the time the data was collected. The first is longitudinal which looks at information gathered at points in time; this helps to observe changes over the time frame. A longitudinal study may be accomplished by three methods: (1) a panel, where the same group is studied over time, (2) a trend, where a different people from the same population are studied, or (3) by a cohort study, where the same groups of people are followed over time. The second category, cross-sectional studies, examines a sample of the population at a specific time (Ary et al., 2002).

Kothari (2004) declared the following important features of any research design; It is a plan that specifies the sources and types of information relevant to the research problem. It is a strategy specifying which approach will be used for gathering and analyzing the data. It also includes the time and cost budgets since most studies are done under these two constraints. Thus in brief any research design should incorporate a clear statement of the problem, procedures and techniques to gather information, the population of interest and method of data processing and analyzing. Therefore, it is imperative that an efficient and appropriate design must be prepared before starting research operations, whereby the design will help the researcher to organize his ideas in a form that will be possible for him to look for flaws and inadequacies. Thus, as long as the research accuracy becomes a major concern a research design which minimizes bias and maximizes the reliability of the evidence collected should be considered.



### **3.1 Research Design**

Research design is a blueprint for fulfilling the research objectives and answering the research questions (Bhattacharjee, 2012). The function of research design is to provide for the collection of relevant information with minimal expenditure of effort, time and money. Thus the study employed an explanatory design to answer the research questions as it is found to be appropriate. In addition to this the study interested to identify the likely association of internal marketing and customer service quality that demands a large amount of numeric data from a large number of instances without further prediction of cause and effect relationship which could be further studied. Furthermore, the study is cross-sectional, where respondents were contacted once to collect empirical evidences.

### **3.2 Population and Sampling**

#### **3.2.1 Target population**

According to the researcher's methodology due to large number of customer size, number of employees and huge transaction the researcher conveniently selected all grade 3 and 4 branches from the district. Hence, the target population for this study is 325 employees and 180,000 customers of five grade IV and two grade III branches of commercial bank of Ethiopia East Addis Ababa District.

#### **3.2.2 Sample Frame**

The researcher collected the data from the seven selected branches, namely Africa Avenue, Airport, Andinet, Bole, ECA, Megenagna and Meskel Square branches which are located under east Addis Ababa district.

#### **3.2.3 Sampling Technique**

Due to cost, finance, and, any other resource limitations, the research was unable to include all staffs of all branches with the district. So that the researcher used stratified sampling depending up on district functional category of branch as (grade 1,2,3 and 4). Of which the researcher focus on grade 3 and 4 branches' those were in banking operation for more than five years and seven branches in East Addis District have selected. The researcher selected grade 3 & grade 4 rather than selecting from all grade branches because of there is homogeneity of implementation across the branches and in those branches (grade 3 & grade

4) they are more experienced employees and customers. Those seven branches have the total of 325 frontline employees. The researcher used the following standardized formula to get the right sample size with a 95% confidence interval and a 5% sampling error where samples were drawn from the seven branches and distributed 189 questioners.

$$n = \frac{N}{1 + Ne^2}$$

Where, n= required sample size

N= 325

N=Total Population

e= 0.05

e=tolerable error

$$n = \frac{325}{1 + 325(0.05)^2} = \frac{325}{1.8125} = 189$$

As cited in the works of Markkinointi (2008) in literatures a rough range of 200-500 is suggested for a typical sample size (Malhotra & Birks 2000).

Thus it is safe to say that a total of 319 respondents (189 employees and 130 external customers) are good representative of the population because all customers receive the same service where no one is treated as special and different as they receive the same homogeneous service where anyone could tell what s/he feels about the general service provision without much difficulty. In any case the goal of sampling is to provide a practical and economic mechanism to enable exact extrapolation of a sample from a given population. Convenient sampling was used to give the questionnaires to the customers according to the following formula. Samples were taken as the following table.

$$S = \frac{n}{N} \times 130$$

Where, S = Sample Size

n = Total Number of Customers of the branch

N = Total Population

Table 3.1 Sample of Customers Taken For the study

No	Branches	District	Grade	Total No of Customers	No of Samples
1	Africa Avenue	East Addis	4	20,075	14
2	Airport	East Addis	3	23,112	17
3	Andinet	East Addis	4	33,138	24
4	Bole	East Addis	4	21,028	15
5	ECA	East Addis	3	40,059	29
6	Megenagna	East Addis	4	34,92	25
7	Meskel Square	East Addis	4	8,496	6
Total				180,000	130

### 3.3.4 Source of Data

#### Primary source

The researcher used only structured questionnaire to collect the primary data for this particular study. The questionnaires were developed (for both front line employees and customers) for specific research question raised in the statement of the problem.

#### Secondary source

Secondary data were collected from different books, websites, magazines and journals of commercial bank of Ethiopia, commercial bank of Ethiopia East Addis Ababa district head office in order to know the numbers of branches, employees and customers, academic and research literatures.

### 3.4 Data Collection Instrument

The study used a structured questionnaire to obtain first hand information through direct solicitation of responses from front-line employees and customers and to test all hypotheses. The rational for using questionnaire as the methods of data collection is because it has some plus over other forms of data gathering schemes and it is common instrument in prior

researches. While Valsa (2005) confirmed the use of questionnaires at the start of a project can often be very useful because it helps you to collect a range of information with relative ease. Besides, this theoretical supports it is common to see a standardized questionnaire in many empirical studies of IM and perceived service quality. Secondary information is secured from books, journals, published/unpublished materials, from the bank's website and newsletters of the organization. Finally, a careful inspection is done to distil important inputs for the study.

As mentioned above the research primarily use questionnaire to seek the responses from important stakes. Closed-ended self-administered questionnaire was designed and prepared by the researcher based on the literatures reviewed and administered to employees and customers.

As suggested by Parasurama et al., (1988: as cited in Tyran & Ross, 2006) it can be appropriate to modify the items of SERVQUAL instrument to make the survey more relevant to the context of a particular service environment. Therefore, the instrument maintains service quality dimensions (Tangibility, reliability, responsiveness, empathy, assurance).

The five dimensions of service quality used in the SERVQUAL Model for measurement of service quality which was developed by Parasuraman et al. (1988). The other IM element related factors are adopted from different literatures which were used specifically for service.

The survey questionnaires involve both previously tested questions and items developed through a review of literature which consists of two sections. The first section incorporates closed-ended questions to gather demographic profile of employee and section two encompasses IM constructs which are developed through a review of literature that measures firms IM practices and these questions often mentioned in different phenomenological and empiricalliteratures. **(See the appendix section)**

In regards to customers, similar to employees there are preliminary questions that is related to customers demography and to obtain their view about the service performance 22-items SERVPERF questions are adopted among which 5 standard SERVPERF performance dimensions are included :1) four items were used to measure tangibles (questions 1-4) – tangibles refer to physical facilities, equipment, and personnel; 2) four items were used to measure reliability (questions 5-8) – reliability refers to the ability of a firm to perform promised service dependably and accurately; 3) five items are used to measure

responsiveness (questions 9-13) – responsiveness is the willingness to help customers and provide prompt service; 4) four items are used to measure assurance (questions 14-17) – assurance is the ability of employees to inspire trust and confidence in customers; and 5) five items were used to measure empathy (questions 18-22) – empathy refers to the amount of caring and individualized attention provided to customers. **(See the appendix section)**

All these items were used a 5-point Likert-scale, anchored on 1= “strongly disagree”, through 5= “strongly agree”. Higher scores on this scale indicate higher levels of both variables. These questions are properly constructed with the aim of making the result valid and reliable that could assess the true attitude of the respondents.

**Variables** Kothari (2004:33) “a concept which can take on different quantitative values is called a variable.” It is essential to define key concepts and terms in the specific context of the research so as to ensure that all parties are talking the same thing. Thus both variables of the study are operationalized below. The main construct the study is interested to measure is IM which is the independent variable and perceived service quality which is considered as dependent variable that could be heighten or worsen depending on quality of IM programs that the organization follows.

### **Independent variables**

***Internal marketing;*** treating the employee as a customer; where organizations constantly endeavor to develop programs and strategies for enhancing employee satisfaction in much the same way as external marketing.

***Internal communication;*** Companies interact with employee by various supportive implements, let them realize service oriented strategy and take new mission and notion.

***Employee training;*** The teaching of vocational or practical and relates to specific useful skills that involve goals normally reflect the demands of a job role

***Top management support;*** top-level managers’ action in spending time to listen, provide support and to deal with employees’ related issues.

***Employees’ Commitment;*** the relative strength of an individual employee’s identification with and involvement in, a particular organization

***Rewards;*** organizations praise or award that includes financial compensation and other non-financial prize which includes advancement, recognition and any other non-financial benefits.

**Employees' Empowerment;** increase the decision-making discretion or power of employees.  
**Internal marketing research areas;** a research practice within the organization that aims to identify the ever changing needs and wants of employees so as to better please them by providing such requests.

### **Dependent variable**

**Perceived service quality;** Consumer perception of 'what is given' and 'what is received'

### **3.5 Data Analysis Techniques**

Data collected from the questionnaire were scrutinized using the SPSS. Its validity and reliability were tested using Cronbach's alpha as it is applicable to analyze close-ended questions with multiple answers. Multiple regressions also conducted to determine the effect of IM dimensions on service quality identified in this research.

### **3.6 Validity and Reliability**

Sound measurement must meet the tests of validity, reliability and practicality (Kothari, 2004).

#### **3.6.1 Validity**

Kothari (2004) says validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In relation to the study three types of validity measures are discussed below. This includes as Geoffrey (2005) stated **Content validity** which refers to the relevance of the instrument or measurement strategy to the construct being measured. In this regard the study use a well know standardized measurement (SERVPERF) which is forward after lot of conceptual and empirical investigations and the study uses this research instruments as a means of data collection. **Construct validity** is the degree to which scores on a test can be accounted for by the explanatory constructs of a sound theory or whether the measures used in a study actually measure what they purport to measure Patrick (2008). The study largely depend on Uchenna (2005) exploratory phenomenological study and other contemporary researches output to measure IM construct. Regarding customers' perception of service quality a standardized questionnaires were adopted to measure perceived service quality construct whereby the study can assures construct validity in such a way. **Internal validity** refers to the strength of the causal linkages between and among independent and dependent variable Patrick (2008). In such regard

randomization provides protection against the effect of extraneous factors. This indicates that we should design or plan the experiment in such a way that the variations caused by extraneous factors can all be combined under the general heading of chance (ibid). Besides, the study used simple random sampling to select the sampling units from which four samples are drawn it let any biases to probability. Thus it is safe to say that the study fulfils this condition as well.

### 3.6.2 Reliability

It is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results Kothari (2004). The two variants of reliability will be assured through standardizing the condition under which the instrument administered (stability aspect) and employing the same design of measurement for the whole sample (equivalence aspect). For this purpose, Cronbach's Alpha-values were applied to determine the reliability of the construct as a measurement instrument. Besides this test for reliability the researcher took some precaution in advance by conniving research design and data collection procedures in a way that could bear itself for further investigation where later investigator could come up with the same result through following the same procedures.

### 3.6.3 Measurement of Reliability for IM Constructs

To validate the results empirically, appropriate reliability and validity tests of the measurement were taken. Reliability refers to the instrument's ability to prove consistent results in repeated uses, whereas validity refers to the degree to which the instrument measures the concept the researcher wants to do. This provides confidence that the empirical findings accurately reflect the proposed constructs (Flynn et al., 1994). The value of Cronbach's Alpha for 15 items of IM construct was 0.705 which is above 0.7. Taking into account the small number of items used to measure IM the value of alpha is acceptable, as the number of item and coefficient of alpha are directly proportion.

Table 3.2: Reliabilities test for the IM Scale (Survey Data, 2017)

Cronbach's Alpha	Number of Items
.705	15

### **3.7 Ethical Considerations**

The study gave value to ethical considerations. Respondents had full liberty in deciding to whether or not they will participate in the research. They have been made fully aware of the purpose of the research. In an attempt of assuring the confidentiality of the respondents and their response the questionnaires were not asked their name.



## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

This chapter examines the data collected for the study. It is divided into the following sections: (1) further reliability tests to examine the scales used in the study, (2) examination of respondents, (3) demographic information and (4) data analysis for research questions.

#### 4.1 Sample and Response Rate

The research took place from April 20 to May 10, 2017 where the researcher personally administered 319 questionnaires to both front-line employees and customers of the bank. All employees were randomly chosen and convenient sampling was used to target customers. The researcher gathered 304 questionnaires, yielding a response rate of 95.44 percent.

Table 4.1: Response Rate of Questionnaires Administered

Questionnaires	Number	Percentage
Returned	304	95.44%
Unreturned	15	4.56%
Total	319	100%

#### 4.1.1 Measurement of Reliability for SERVPERF Constructs

The psychometric properties of SERVPERF scales were tested and found to be acceptable i.e. coefficient  $\alpha$  for each scale were found reliable where Cronbach's alpha of constructs were greater than 0.7, revealing satisfactory reliability as all items are developed based on theories and literature.

Table 4.2: Reliability Coefficient, for the major variables of SERVPERF  
(Survey Data, 2017)

Construct	Alpha	No. Items
Tangibility	.674	4
Reliability	.849	4
Responsiveness	.555	5
Assurance	.867	4
Empathy	.904	5

The **tangibility dimension**: is defined as the appearance of physical facilities, equipment, personnel and communication materials associated to the service. There are four questions covering this perspective. It includes all physical representations and images of the service which is used to evaluate quality particularly for those new customers. The value of Cronbach  $\alpha$  is .674; therefore, the reliability is good.

As per the literatures reviewed on this paper **reliability** dimension of service quality has been mentioned frequently as the most important determinate of perception of service quality. It concerns with the company's ability to deliver on its pledge about delivery, service provision, problem resolution, and cost as well. There are four questions covering this perspective. The value of Cronbach  $\alpha$  is .849; the reliability is acceptable.

**Responsiveness**: is related to employees' willingness to help customers and the promptness in dealing with customers request questions, complaints and problems. To excel this dimension company must view the process of service delivery from customers view point so as to set a standard from customers' perspectives. Besides, the organization should authorize and empower employees with proper rights to make decisions. This lets the employee implement elastic feedback according to customers' requirements. There are five questions covering this perspective. The value of Cronbach  $\alpha$  is .555; the reliability is less acceptable.

**Assurance**: is associated with employees' knowledge and courtesy to instil trust and confidence in customers mind and to make them feel safe in any transaction with the company. There are four questions covering this perspective. The value of Cronbach  $\alpha$  is .867; the reliability is acceptable.

**Empathy**: is related to treating customers as individual and employees caring and individualized attention. It could be conveyed through personalized and customized service. There are five questions covering this perspective. The value of Cronbach  $\alpha$  is .904; therefore, the reliability is acceptable. Further, only one of the reliability alphas is below the cutoff point of 0.60, which is generally considered to be the criterion for demonstrating internal consistency of new scales (Nunnally and Bernstein, 1994). In this respect we observe the appropriateness of items in measuring the respective construct as the value alphas for the items are above the cut-off .7.

## 4.2 Descriptive Analysis

### 4.2.1 Respondents Profile (Customers)

Demographic statistics are provided within Tables, 4.3 and 4.4 which describe gender, education, age and the overall composition. Respondents were roughly proportionate between male and female customers even though the numbers of female respondents are a bit lower (male 63.1 percent, female 36.9 percent).

Table 4.3 Respondents Profile (Customers)(Survey Result, 2017)

No.	Item	Description	No. of respondents	Percentage (%)
<b>1</b>	<b>Sex</b>	Male	82	63.1
		Female	48	36.9
		<b>Total</b>	<b>130</b>	<b>100</b>
<b>2</b>	<b>Age</b>	Below 20	7	5.4
		21-30	90	69.2
		31-40	25	19.2
		Above 41	8	6.2
		<b>Total</b>	<b>130</b>	<b>100</b>
<b>3</b>	<b>Educational level</b>	Diploma	55	42.3
		BA Degree	66	50.8
		MA Degree	9	6.9
		<b>Total</b>	<b>130</b>	<b>100</b>
<b>4</b>	Years of customer experience in CBE	Below 2 years	40	30.8
		2-5	48	36.9
		6-10	30	23.1
		Above 10 years	12	9.2
		<b>Total</b>	<b>130</b>	<b>100</b>

### 4.3.2 Respondents Profile (Employees)

Similar to customers' statistic which is presented above the demographic characteristics of employees in terms of their gender, age, educational level and years of tenancy are be presented as follow whereby one can see the overall the composition of CBE<sup>ss</sup> contact personnel's. When we see the sex composition female employee's account about 68(37%) and males are 106(63%).

Table 4.4 Respondents Profile (Employees)(Survey Result, 2017)

No	Item	Description	No. of respondent's	Percentage (%)
<b>1</b>	<b>Sex</b>	Male	106	63
		Female	68	37
		<b>Total</b>	<b>174</b>	<b>100</b>
<b>2</b>	<b>Age</b>	Below 20	2	1.1
		21-30	136	73.9
		31-40	46	25
		Above 41	0	0
		<b>Total</b>	<b>174</b>	<b>100</b>
<b>3</b>	<b>Educational level</b>	High school	22	12
		Diploma	0	0
		BA Degree	138	75
		MA Degree	24	13
		<b>Total</b>	<b>174</b>	<b>100</b>
<b>4</b>	Years of experience in CBE	Below 2 years	50	27.2
		2-5	66	53.8
		6-10	24	13
		Above 10 years	11	6
		<b>Total</b>	<b>174</b>	<b>100</b>

### 4.2.3 Major Shortcomings in the bank IM implementation

Before spotting flaws in the Implementation of IM which is the purpose of question 1, let's discern the general perception of employees towards their organization IM program. When we see the mean index (3.45) it is low that indicates the majority of employees are less satisfied with their organization activity in helping and enabling them to provide a better service and it shows that there is some kind of problem in the implementation of IM. In addition to the entire construct figure the mean and standard deviation of each constructs are shown below. We can see the mean score of variables they all are below average level. Among the variables employees rate higher for the commitment and shows that the bank reward system is not perceived as proper. However, the bank is not doing well in other aspects IM where one can infer about the low quality of internal service and it is possible to say that the bank is not properly implementing it.

Table 4.5: Descriptive Statistics: Mean and standard deviation of statistic of employees IM perception (Survey data, 2017)

<b>Descriptive Statistics</b>		
	Mean	Std. Deviation
Internal Marketing	3.4511	1.02845
Communication	3.5842	0.88071
Training	3.6332	0.84118
Top Management support	3.5652	1.01685
Reward	3.0136	1.01818
Empowerment	3.3370	0.94409
Internal Research	3.3424	1.07487
Commitment	3.7187	1.38839
Perceived Internal Marketing	3.4557	0.65795

prior to inferring about the leading causes for such dissatisfaction of employees with the organization IM execution that result low perception internal service quality the study tried to see the association between employees' demographic variable and their perception of internal marketing service. Yet there weren't any significant relationship between employees' demographic variables and their perception of IM.

#### 4.2.4 Customers' overall perceived service quality

When we observe the mean score of the general perceived service quality which measures the customers overall service perception related to the bank service provision (3.66) reveals that generally customers are not pleased with the bank service. The mean values of all dimensions are indicated below and customers rating shows that they are certainly unhappy with the service they are getting, however they weren't too intolerant to bear certain difficulties.

Table 4.6: Descriptive Statistics: Mean and standard deviation of Customers' perception (Survey data, 2017)

Descriptive Statistics		
	Mean	Std. Deviation
Tangibles	3.5192	0.67458
Empathy	3.5923	0.8904
Perceived service quality	3.6687	0.72454
Responsiveness	3.6961	1.11582
Reliability	3.7558	0.82327
Assurance	3.7808	0.74775

#### 4.2.5 The relationship between employee empowerment and perceived service quality.

This examines the likely association between empowerment and customers' perception of service quality. The result in affirm that employees' empowerment and perceived service quality is vary together

Table 4.7 The relationship between employee empowerment and perceived service quality

<b>Correlations</b>			
		Empowerment	Perceived Service Quality
Empowerment	Pearson Correlation	1	.844 <sup>**</sup>
	Sig. (1-tailed)		.000
	N	174	130
Perceived Service Quality	Pearson Correlation	.844 <sup>**</sup>	1
	Sig. (1-tailed)	.000	
	N	130	130
**. Correlation is significant at the 0.01 level (1-tailed).			

Both the correlation coefficient and regression analysis show that there is a strong positive relationship between employee empowerment and perceived service quality and this relationship is such significant to support the study hypothesis where it proves that the regression coefficient is significantly different from zero.

The more employees are empowered, the higher customers' perceived service quality. As a whole IM is ongoing process whereby an organization aligns, motivates and empowers employees at all functions and levels to consistently deliver a positive customer experience that helps achieve organizational objectives. Employee empowerment means involving employees in running the business that will advance the company's performance. A company achieves this by having supportive management that gives autonomy of thought to employees. In relation to frontline employees, empowerment allowed them to exercise a degree of discretion during service delivery particularly for the product that needs to be customized.

#### 4.2.6 The extent to which internal marketing research has an impact on customer service quality

The relationship between internal marketing research and perceived service quality is shown in the table below. The result indicates that there is significant relationship between the two variables.

Table 4.8 The relationship between internal marketing research and perceived service quality

<b>Correlations</b>			
		Internal Research	Perceived Service Quality
Internal Research	Pearson Correlation	1	.864**
	Sig. (1-tailed)		.000
	N	174	130
Perceived Service Quality	Pearson Correlation	.864**	1
	Sig. (1-tailed)	.000	
	N	130	130
**. Correlation is significant at the 0.01 level (1-tailed).			

The above table shows that internal marketing research which aim to identify the main problems and needs of internal customers is related to perceived service quality. Many empirical studies shows the importance of internal marketing research that is associate with viewing employees as being important enough to warrant attention to their wants and needs.

#### 4.2.7 Possible ways to tune IM programs in view of improving customer service quality

To analysis the possible ways to tune IM programs in view of improving customer service quality multiple regression analysis method has adopted as analysis instrument. The aim of this question is to identify the most significant IM factors that affect the perceived service quality so as to show their association by which the bank could take its own action.



Table 4.9a Model estimation of linear regression

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.794	.161		4.924	.000*
	Communication	.018	.033	.021	.538	.591
	Training	.032	.033	.039	.987	.026*
	Top Management Support	.013	.024	.019	.539	.591
	Commitment	-.017	.018	-.032	.962	.338
	Reward	.015	.027	.022	.555	.048*
	Empowerment	.433	.035	.492	12.400	.000*
	Internal research	.354	.026	.543	13.545	.000*

Note: dependent variable is Perceived Service Quality and (\*) are significance level at 95 percent.

Table 4.9b Model Summary of linear Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945	.892	.885	.24671
Predictors: (Constant), Internal Research, Top Management Support, Internal Marketing, Commitment, Training, Reward, Empowerment, Communication				

As shown in the above table, from the seven independent variables, only four variables (training, reward, empowerment and internal research) are found statistically significant in explaining customer perceived service quality. This implies that, the bank should focus on the above variables to improve perceived service quality. As the result shows the three independent variables: (communication (P=.591), Top management Support (P=.591) and commitment (P=.338) does not have direct effect on perceived customer service quality.

The model estimation of regression indicates that an increase in internal research by one percent will increase perceived service quality of the bank by 54.3 percent. This shows that the bank have to make continuous internal research to tune the banks presided customer quality.

#### 4.3 Summary of hypothesis results

Table 4.10 Summary of hypothesis results

Hypothesis	Analysis used	Result
H1: The greater the intensity of internal communication within the organization, the higher the customers' perceived service quality.	Linear Multiple Regression	Fail to accept
H2: The more trained front-line staffs are, the greater the customers' perceived service quality.	Linear Multiple Regression	Accept
H3: There is a positive association between top management support and the customers' perceived service quality.	Linear Multiple Regression	Fail to accept
H4: There is a positive association between the level of employee commitment and the customers' perceived service quality.	Linear Multiple Regression	Fail to accept
H5: There is a positive relationship between reward systems of the organization for employees have a positive influence on the customers' perceived service quality.	Linear Multiple Regression	Accept
H6: The more employees are empowered, the higher customers' perceived service quality.	Linear Multiple Regression	Accept
H7: If the organization has an excellent internal marketing research program, then there will be a higher customers' perceived service quality.	Linear Multiple Regression	Accept

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### Introduction

In this chapter the study put forward the main findings, conclusion, recommendation and academic and practice implications of the study based on the data. It has several sections: 1) conclusions of the overall survey is presented, 2) recommendations are forwarded based on the study finding which will be used by the bank to achieve its goal,3) the directions for future study are putted.

The purpose of the study was to see: the most important IM components that employees value vital, the weak point in the bank practice of IM ,the overall service performance of the bank from the customers' point of view, for any possible IM alteration that can be used to satisfy the customers'needs,. If employee empowerment has an impact on customers' perceived service quality,and then likely association between internal marketing research and external customers' service quality perception. The researcher makes relevant conclusions related to the above mentioned key issues based on the empirical data analysis.

#### 5.1 Summary of Findings

Different researches give extensive details about the importance of human resource in any organization above all in service industry. Besides this one can see that some organizations give more attention to their employees as they think them as the most valuable resource which needs a continuous nurture. Moreover, keeping talented individuals within the organization becomes imperative. It is clear, therefore, that internal marketing is concerned with more than treating employee as a customer; it signifies that the organization should constantly endeavour to develop programmes and strategies for enhancing employee satisfaction in much the same way as external marketingplans which are continuously updated and improved to meet external customer demands Moreover, according to Zairi (2000),

- Internal customer satisfaction is the source of excellent quality because if the organization satisfies the needs of its internal customers, it is also enabling internal customers to perform their tasks and the networks of organization units are more likely to work effectively together to achieve customer satisfaction.

- Thus any kind of research that raise a related issue has a plus point for the case company or any other firms since all businesses race in the same field.
- The current research examined how internal marketing helps front-line employees in delivering quality service that increase customers' perception of service quality in the case company CBE.
- The paper discussed and empirically tested the nature of relationship among each variables of IM and perceived service quality.
- When we see the average score of employees' overall evaluation of their organization IM practices which is found small where one can conclude that there are curb in the bank IM program.
- The study also discovered the possible causes that are accountable to low perception and dissatisfaction of employees in their organization.
- Employees' Training, Reward, Empowerment and internal marketing research was found to be the major variable that result lower employees' perception internal service quality and causes for their dissatisfaction accordingly.
- Yet, the results from regression analysis demonstrate that internal communication, and top management support failed to explain customers' perception of service quality significantly. Employees' commitment is found as a mediator variable associate with customers perceived service quality.
- Thus we can conclude that firms' practices internal training, employees' empowerment, reward and internal marketing research could ultimately affect customers perception of service quality.
- When we look at the customers rating of the overall performance of service quality they receive it is below average which shows that most of the customers receives inferior service as the mean index points.
- The study also examines the association between the customers' perception of service quality and the five dimensions of service quality to determine the reasons for such customers low perceived service quality.
- As shown in the previous chapter employees' empathy, responsiveness, tangibility dimension, assurance and reliability of the service were found significant in judging service operation of the bank in that order.
- Thus customers' perception of inferior service quality is highly associated with all dimensions but they give more weight to the empathy aspect of the service which is

related to the extent to which employees give caring and personalized attention to the individual needs.

- The main ground of this research is to see the impact that bank IM program has on internal customers and its ultimate effect on customers' perception of service quality.
- Based on the empirical output of the study we notice that there is actual association between employees IM perception and customers' evaluation of service quality.
- Among the seven components IM the study found that customers' perception of inferior service quality is related to lack of internal marketing research.
- Employees' empowerment becomes the second important factor that accounts for low perceived service quality.
- Training also found important in affecting perception of service quality.
- Reward considered as the final key factor.
- As identified in literatures extensive internal communication could be used to share market intelligence as well as to communicate and disseminate the output across relevant departments and individuals within the organization.
- The remaining three factors are found to have an indirect effect on perceived service quality only through other significant variables, (i.e. employees' commitment, reward, training and internal marketing research).
- The study also tests the proposed hypotheses which are related to the influence of IM variables on perceived service separately.
- The regression analysis result shows that the hypotheses which illustrate the importance of employees' empowerment, reward, training and internal marketing research are supported as they found statistically significant.

## **5.2 Conclusions**

- The results of this research enable managers of the bank at each level to better understand the gradation of managing front-employees to get a higher level of customers perceived service quality.
- The study result shows the different roles of internal marketing that managers could use to achieve internal as well as external customers satisfaction.
- In particular the need for trained, empowered, adequately rewarded employees and internal marketing program are identified as the main tasks that the managers accomplish in order to avoid low customers perceived service quality.

- Many researchers complain about lack of a clear and well defined model that could be used to empirical study. In this regard this research should be seen as a prelude attempt in addressing the issue of IM and perceived service quality that rely on both HR and services marketing theories and practices.
- Besides this the research tries to give a new insight to looking at the subject a little bit different ways than the usual approach.
- Prior studies show that proper implementation of IM program will ensure employees motivation at the forefront. However, this task of managements should not solely be the responsibility of human resource department but must be adopted by all managers throughout the organization which creates the opportunity to improve quality throughout the organization (Prasad & S
- teffes, 2002).
- The current study also presents some important remarks that could be used by the management of CBE to build a good working atmosphere internally that could help employees to deliver the needed service as per the standard and could to create a good customers attitude.

### **5.3 Recommendations**

The analysis of customers and employees response shows that there are problems from both sides which insist due consideration from management.

- In this regard the firm must first solve internal customers' problem by enhancing employees' training.
- Then adjusting the reward system in order to make better the quality of service encounter rather than using previously implemented practices of rewarding employees that solely based on the quantity of how much they sold.
- Empowerment also mentioned by employees as the main reason for their discontent. Empowerment is increasing the decision-making discretion or power of employees.
- Internal marketing should be there that is treating the employee as a customer; where organizations constantly endeavour to develop programmes and strategies for enhancing employee satisfaction in much the same way as external marketing.
- The bank should consider employees' commitment, internal communication, and top management support since these variables are found to be indirectly responsible for the inferior perception of service quality.

- The bank should encourage and insist on employees to show caring and individualized attention in every service encounter and provide unique solution for individual's request to change customers' perception of service quality.
- Employee responsiveness is found as an extra dimension to explain low perceived service quality. Thus employees' willingness and readiness should be promoted so as to provide prompt service.
- The bank should set certain standards within which a given transaction is executed based on customers view.

#### **5.4 Directions for future Research**

The study is open for further revision particularly the measure of internal marketing construct requires further theoretical improvement and explanation to distinguish it from some of the constructs that are described and normally treated as part of human resource management. There is a need for well established and exhaustively tested standard measures of IM like SERVQUAL scales. Further studies that encompass a variety of businesses should be conducted in order to increase the results application.

Moreover, in this research the researcher used limited numbers of branches from the east Addis Ababa district of commercial bank of Ethiopia, so increasing the branch number might result in significant change on the output, also the researcher conducted the research on only commercial bank of Ethiopia, so for future research it is better to conduct similar research on other private banks.

For future other researchers should consider other independent variables and external marketing elements for better result.

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# *Appendices*



**አዲስ አበባ ዩኒቨርሲቲ**  
**ንግድ ሥራ ት/ቤት**  
**የድህረ ምረቃ ትምህርት ክፍል**  
**በኢትዮጵያንግድባንክደንበኞችየሚሞላየአገልግሎትፕራትምዘናመጠይቅ**

የተከበሩ ደንበኛ

የዚህመጠይቅዓላማበኢትዮጵያንግድባንክአገልግሎትአስካሁንሲገለገሉያሎትንልምድመሰረትበማድረግጥናትለማድረግሲሆንመጠይቅ ችበመሰረታዊነትእርስዎበሚገለገሉባቸውየባንኩቅርንጫፎችላይያለውንየአገልግሎትአሰጣጥፕራትለመመዘንሆኖምዘናውምሙሉበሙሉበአዲስአበባዩኒቨርሲቲየንግድስራትምህርትቤትለማርኬቲንግማኔጅመንትድህረምረቃመረቂያፅሁፍማሚያብቻየሚውልነው።

ይህንንመጠይቅለመሙላትፍቃደኛበመሆንዎከልብአመሰግናለሁ።

ወ/ሮ ኤልሳቤት ቶለሳ

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ስልክ : +251911075613/0911167813  
 (የድህረምረቃመርሀግብርአጩተመራቂ)

መጠይቁ 2  
 ክፍልያለውሲሆንበጠቅላላውበኢትዮጵያንግድባንክአገልግሎትአሰጣጥላይእርስዎሊሆንይገባልብለውበሚያምኑትናእስካሁንባሎትትክ ከለኛልምድላይመሰረትያደረጉጥያፍዎችንየያዘነው።

**ክፍል 1 የ መላ ሹ/ሿ ግላዊ መረጃ**

ይህየመጀመሪያክፍልየእርስዎንግላዊመረጃየሚጠይቅሲሆንበትከክልየእርስዎንበሚያመለክተውሳጥንውስጥ ምልክትበማድረግምላሽዎንእንዲሰጡብአክብሮትእጠይቃለሁ። X

1. ስምዎ
2. ዕድሜ ከ20 ዓመት በታች ከ21-30 ዓመት ከ31  ዓመት    
 ከ41 ዓመት በላይ
3. የትምህርት ደረጃ ከሁለተኛ ደረጃ ትምህርት በታች ሁለተ  ደረጃ ትምህርት ዲፕሎማ   
 የመጀመሪያ ዲግሪ ከመጀ  ዲግሪ በላይ
4. እርስዎ በኢትዮጵያንግድባንክ ደንበኝነት የተገለገሉበት ጊዜ  
 ከ2 ዓመት በታች ከ  መትከ6-10 ዓ  ከ10 ዓመት

ክፍል 2

እርስዎ የኢትዮጵያን ግድባንክ ተገልጋይ እንደ መሆንዎ ለዎት ልምድ በጣም ጥሩ የሆነ የባንክ አገልግሎት ለማግኘት ሊሆን ይገባል የሚሉትን ያስቡ፡፡ ይህ ዘመን ከዚህ በታች በሰፊ ሩት ዓረፍተን ገሮች ሀሳብ ትይዩ (1፣ 2፣ 3፣ 4 እና 5) ቁጥሮች የሰፊ ሩሲሆን፡- 1 ማለት በሀሳብ በጣም የማይስማሙ፤ 2 ማለት በሀሳብ የማይስማሙ፤ 3 ማለት ሀሳብ በጥቂቱ ሊሆን ይችላል ብለው ሲያስቡ፤ 4 ማለት በሀሳብ መስማማት ይቻላል፤ 5 ማለት ደግሞ በሀሳብ በጣም መስማማት ይቻላል ብለው ሲያስቡ፡፡ ስለሆነም በእነዚህ ዓረፍተን ገሮች መሰረት እርስዎ ሊሆን ይገባል ብለው የሚያስቡትን ቁጥር በማክበር በምላሽ እንዲሰጡ በአክብሮት እጠይቃለሁ፡፡

ተ.ቁ	ዓረፍተን ገሮች	በ ጣም አ ል ስ ማማም	አ ል ስ ማማም	በ ጥቂቱ እ ስ ማማለ ሁ	እ ስ ማማለ ሁ	በ ጣም እ ስ ማማለ ሁ
1	የ ኢትዮጵያ ንግድ ባንክ ቁሳ ቁሶች ዘ መና ዊ ና ቸው	1	2	3	4	5
2	የ ኢትዮጵያ ንግድ ባንክ ወስጡ ለ ዕ ይታ የ ማሰብ ነ ው	1	2	3	4	5
3	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ን ፅ ህ ና ቸውን የ ጠበቁ ና ቸው	1	2	3	4	5
4	በ ኢትዮጵያ ንግድ ባንክ ወስጥ ከ አ ገ ል ግሎቱ ጋር በ ተያያዘ ግንኙነት ያ ላ ቸው ነ ገ ሮች ሁሉ ን ፀ ህ ና ቸው	1	2	3	4	5
5	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች በ ሰ አት ይ ገ ኛሉ	1	2	3	4	5
6	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኛዎች ግር በ ማህ ጥምበት ወቅት ች ግሩን ለ መፍታት ይተባበራሉ	1	2	3	4	5
7	በ ኢትዮጵያ ንግድ ባንክ ደንበኛው እንደ መጣ አ ገ ል ግሎቱን ያ ገ ኛል	1	2	3	4	5
8	የ ኢትዮጵያ ንግድ ባንክ አንድን ነ ገር አደርጋለሁ ካለ ቃሉን ጠብቆ ያደርጋል	1	2	3	4	5
9	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ጥንቃቄ በ ተሞላ በት አ ሰራር በት ከክል ይሰራሉ	1	2	3	4	5
10	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኞቹ መረጃዎችን በቀላሉ እንዲያ ገኙ ያደርጋሉ	1	2	3	4	5
11	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ለ ደንበኛው ፈጣን አ ገ ል ግሎት ይሰጣሉ	1	2	3	4	5
12	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኛውን ለ መርዳት ዝግጁ ና ቸው	1	2	3	4	5
13	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ለ ደንበኛው ጥያቄ በ ፍጥነት መልስ ይሰጣሉ	1	2	3	4	5
14	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች በ ሰራቸው እምነት እንዲኖር ይችላሉ	1	2	3	4	5
15	በ ኢትዮጵያ ንግድ ባንክ ደንበኛው ከ ሰራተኞቹ ጋር በ ማያ ደርገው የ ስራ ግንኙነት ደህንንነት ይሰማሉ	1	2	3	4	5
16	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች ደንበኛው በ አክብሮት ያስተናግዳሉ	1	2	3	4	5
17	የ ኢትዮጵያ ንግድ ባንክ ሰራተኞች የ ደንበኛውን ጥያቄ ለ መመለስ በቂ እወቀት አላቸው	1	2	3	4	5

18	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ለደንበኞቻቸው የግል ትኩረት ይሰጣሉ	1	2	3	4	5
19	የኢትዮጵያ ንግድ ባንክ ለደንበኞቹ አመቺ የሆነ የሥራ ሰአት አለው	1	2	3	4	5
20	የኢትዮጵያ ንግድ ባንክ ሰራተኞች እያንዳንዱ ደንበኛ እንደፍላጎቱ አገልግሎቱን እንዲያገኝ ያደርጋሉ	1	2	3	4	5
21	የኢትዮጵያ ንግድ ባንክ ሰራተኞች ለደንበኞቹ እርካታ የሚጠር ነው	1	2	3	4	5
22	የኢትዮጵያ ንግድ ባንክ ሰራተኞች የደንበኞቹን ትክክለኛ ፍላጎት ይረዳሉ	1	2	3	4	5

ጊዜዎን መስዋት አድርገው ምላሽ ሰጠውኝ ከልብ አመሰግናለሁ!



**Addis Ababa University  
School of Commerce**

**Questionnaire to Be Filled By Commercial Bank of Ethiopia Employees**

**Dear Respondent**

I would like to share your wonderful insights on this questionnaire with regards to your banking experience you have had in the past within Commercial Bank of Ethiopia. The questionnaire is designed to measure internal marketing views employees as customers that satisfy their needs and wants fulfilled while addressing the objectives of the bank. Please consider each question carefully to determine how you feel about the subject matter personally as a customer of your organization the consumption is purely for academic research purpose for partial fulfilment of a post graduate program in marketing management at Addis Ababa University School of Commerce. Thank you for sharing your valuable time in filling this questionnaire.

The questionnaire has 2 parts each referring to your actual experience and ideal thought of an excellent banking service provider.

W/r Elisabeth Tolessa

E-mail- [ElisabethTolessa@cbe.com.et](mailto:ElisabethTolessa@cbe.com.et)

Tel.: +251911075613/0911167813

**Part 1 personal information**

This first part inquires your personal information so please mark **X** in the space provided exactly fits with your back ground

**1. Sex** Female\_\_\_\_\_ Male\_\_\_\_\_

**2. Age** Below 20 years\_\_\_\_\_ From 21-30 years\_\_\_\_\_ From 31-40 years\_\_\_\_\_

Above 41 years\_\_\_\_\_

**3. Educational Level** Below High school\_\_\_\_\_ High school Diploma\_\_\_\_\_

First Degree\_\_\_\_\_ Above First Degree \_\_\_\_\_

**4. For how many years you are an Employee of Commercial Bank of Ethiopia**

Below 2 years\_\_\_\_\_ From 2-5 years\_\_\_\_\_ From 6-10 years\_\_\_\_\_ Above 10 years\_\_\_\_\_



**PART 2.** internal marketing views employees as customers that satisfy their needs and wants fulfilled while addressing the objectives of the department. Please consider each question carefully to determine how you feel about the subject matter personally as a customer of your organization. Please circle 'O' any of the numbers in the middle that show how strong your feelings are.

S.N	Internal marketing management elements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Are you satisfied with the firms' internal marketing programs in assisting you to properly serve your customers?	1	2	3	4	5
2	Information is naturally exchanged throughout the entire department	1	2	3	4	5
3	Reports, memos, videos, presentations and formal meetings are used to communicate and disseminate market intelligence and other relevant information across departments and individuals within the organization.	1	2	3	4	5
4	The firm does offer training and other interpersonal and technical skills that enable us to perform our job successfully.	1	2	3	4	5
5	The organization gives continual training that helping me and other colleagues to develop a „sense of confidence“, „reassurance“, and „satisfaction“ in service delivery process.	1	2	3	4	5
6	My boss will spend some time to listen my complaint which related to the task which I assign to and other emotional difficulties.	1	2	3	4	5
7	Do you think that your level of emotionally attachment, identification with the organization is higher?	1	2	3	4	5
8	I am proud and feel good about working for this organization because I truly believe in the in its mission and products/ services it provide.	1	2	3	4	5
9	Am extremely glad I chose this organization to work for over others I was considering at the time I joined.	1	2	3	4	5
10	Do you think that organization properly measures and reward performance that contributes most to its organization's goal.	1	2	3	4	5
11	The reward system is accustomed to quality of output that rewards employees who have an excellent record in serving customers.	1	2	3	4	5
12	Do you think that you're working in the environment that supports you to take decision by your own?	1	2	3	4	5
13	There are ways for employees to exercise our discretions and judgments that are essentially needed for accomplishing the task.	1	2	3	4	5
14	Willingness to help customers	1	2	3	4	5
15	Information about employees needs is gathered on continual bases to improve jobs and develop suitable HR programs	1	2	3	4	5

Cronbach's Alpha	Number of Items
.705	15

<b>Descriptive Statistics</b>		
	Mean	Std. Deviation
Internal Marketing	3.4511	1.02845
Communication	3.5842	0.88071
Training	3.6332	0.84118
Top Management support	3.5652	1.01685
Reward	3.0136	1.01818
Empowerment	3.3370	0.94409
Internal Research	3.3424	1.07487
Commitment	3.7187	1.38839
Perceived Internal Marketing	3.4557	0.65795

<b>Descriptive Statistics</b>		
	Mean	Std. Deviation
Tangibles	3.5192	0.67458
Empathy	3.5923	0.8904
Perceived service quality	3.6687	0.72454
Responsiveness	3.6961	1.11582
Reliability	3.7558	0.82327
Assurance	3.7808	0.74775

<b>Model Summary</b>				
Mod el	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945	.892	.885	.24671

<b>Correlations</b>			
		Empowerment	Perceived Service Quality
Empowerment	Pearson Correlation	1	.844 <sup>**</sup>
	Sig. (1-tailed)		.000
	N	174	130
Perceived Service Quality	Pearson Correlation	.844 <sup>**</sup>	1
	Sig. (1-tailed)	.000	
	N	130	130
**. Correlation is significant at the 0.01 level (1-tailed).			

<b>Correlations</b>			
		Internal Research	Perceived Service Quality
Internal Research	Pearson Correlation	1	.864 <sup>**</sup>
	Sig. (1-tailed)		.000
	N	174	130
Perceived Service Quality	Pearson Correlation	.864 <sup>**</sup>	1
	Sig. (1-tailed)	.000	
	N	130	130
**. Correlation is significant at the 0.01 level (1-tailed).			